

PF LENDING INSTITUTIONS' CONSORTIUM AGREEMENT REVISED TO SEEK SOFT-LANDING IN REAL ESTATE PF MARKET

- Extending maturity for the second time or more to be subject to a viability assessment performed by a third-party expert and the strengthened consent requirement (from two-thirds of lenders previously to three-fourths of lenders).
 - In principle, deferment of interest payments to be allowed only when late interest payments have been repaid.
 - When maturity extension and deferment of interest payments take place, they need to be notified to the secretariat of the PF lending institutions' consortium.
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The Financial Services Commission announced that the project finance lending institutions' consortium agreement for all financial sectors—including eleven industry associations and national federations and seven related organizations—has been revised as part of the broader plan to seek an orderly soft-landing in the real estate project finance market on June 27.

In order to more effectively control lenders from granting maturity extension and deferment of interest payments to the development projects that fail to meet the viability test in a repeated and indiscriminate manner, the project finance lending institutions' consortium agreement is being updated to strengthen requirements on the provision of maturity extension and deferment of interest payment.

First, when extending maturity for the second time or more, a viability assessment performed by a third-party expert (accounting firm, credit rating agency, etc.) and consent from three-fourths (two-thirds previously) of the lending institutions will be required. When seeking for maturity extension after having a viability assessment performed, there will be an ample period granted to ensure sufficient time for the viability assessment and developer's business plan.

Second, deferment of interest payments will be allowed only when late interest payments have been repaid in principle. However, when 50 percent or more of late interest payments have been repaid and a schedule for making further payments on the remaining balance is being presented, lenders will consider these factors when making decisions on whether to grant deferment of interest payments.

Third, when maturity extension and deferment of interest payments take place, details including their deliberation documents should be submitted to the secretariat of the project finance lending institutions' consortium without any delay to ensure effective monitoring of the situation concerning the restructuring or liquidation of unviable projects.

The revised consortium agreement will help to ensure that the projects that have been assessed to be viable by third-party evaluation can continue to operate on a

stable ground, while preventing cases where maturity extension and deferment of interest payments are granted indiscriminately even to projects with low viability.

The consortium agreement for individual financial sectors, such as savings banks and mutual finance businesses, will also be revised in line with the updated version of project finance lending institutions' consortium agreement for all financial sectors by early July.

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