



News

Mortgage holiday and busin...

# Mortgage holiday and business finance support schemes to cushion COVID impacts

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## News release issued by the Minister of Finance

The Government, retail banks and the Reserve Bank are today announcing a major financial support package for home owners and businesses affected by the economic impacts of COVID-19.

The package will include a six month principal and interest payment holiday for mortgage holders and SME customers whose incomes have been affected by the economic disruption from COVID-19.

The Government and the banks will implement a \$6.25 billion Business Finance Guarantee Scheme for small and medium-sized businesses, to protect jobs and support the economy through this unprecedented time.

"We are acting quickly to get these schemes in place to cushion the impact on New Zealanders and businesses from this global pandemic," Finance Minister Grant Robertson said.

"These actions between the Government, banks and the Reserve Bank show how we are all uniting against COVID-19. We will get through this if we all continue to work together.

"A six-month mortgage holiday for people whose incomes have been affected by COVID-19 will mean people won't lose their homes as a result of the economic disruption caused by this virus," Grant Robertson said.

The specific details of this initiative are being finalised and agreed urgently and banks will make these public in the coming days.

The Reserve Bank has agreed to help banks put this in place with appropriate capital rules. In addition, it has decided to reduce banks 'core funding ratios' from 75 percent to 50 percent, further helping banks to make credit available.

We are announcing this now to give people and businesses the certainty that we are doing what we can to cushion the blow of COVID-19.

The Business Finance Guarantee Scheme will provide short-term credit to cushion the financial distress on solvent small and medium-sized firms affected by the COVID-19 crisis.

This scheme leverages the Crown's financial strength, allowing banks to lend to ease the financial stress on solvent firms affected by the COVID-19 pandemic.

The scheme will include a limit of \$500,000 per loan and will apply to firms with a turnover of between \$250,000 and \$80 million per annum. The loans will be for a maximum of three years and expected to be provided by the banks at competitive, transparent rates.

The Government will carry 80% of the credit risk, with the other 20% to be carried by the banks.

Reserve Bank Governor Adrian Orr, said: "Banks remain well capitalised and liquid. They also remain highly connected to New Zealand's business sector and almost every household in New Zealand. Their ability to extend credit to firms to bridge the difficult times created by COVID-19 is critical and made more possible with today's announcements. We will monitor banks' behaviour over coming months to assess the effectiveness of the risk-sharing scheme."

The Government, Reserve Bank and the Treasury continue to work on further tailor-made support for larger, more complex businesses, Grant Robertson said.


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