

MATURITY EXTENSION AND PAYMENT DEFERMENT ON BUSINESS LOANS EXTENDED FOR SIX MORE MONTHS

FSC Chairman Koh Seungbeom held a meeting with the financial industry groups and state-backed financial institutions on March 23 and made a final decision to extend the availability of loan maturity extension and payment deferment for SMEs and small merchants for six more months until the end of September 2022.

CURRENT SITUATION

Since April 2020, the financial industry has made available maturity extensions and payment deferments to SMEs and small merchants struggling through the coronavirus pandemic. Between April 2020 and January 2022, the total volume of loans (principal and interest) under these programs amounted to KRW291.0 trillion (or 1,165,000 cases).¹ As of the end of January 2022, the balance of loans under these programs amounted to KRW133.4 trillion (or 704,000 cases).²

The maturity extension and payment deferment programs have contributed to the recovery efforts of SMEs and small merchants without businesses having to worry about their payment burdens. According to a survey conducted by the Korea Federation of SMEs in January 2022, some 80 percent of SMEs have indicated that these support measures have helped them.

The measures to help ease the payment burdens of businesses after the program expires³ and the measures to reinforce the debt structure⁴ are also currently being implemented seamlessly. About 54 percent (or KRW9.0 trillion) of loans under the payment deferment program (principal and interest) have completed one-on-one pre-consultation with financial institutions, and about one third of them (KRW3.0 trillion) have already begun making payments on loans.

BACKGROUND

Despite extending the availability of maturity extension and payment deferment programs three times over the past two years,⁵ SMEs and small merchants are continuing to experience difficulties due to the spread of the coronavirus variants. In its decision to pass the supplementary budget on February 21, 2022, the National Assembly made an additional bipartisan comment to seek an additional extension of

¹ Maturity extension: KRW276.2 trillion (1,054,000 cases), Deferment on principal payment: KRW14.5 trillion (94,000 cases), Deferment on interest payment: KRW244.0 billion (17,000 cases)

² Maturity extension: KRW116.6 trillion (655,000 cases), Deferment on principal payment: KRW11.7 trillion (37,000 cases), Deferment on interest payment: KRW5.0 trillion (12,000 cases)

³ Please click [here](#) to see the press release dated March 2, 2021.

⁴ Please click [here](#) to see the press release dated September 16, 2021.

⁵ Initial period (April 2020 to September 2020) → 1st extension (until March 2021) → 2nd extension (until September 2021) → 3rd extension (until March 2022)

the maturity extension and payment deferment programs. As such, the FSC announced its plan to seek an additional extension on March 3, 2022 and has been coordinating with the financial industry accordingly. On March 22, 2022, the head of the presidential transition committee, Ahn Cheol-soo, made a request to promptly complete coordination to extend the maturity extension and payment deferment programs.

EXTENSION OF SUPPORT MEASURES

With a six-month extension, SMEs and small merchants that are eligible for these programs⁶ can apply for maturity extension and payment deferment until the end of September this year. For SMEs and small merchants whose business loans come to maturity or face an expiration of the payment deferment period within the extended period can reapply for these support measures. The previously issued legal interpretation on the classification of asset quality of loans under these programs will continue to be maintained.⁷ State-backed financial institutions⁸ will also provide maturity extension and payment deferment to SMEs and small merchants on their loans and guarantees maturing before September 30, 2022 upon request. The same level of support measures will be available to middle market enterprises that have been using the maturity extension on loans and guarantees so far.

The authorities also agreed to continue to make available the measures to help ease the payment burdens of businesses after the expiration of these measures as well as the measures to reinforce the debt structure. After a one-on-one consultation with financial institutions, debtors are able to make an adjustment to their repayment schedule over a maximum of a five-year period after a grace period of up to one year on the deferred payments of principal and interests.⁹

FURTHER PLAN

The financial industry will work on a seamless implementation of the extension of the maturity extension and payment deferment programs while seeking a soft-landing of the payment burdens of SMEs and small merchants once the programs expire after September 2022 by promoting pre-consultation services.

The FSC will continue to encourage financial institutions to maintain a sufficient level of allowance for bad debts in response to an increase in potential losses given the possibility of various risk situations such as a delay in the recovery of business conditions of SMEs and small merchants. Moreover, the FSC plans to draw up measures to provide supports tailored to the needs of individual debtors in close coordination with the presidential transition committee.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

⁶ SMEs and small merchants whose business operation have been either directly or indirectly affected by the COVID-19 pandemic and those with no overdues, impaired capital or business closure. For details on eligibility, please click [here](#) to see the press release dated March 31, 2020.

⁷ That no significant change in the valuation of bonds has occurred as the maturity extension and payment deferment programs result in a change in payment schedule but not in payment exemption.

⁸ Korea Development Bank, Export-Import Bank of Korea, Industrial Bank of Korea, Korea Credit Guarantee Fund, Korea Technology Finance Corporation and regional credit guarantee agencies

⁹ Please click [here](#) to see the press release dated September 16, 2021.