PRESS RELEASE

Until August 31, 2020 for supervised banks and cooperatives

CMF extends special treatment of provisions for loan rescheduling

- *The extension of the term of this temporary measure, announced in April, will apply to the housing and commercial loan portfolios.*
- *The aim is to facilitate loan rescheduling with debtors who maintain future payment capacity conditions.*
- *The CMF stresses the importance of financial institutions to provide their customers with clear and accurate information on the various loan alternatives and their associated costs.*

July 31, 2020 – The Financial Market Commission (CMF) decided to extend until August 31, 2020 part of the temporary measures announced in April for the treatment of credit risk provisions applicable to banks and supervised savings and credit cooperatives. The aim is to facilitate loan rescheduling with debtors who maintain future payment capacity conditions due to the Covid-19 pandemic.

The measures announced by the Commission in April, which were set to expire on July 31, 2020, allow banks and cooperatives not to consider increased provisions for loan installments that are rescheduled under this special treatment. The one-month extension on this treatment will apply to housing and commercial loans. The aim is to facilitate loan rescheduling for debtors who have been affected by the sanitary and economic situation, but still have the capacity to pay in the future.

The exceptional treatment allows for no increase in the risk provisions for housing and commercial loans, as long as the debtors are up to date or with arrears not exceeding 30 days in the month in which the rescheduling takes place, and the grace period or extension of dividends does not exceed 3 months.

Credit Risk

The one-month extension of these measures is part of the need to reconcile payment conditions that debtors will continue to require to meet their commitments with the obligation of supervised entities to adequately recognize credit risk in the economic situation faced by the country. The alternatives granted by the Commission for the treatment of provisions do not constitute a limit to other flexible payment options that banks and cooperatives may offer to their customers. Such alternatives must be consistent with their credit policies and adjusted to comply with the regulations in force. Furthermore, the special treatment provided by the CMF does not relieve financial institutions of the responsibility to maintain an adequate assessment of their credit and liquidity risk management, so as not to compromise their financial strength.

The Commission stresses the importance of financial institutions to provide clear and accurate information on their offers to their customers, including credit conditions, insurance status, associated costs, and any other information relevant to the assessment of a loan rescheduling.

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