



## Supporting the flow of Credit

The Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to ensure the flow of credit in the Australian economy. Timely access to credit is vital for businesses to manage the impacts of the Coronavirus.

### **SUPPORT FOR IMMEDIATE CASH FLOW NEEDS FOR SME'S**

The Coronavirus SME Guarantee Scheme will provide support for these businesses. Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. This will enhance these lenders' willingness and ability to provide credit, which will result in SMEs being able to access additional funding to help support them through the upcoming months.

#### **Eligibility**

SMEs with a turnover of up to \$50 million will be eligible to receive these loans. The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

## **QUICK AND EFFICIENT ACCESS TO CREDIT FOR SMALL BUSINESS**

The Government is cutting red tape by providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers. This reform will help small businesses get access to credit quickly and efficiently.

## **RESERVE BANK OF AUSTRALIA – SUPPORTING THE FLOW AND REDUCING THE COST OF CREDIT**

The Reserve Bank of Australia (RBA) announced a package on 19 March 2020 that will put downward pressure on borrowing costs for households and businesses. This will help mitigate the adverse consequences of the Coronavirus on businesses and support their day-to-day trading operations. The RBA is supporting small businesses as a particular priority.

To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

In addition, the RBA announced a further easing in monetary policy by reducing the cash rate to 0.25 per cent. It is also extending and complementing the interest rate cut by taking active steps to target a 0.25 per cent yield on 3-year Australian Government Securities.

## **SUPPORT FOR NON-ADI AND SMALLER ADI LENDERS IN THE SECURITISATION MARKET**

The Government is providing the Australian Office of Financial Management (AOFM) with \$15 billion to invest in structured finance markets used by smaller lenders, including non-Authorised Deposit-Taking Institutions (Non-ADI) and smaller Authorised Deposit-Taking Institutions (ADI). This support will be provided by making direct investments in primary market securitisations by these lenders and in warehouse facilities. AOFM's investment will not be limited to residential mortgage backed securities. AOFM will also be purchasing assets that support small business (unsecured and secured loans) and consumer lending (including credit cards, automobiles and personal loans).

### **Eligibility**

This program will assist smaller lenders, who will not benefit from the RBA's term funding facility, to maintain access to funding and support competition in the lending market. This in turn will help keep mortgages and other borrowing costs for businesses low.

## **APRA – ENSURING BANKS ARE WELL PLACED TO LEND**

The Australian Prudential Regulation Authority (APRA) has announced temporary changes to its expectations regarding bank capital ratios. The changes will support banks' lending to customers, particularly if they wish to take advantage of the new facility being offered by the RBA.

## **BANKING AND LENDING INSTITUTIONS**

Specific COVID-19 concessions have been announced by the following banks:

### **CBA**

- Deferring repayments on a variety of business loan and overdraft products, for 6-months.
- Reducing commercial interest rates by 0.25
- Waiving merchant terminal fees for impacted customers with CBA payment terminals, for 90 days.
- Waiving early redraw fees on business term deposit accounts (including Farm Management Deposit accounts).
- Waiving establishment fees and excess interest on Temporary Excess products.
- Deferring repayments on vehicle and equipment finance loans, and providing tailored restructuring options that meet individual customer needs.

### **ANZ**

- Suspending interest repayments
- Deferral of business loan repayments for up to 6 months, assessed on a case-by-case basis
- Providing early access to term deposits without incurring break fees
- Providing access to additional credit subject to approval

### **NAB**

- Deferral of business loan repayments for up to 6 months, assessed on a case-by-case basis
- Extension of a business loan term by a period of up to three months, where individual circumstances warrant
- Support to restructure existing business loans, including equipment finance
- Business credit card deferred repayments.

### **Westpac**

- Continuing it's hardship assistance program
- Deferral of business loan repayments for up to 6 months, assessed on a case-by-case basis

### **Bendigo**

- Home Loan and Business Loan customers can apply for relief on loans for up to three months
- Waiver of fees for the restructuring or consolidation of loans
- Credit card customers can apply for an emergency credit card limit increase
- Discounted interest rates on new personal loans taken out by existing Bendigo Bank customers
- Waiver of interest rate reduction for early withdrawals on term deposits prior to maturity
- Deferral of payments and extensions for Equipment Finance on a case by case basis

## **How we can help?**

During these challenging times, it is important that we keep the lines of communication open. If at any time you wish to discuss your financial circumstances or personally believe that you may need some assistance with your business but really don't know where to start, please call our office.

We may not have all the answers but we will do everything we can to help you in any way that we can.

Look forward to hearing from you and stay safe.

**Disclaimer:**

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