

# Australia's banks are offering six month deferral of loans to commercial landlords

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## About the package

Businesses (including not-for-profits) with total business loan facilities of up to \$10 million (up from \$3 million) can defer business loan repayments for six months.

This rise from \$3 million to \$10 million marks an extension in support which will apply to an additional \$100 billion of business loans.

During COVID-19 banks have also agreed to not enforce business loans for non-financial breaches of the loan contract (such as changes in valuations).

The new measures will apply in all sectors of the economy, and on an opt-in basis, under the conditions that:

- For commercial property landlords, they provide an undertaking to the bank that for the period of the interest capitalisation, they will not terminate leases or evict current tenants for rent arrears as a result of COVID-19
- the customer has advised that its business is affected by COVID-19
- the customer was current in terms of existing facilities 90 days prior to applying
- interest is capitalised – meaning either the term of the loan is extended, or payments are increased after the deferral period.

This measure is designed to help protect many thousands of small businesses (including not-for-profits) from being evicted, if they are struggling to pay the rent, as it covers approximately 90% of commercial property owners (including not-for-profits) who have loans with an Australian bank.

The type of businesses this applies to includes commercial (and not-for-profit) landlords of properties such as local shopping centres, pubs, clubs and restaurants, who must agree not to terminate leases or evict current tenants for rent arrears due to COVID-19 in order to access support.

Businesses (including not-for-profits) with total loans of more than \$10 million may also be eligible for relief, but this will need to be considered on a case by case basis as they are often much more complex in their structure.

Banks have developed this relief package following discussions with APRA and ASIC to provide the appropriate regulatory treatment.