

FSC INTRODUCES IMPROVEMENTS TO CREDIT RECOVERY SUPPORT PROGRAMS

The FSC announced ways to improve the credit recovery support system on October 16. The improved measures are expected to go into effect in November this year.

The FSC has been working to improve the personal debt adjustment program run by the Credit Counseling & Recovery Service (CCRS) to help reduce excessive personal debt service burdens and support quick recovery. In this year, the government introduced loan deferment programs in March and April to help relieve debt burdens of vulnerable individuals hit by the COVID-19. In order to improve the credit recovery support system, the FSC prepared the following measures.

- a. CCRS's up to one-year loan deferment program currently offered to those who have seen their income drop due to COVID-19 will be extended to include those who have been laid off and/or experienced business closure.
- b. The age limit for CCRS's special debt adjustment program for the unemployed youth with overdue debts of three months or more will be increased from below 30 years old currently to 34 years old and below, while extending the deferment period from maximum four years to five years.
- c. Improvements will be introduced that will restrict creditor institutions from denying loan deferment on non-overdue loans or activate a trigger clause for events of default just because a debtor applies for a debt adjustment.
- d. Improvements will be made to allow creditor institutions to cancel account seizures upon debtors' request when entering into a debt adjustment program.
- e. Special exemptions for vulnerable debtors will be applied to all basic income recipients and those with severe disabilities.
- f. The current six-month term restriction placed before a debtor can reapply for an individual workout will be shorten to three months to help with quick recovery.
- g. For the portion of the principal that has been repaid, the remission rate on interest will be increased from 80 percent to 90 percent to help reduce debt servicing burden of vulnerable debtors.
- h. Support for short-term debtors will be expanded through an interest rate cap of 15 percent and by offering lower rates and incentives of prolonging the deferment period.
- i. To improve user convenience, more individuals will be eligible for contactless application process while a more streamlined screening process will be offered to lower-income individuals.

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