



# BEHIND THE SCENES IMPORTANT UPDATE ON DEFERRED LOAN REPAYMENTS

Since March this year business owners have had access to the lifeline offered by lenders to defer their business loan repayments by up to six months.

A four month extension is now being considered by the major banks and other financial institutions, taking this lifeline out to 31 March 2021.

However, lenders have warned that **extensions will not be automatic** and anyone who has the capacity to start repaying their loans will be expected to do so.

A loan re-structure or loan variation will be the first alternative to be considered.

## BEHIND THE SCENES

As your financial specialists we wanted to share with you what is happening behind the scenes.

We strongly urge **against deferring your current business and asset finance loan repayments if you possibly can.**

## WHY?

Although there appears to have been a lifeline where you were shown that 'light' at the end of the tunnel... Well that 'light' is more like a bushfire about to take off...

So we urge you to **only defer your loan repayments if THERE IS ABSOLUTELY NO ALTERNATIVE!**

Consider other options with us first.

## What does a repayment deferral mean?

In simple terms, a repayment deferral means pausing the payments on your loan for a defined period of time.

**WHAT YOU NEED TO KNOW HOWEVER,** is that a repayment deferral does not mean an interest free period. You are deferring payments only - not the interest being accrued.

While you may no longer be making repayments, the bank or lender WILL continue to accrue and charge you for the interest on your loan balance during the deferral term.

## What does this mean?

At the end of the deferral term (say 6 months) you will owe more to the lender than before you went on the repayment deferral as the interest will be added and compounded on your existing loan.

Ultimately this will also mean that you will pay more interest over the term of your loan – effectively paying interest on interest charged during this period.

At the end of your deferred repayment period (say 6 months), you will be left with one of these possible options:

### 1. New recent announcement!

If the lender agrees, and you still have extenuating financial circumstances and cannot start making payments, they may offer to extend your loan deferral period by up to an additional four months (and not beyond 31 March 2021).



**OR more typically what will happen is:**

## **2. You may extend your loan term**

by resuming the same repayments as prior to the repayment deferral until the loan and additional interest has been paid in full.

Lenders are keen to support business borrowers where support is needed, however the larger goal is to help reduce further long term financial stress. So they may offer to restructure or vary the loan type and terms to ensure at least *some* payments can be made.

**Deferring loan repayments for a further four months could significantly impact your future financial stress. So please avoid it where possible.**

**What you should do if you have already deferred your loan repayments:**

1. **Call us.** We will do whatever it takes to get you back into financial shape.
2. **Recommence or maintain regular payments** - Don't allow yourself to go into arrears.

**We are already experiencing lenders who will not provide additional finance to our clients who chose to defer their loan repayment plans.** So if you want additional finance in three months time, for example to replace some equipment or buy new assets, the answer could very well be NO.

**Also, most finance applications are now taking longer to receive formal approval.**

Something as simple as applying for vehicle finance can now take up to 7 days for formal approval. It is even affecting dealerships who have their own internal finance companies.

### **AVOID an ATO payment plan**

If you are in arrears with your ATO payments AND your accountant recommends that you enter an ATO payment plan – then please DON'T.

This always raises a red flag to banks and will impair your capacity to borrow at a later date.

**There are finance options available to help with tax bills.**

## **HOW CAN WE HELP YOU?**

Our specialty is knowing more than one way to take the lenders on at their game.

If you have (or we have on your behalf) already requested deferment of finance payments recently, **we can reverse that for**

**you** and recommence repayments to put you back into a position of power. So, if you are happy for your repayments to recommence, let us know and we will sort it for you. There are many options available and many considerations in determining the correct funding option, all of which will be determined by your personal situation and the proposed building works. For a confidential discussion to consider your options, please call the office.

### **PLEASE DO NOT DELAY.**

#### **Don't do it alone**

We can take the frustration of finance off your already stressful plate. Leave the hard work to us.

You don't have the time to negotiate with the banks. That is our expertise, so allow us to do this on your behalf.

By using clever credit solutions, we can keep your borrowing capacity intact and find alternate finance solutions you are probably not even aware of...

Contact us for a free copy of our article '**Thinking of refinancing your business?**'

