



THE REPUBLIC OF UGANDA

Date: **20th April 2020**

GL 0001

TO: Tier 4 Microfinance Institutions (MFIs) and Money Lenders (MLs).

Guidelines (GL) on credit management and loan restructuring during the COVID 19 Pandemic.

The Uganda Microfinance Regulatory Authority (UMRA) continues to observe the effects of the corona virus pandemic on the MFI sector and Money lenders in order to manage its effects. GL 0001 is released to provide guidance on credit management and loan restructuring for the MFI sector and Money Lenders.

These guidelines shall be in force up to 12 months effective 1st April 2020 applicable only to loans issued before April 2020 and loans that were not delinquent by March 2020.

PROVISIONING.

Regarding the proposed adjustments on loan provisioning to enable institutions and clients to adhere to the changed situation due to COVID 19, the following shall apply:

- a. All Tier 4 Microfinance Institutions and Money Lenders should grant a moratorium for loan repayments to borrowers that have been affected by the pandemic on a case by case basis.
- b. Interest accrued during the moratorium can be capitalized and amortized during the loan period
- c. Payment of arrears as a pre-conditions prior to restructuring during the 12 months of the guidelines is suspended. Institutions may capitalize the unpaid arrears less any related interest or fees as part of the loan facility restructuring.
- d. Any fees chargeable due to the restructuring during the pandemic must be reasonable and justifiable by the institution. For instance chargeable fees should not exceed loan processing fees as described by the Institution's policy.
- e. The institution shall be required to carry out proper analysis on the ability of the borrowers to repay following restructuring.

- f. Clients may request for a restructuring if they qualify. However, it's allowed for the institution to make unsolicited offers in the interest of managing delinquency in the 12 months period.
- g. All restructuring as a result of COVID 19 pandemic shall not be treated as an adverse change in the credit risk profile of the client.
- h. Consumer protection guidelines in place shall be adhered to during this period of 12 months.
- i. All institutions with intention to provide credit relief and restructuring as per UMRA guidelines during 12 months to 31st March 2021 must have in place an approved policy.

Tier 4 Microfinance institutions and money lenders are expected to comply with these guidelines.

TO THE LENDERS OF INSTITUTIONS UNDER MFI SECTOR AND MONEY LENDERS

All lenders to the Tier 4 Microfinance Institutions (MFIs) and Money Lenders (MLs) are advised to follow and adhere to the UMRA guidelines as released earlier under:

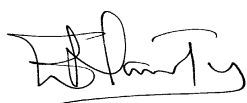
- **Advisory note dated 1st April 2020,**
- **Advisory note AD 0002 dated 8th April 2020 in addition to the guidelines released under GL 0001 dated 20th April 2020.**

These guidelines are directed to the MFI sector and money lenders under the jurisdiction of Uganda Microfinance Regulatory Authority (UMRA) which operationalizes Tier 4 Act 2016. By extension the guidelines will be applicable to lenders under the sector due to the lending relationship.

Additionally, all lenders are hereby reminded to apply for UMRA license as required under Tier 4 MFI and ML Act 2016. This is with exception to those licensed by Bank of Uganda.

In case of further clarification please contact the undersigned using the address herein included on the header.

UMRA shall continue to monitor the developments and the measures in containing the spread of COVID- 19 pandemic and advise how we can work together for the continuity of the Tier 4 Microfinance institutions and Money Lenders.



Edith N. Tusuubira
Executive Director