

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

July 13, 2020

Press Release:

**The Banking Supervision Department announces the expansion of the comprehensive framework for deferring loan payments**

* **In May 2020, the Banking Supervision Department announced a comprehensive framework that was adopted by the banking system for deferring loan repayments, as assistance to bank customers in dealing with the ramifications of the coronavirus crisis.**
* **In March–June 2020, the banks deferred loan repayments for approximately 553,000 customers in all activity segments, at a total value of approximately NIS 7 billion.**
* **With the goal of continuing to assist customers in dealing with the case flow difficulties due to the ramifications of the coronavirus crisis, while managing risks in an informed and responsible manner, the Banking Supervision Department announced an extension and expansion of the previous framework for deferring loan repayments, as follows:**
  + Regarding mortgages, consumer credit and business credit: The period for submitting a request for a deferral of loan repayments will be extended to October 30, 2020.
  + Mortgages: Customers who have already received a deferral of mortgage repayments will be able to defer the payments until the end of 2020, even if the deferral exceeds 6 months. Customers who have not yet deferred mortgage repayments, and ask to do so, will be able to defer the payments for 6 months.
  + Consumer loans up to NIS 100,000: Customers will be able to defer such loans for up to 6 months (at the customers’ choice) without the bank’s judgment, as opposed to the previous framework in which the deferral was for 3 months.
* **We emphasize that the framework that was formulated presents the minimum terms for deferring the loans, and each bank may expand it for the benefit of its customers and at their request.**
* **The Banking Supervision Department will continue to follow closely the developments and the dynamic ramifications of the crisis, and will examine additional ways to assist households and businesses.**

**Governor of the Bank of Israel, Prof. Amir Yaron,** said, “We are working and we will continue to work with all the tools available to us in order to support the economy and economic activity at the background of the crisis. The extension of the framework for deferring loans allows some additional breathing space and will make it easier for households and businesses that were adversely impacted to endure the crisis period. However, it should be recalled that credit is not a grant, and it has to be paid back, and the borrower has to consider the various aspects of the deferral. The expansion of the framework for deferring loans comes in parallel with the government assistance plan to provide maximum certainty to those who have been negatively impacted.”

**Supervisor of Banks Yair Avidan** said, “We all see that many households and businesses continue to be impacted by the ramifications of the coronavirus crisis and therefore those customers have to continue being assisted, with informed and responsible risk management. The resilience of the overall public is built on the resilience of the individuals that comprise it, and the expansion of this framework can strengthen the resilience of private individuals. I commend the banking system on the expansion of the framework, out of an understanding and readiness to continue accompanying the customers during this challenging time, with flexibility and sensitivity. We will continue to follow the developments and to examine additional ways to make things easier and to provide tools for dealing with the difficulties that many households and businesses are forced to deal with each day.”

As households and small businesses are still dealing with the economic ramifications of the coronavirus crisis, which include, among other things, a decline in income and accordingly difficulty in repaying the loans that were taken out prior to the outbreak of the crisis, the Banking Supervision Department announces the expansion of the uniform framework for deferring loan repayments, the goal of which is to assist households and small businesses with cash flow difficulties.

The goal of the expanded framework is to assist those who deferred payments in the past and require additional “oxygen” to get through the difficult period, but they also bear the responsibility to prepare for meeting their obligations in the future. It is also intended to assist the public that so far has succeeded in meeting its obligations and not deferring payments, to know that it has the possibility of using the framework in that manner and to ease its cash flow as needed.

The formulation of the framework by the Bank of Israel was carried out while examining the steps and practices common around the world in this issue, both from the perspective of the time span given to submit a loan deferral request and from the perspective of the length of the deferral and the related terms.

Following are details on the framework’s expansions (a comparison table of the expanded framework and the previous framework is attached as Appendix A).

**Mortgages**

Under the previous framework: For mortgages, the deferral will be for a period of 6 months, without the bank’s judgment.

**Under the expanded framework:** The deferral period for mortgages will be as follows:

Customers who have already deferred mortgage repayments for up to 6 months will be able to receive a further deferral up to December 31, 2020.

Customers who have not yet deferred mortgage payments and now are interested in deferring them will be able to receive a deferral of up to 6 months. The request has to be submitted by October 30, 2020.

**Consumer loans:**

Under the previous framework: For consumer loans with an outstanding balance of up to NIS 100,000, the deferral will be carried out for a period of 3 months (with an option for an additional 3-month deferral in line with the bank’s judgment).

**Under the expanded framework:** The deferral period for such loans shall be up to 6 months, at the customer’s choosing, in the following manner:

Customers who already deferred payments for some of the period will be able to submit another request to defer the payments for a cumulative period of up to 6 months, provided that there were no arrears in the loan as of February 28, 2020.

Customers who have not yet deferred payments, and now are interested in doing so, will be able to receive a deferral of up to 6 months. This will also apply to customers whose loans had arrears in the two months preceding the date the request is submitted.

