**Banks announce 6 month loan deferral option – Covid-19 - loan relief package**

On Friday 20th March, Australian Banking Association CEO Anna Bligh, announced that Australian banks will defer loan repayments for six months for small businesses who need assistance because of the impacts of COVID-19.

This Assistance Package will apply to more than $100bn of existing small business loans and depending on customer take up, could put as much as $8 billion back into the pockets of small businesses as they battle through these difficult times.

This is a multi billion dollar lifeline for small businesses when they need it most, to help keep the doors open and keep people in jobs,” head of the ABA, Anna Bligh said.

Banks are putting in place a fast track approval process to ensure customers receive support as soon as possible

* A small business is one where the *aggregate total borrowings* of the business are up to $3M.
* It is MGA’s understanding that businesses that exceed the $3m loan amount only slightly (i.e. $3.1 or $3.2M) would have equal access.
* Businesses that exceed this amount significantly (e.g. $4.5M) are still encouraged to approach their bank for assistance – but they may be required to provide more paperwork to support their request than those below $3M in aggregate total borrowings.
* It must be pointed out that this support cannot be construed to be ‘FREE MONEY’. Businesses will continue to accrue interest on their loans at the schedule rate for each loan but will not be required to make any payments for 6 months. The interest that accrues will be capitalised over the balance of the loan repayment term, which means that businesses will not get any ‘nasty surprises’ at the end of the six months period, nor the end of their loan.
* A very important element to note is that this concession applies to ALL loans held by the business - not just ‘business loans’. This means if the business owner has a house mortgage through the business or a car loan, repayments of these loans can also be deferred for a period of 6 months.

MGA members are encouraged to approach their bank to ask them what they can do for you in terms of helping your business through the next 6 months

ABA CEO Anna Bligh and the CEO’s of all the Australian Banks are to be congratulated for the banking sector’s response to a very serious matter effecting all business in Australia during this unprecedented Coronavirus pandemic that has affected all Australian businesses.