



## CMF extends treatment for provisions in loan reschedulings to cooperatives and mutuals

- *The transitional measures aim to facilitate the rescheduling of loans for households and businesses.*
- *The new measures are intended to give entities supervised by the Commission an accounting framework for the renegotiation of their loans. Each entity, according to the assessment it makes of its client portfolio, may take the easements it deems appropriate.*
- *The Commission stresses the importance of its supervised financial institutions to provide individuals with clear, accurate information on the various loan alternatives and their associated costs.*

**April 3, 2020.-** The Financial Market Commission (CMF) announces additional transitional measures for the treatment of provisions to facilitate the flow of credit to households and businesses. These measures seek to mitigate the impact of the shock on the economy due to the expansion of Covid-19.

These measures, applicable to Savings and Credit Cooperatives, Administrators of Endorsable Mortgage Loans, and Insurance Companies supervised by the Commission, seek to facilitate the rescheduling and refinancing conditions that they may offer to their customers. This exceptional treatment will be in force until July 31, 2020 and is intended to avoid computing higher provisions for the fees corresponding to the rescheduling and refinancing of loan operations. Said measures complement yesterday's announcement regarding the banking sector.

The alternative granted by the CMF for the treatment of provisions is not a limit to the flexible payment options offered by financial institutions. Furthermore, it does not relieve them of their responsibility to maintain an adequate assessment of their credit and liquidity risk management so as not to compromise their financial soundness.

### Cooperatives

In the case of cooperatives, the following conditions by portfolio are set for the transitional treatment of provisions:

- **Mortgage Loans:** The maximum grace or dividend deferment period will be six months for debtors who are up to date or in arrears for no more than 30 days within the indicated validity period.
- **Commercial Loans:** The maximum grace or deferment period will be four months for debtors who are up to date or in arrears for no more than 30 days or one installment within the indicated validity period.
- **Consumer Loans:** The maximum grace or deferment period will be three months for debtors who are up to date or in arrears for no more than 30 days within the indicated validity period.

## Managers of Mortgage Loans

As for the Administrators of Endorsable Mortgage Loans, the special treatment for the provisions on rescheduled loan installments considers:

- An extension in the payment schedule of up to six dividends for debtors up to date or with arrears of up to one dividend during the validity period.

Furthermore, regarding cash loans granted by insurance companies, the special treatment for provisions applies in the following case:

- Debtors whose credit obligations were up to date or with arrears of no more than 30 days during the validity period may take out a new loan with a grace period of up to three months. The loan's term may also be extended, and the amount of its fees reduced.

Financial institutions must report regularly to the CMF on the extent and impact of granted reschedulings.

The Financial Market Commission stresses the importance of financial institutions providing their customers with clear, accurate information about their offers: credit conditions; insurance involved; associated costs; and any relevant data to assess the rescheduling of loans. It also continues to analyze the best alternatives to help mitigate the impact of the economic shock of the coronavirus on the financial system.

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