It will be possible to submit requests for deferral of payments in line with this framework beginning from the date this notice is published and until October 30, 2020.

**Business credit—extension of period to submit a deferral request**

Under the previous framework: A request for a deferral of business loan repayments can be submitted until July 31, 2020.

**Under the expanded framework:** a borrower who took business credit, and who has not yet submitted a request to defer payments, or who submitted a request for a partial period, will be able to submit a request to defer payments, in accordance with this framework, until October 30, 2020.

**Deferred payments will bear an interest rate that does not exceed the interest rate set in the loan agreement and will apply to the deferral period.** Therefore, prior to making a decision on deferring payments, it is important that the customer examine the ramifications of the deferral, including the economic price of the deferral (from the perspective of the interest cost, amount of monthly payment after the deferral, etc.) in order to make an informed decision.

**Updated data—deferrals carried out to date in the banking system**

Since the outbreak of the crisis, the banking system has deferred loan repayments at unprecedented scopes in all activity segments, as detailed below:

In March–June 2020, the banking system **approved 553,000 requests** submitted for deferring loan repayments at **a total amount of NIS 7 billion.** The outstanding balance in respect of which the deferral was requested was NIS 156.6 billion, which makes up about 14.8 percent of the total banking system’s credit portfolio.

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| **Credit repayment deferrals beginning from March 1, 2020 through June 30, 2020 (NIS billion)** | | | | | |
|  | **Consumer** | **Housing** | **Small business** | **Business**  **Commercial** | **Total** |
| Number of customers for whom there was a deferral | 277,634 | 144,562 | 124,952 | 5,798 | 552,946 |
| Balance of payments actually deferred | 1.1 | 2 | 2.4 | 1.5 | 7 |
| Balance of credit in respect of which the payments were deferred | 12.9 | 98.3 | 21.4 | 24 | 156.6 |
| Share of total credit portfolio | 8.8% | 24.1% | 19.7% | 6.1% | 14.8% |

**Appendix A: The expanded framework vs. the previous framework**

|  | **Type of framework** | **Customer group** | **Deferral period** | **Last date to submit deferral request** | **How payments are spread out** | **Maximum interest rate** | **Fee charged** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Mortgages** | Previous framework | All borrowers\* | 6 months | July 31, 2020 | Distributed over the loan period | The contracted interest rate | The deferral will be carried out without any fee incurred |
| Expanded framework | Borrowers who deferred mortgage repayments for a period of up to 6 months will be able to receive an additional deferral until December 31, 2020.  Borrowers who have not yet deferred mortgage payments and want to do so now can receive a deferral of **up to 6 months;** the request must be submitted by Oct. 30, 2020. | **Oct. 30, 2020** |
| **Consumer credit up to NIS 100,000\*\*** | Previous framework | A borrower without arrears as of February 28, 2020 | Deferral for a period of 3 months.  In addition, an option for extension of another 3 months, in line with the bank’s judgment. | July 31, 2020 | Payments added at the end of the loan period\*\*\* |
| Expanded framework | Regarding a request for an additional deferral: A borrower without arrears as of Feb. 28, 2020.  Regarding a new request for deferral: A borrower without arrears in a loan over the 2 months preceding the date the request is submitted. | Customers who already deferred payments for part of the period can submit a request for an additional deferral **up to a cumulative period of 6 months,** without the bank’s judgment, and provided there were no arrears in the loan as of February 28, 2020.  Customers who have not yet deferred payments and want to do so now, can receive **a deferral of up to 6 months** without the bank’s judgment. The above also applies to customers whose loans had arrears in the 2 months prior to submitting the request. | **Oct. 30, 2020** |
| **Business credit** | Previous framework | A business with annual turnover of up to NIS 25 million, which was negatively impacted by the crisis. | Up to 6 months, **in line with the bank’s judgment** | July 31, 2020 | Payments added at the end of the loan period\*\*\* |
| Expanded framework | The business’s loans have been repaid regularly up to Feb. 28, 2020 during the year preceding this date, and it is expected that it will get through the crisis and be able to meet the loan repayment after the crisis. |  | **Oct. 30, 2020** |

Clarifications:

\*A borrower who was in arrears prior to February 28, 2020, will be able to defer for a period that does not exceed 180 days from the day the arrears began.

\*Not including a borrower who is in a legal proceeding.

\*\*Not including loans in commercial collaboration with a third party.

\*\*\*The manner of spreading out the loan is subject to technical limitations derived from the bank’s computer system. Should it be necessary, alternative solutions for the distribution mechanism will be suggested.

\*\*\*\*The interest rate—the deferred payments will bear an interest rate that does not exceed the interest rate in the loan contract. It is important to emphasize that the deferral of the loan repayments is like taking out a new loan, at the amount of the deferred sum.