

STRENGTHENING SUPPORT FOR VULNERABLE DEBTORS

The government unveiled its plans to strengthen support for vulnerable debtors at the 4th Crisis Management Meeting held on April 8. The government will help set up a KRW2 trillion new facility at the Korea Asset Management Corporation, which will be used to purchase overdue debts and help alleviate debt burdens of vulnerable debtors.

BACKGROUND

The prolonging economic slowdown caused by the COVID-19 has led to unpaid leaves and loss of work opportunities for many individuals, which may contribute to an increasing number of cases where individuals are unable to service their debts. Against this backdrop, the government introduced the plans to help prevent vulnerable debtors from turning into delinquent debtors by expanding the eligibility of pre-workout programs by individual financial institutions, strengthening the debt adjustment support provided at the Credit Counseling & Recovery Service and establishing a new facility for purchasing overdue personal debts.

KEY MEASURES

I. PRE-WORKOUT PROGRAM FOR DEBTORS WITHOUT MULTIPLE DEBTS

From the end of April, vulnerable debtors whose income levels have fallen due to COVID-19, that have difficulties servicing household debts¹ and are facing a risk of debt overdue may use pre-workout programs offered by individual financial institutions. A 6- to 12-month deferment of principal payment will be provided by all financial institutions until the end of this year. The pre-workout programs may be extended thereafter if deemed necessary.

II. DEBT ADJUSTMENT PROGRAM FOR DEBTORS WITH MULTIPLE DEBTS

From the end of April, multiple-debt holders whose income levels have fallen due to COVID-19, that have difficulties servicing debts² and are facing a risk of debt overdue may use debt adjustment programs offered by the Credit Counseling & Recovery Service. The CCRS' debt adjustment programs offer up to one year of deferment of principal payment for at-risk debtors (including short-term debtors of

¹ Personal credit loans excluding collateralized loans and guaranteed loans & guaranteed microfinancing loans

² Both household and business credit loans with no collaterals or guarantees

less than three months) as well as debt reduction for long-term debtors. The support will be provided by about 5,800 financial institutions and loan companies in agreement with the CCRS until the end of this year. It may be extended thereafter if it becomes necessary.

III. SUPPORT FOR LONG-TERM DEBTORS

From the end of June, long-term debtors will be provided with support through a newly established KRW2 trillion facility at the Korea Asset Management Corporation, which will be used to purchase long-term personal debts to help alleviate long-term debt burdens of delinquent debtors and protect them from the possibility of being exposed to excessive debt collection attempts.

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