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## Press Release

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### MEASURES TO ENHANCE LOW-INCOME HOUSEHOLDS' ACCESS TO FINANCIAL SERVICES

#### **Background**

The FSC has announced a set of measures to lower financial costs of low-income earners and strengthen the financial safety net. The measures are part of our preemptive efforts to make sure the government's counterplan against household debt would not curtail low-income households' access to financial services.

#### **Key Contents**

1. The FSC plans to provide a total of KRW 3.2 trillion this year to support three major microcredit programs: Smile Microcredit; Sunshine Loans; and New Hope Loans
2. Credit inquiry records would be no longer taken into the assessment of individuals' credit ratings.
3. Overdue payments of less than KRW 100,000 would no longer affect borrowers' credit ratings.
4. Overdue payments of less than 90 days would be reflected only for three years, currently reflected for five years, in the assessment of borrowers' credit ratings if debts are fully repaid.
5. The FSC will put a cap on loan brokerage fees and strengthen the crackdown on illicit brokerage practices.
6. The FSC will lower the ceiling of annual interest rate on loans by financial institutions and private money lenders from the current 44% to 39%.
7. The FSC will extend the operation of pre-workout program by two years.
8. The FSC will enlarge the scope of beneficiaries of transfer loans that switch outstanding loans with high-interest rates to lower-interest ones, and we will also reinforce the credit recovery program.
9. The FSC will expand financial support for those in the credit recovery program to help them stand on their feet if they faithfully perform their duty.



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10. The FSC will establish a database of financial services for low-income earners and create more education programs to keep them better informed of credit management.

### **Enforcement plan**

The FSC will take necessary actions to ensure these measures can be enforced as early as possible. However, it would take time to enforce some measures such as setting a cap on loan brokerage commissions that require revisions of related laws. Therefore, the FSC plans to encourage financial institutions to adopt the new measures on a voluntary basis before the laws are amended.

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