

Nicaragua: New temporary credit conditions

June 25, 2020

On June 19, 2020, in Nicaragua, Resolution No. **CD-SIBOIF-1181-1-JUN19-2020L was promulgated - Regulation for the Granting of Temporary Credit Conditions** which aims to establish temporary credit conditions that financial institutions may grant to debtors of credit cards, vehicle credits, personal credits, home mortgages, microcredits, SMEs, agricultural, livestock, industrial and commercial in all sectors of the economy.

The Board of Directors of the Superintendency of Banks and Other Financial Institutions of Nicaragua, as the body empowered to issue general regulations to strengthen and preserve the security and trust of the public in institutions under the supervision, inspection, surveillance and oversight of the Superintendency of Banks, issued this new Norm to mitigate the negative effects that could be generated in the face of the international crisis as a result of COVID-19.

What can financial institutions do now?

Financial institutions may defer installments and/or extend the originally agreed payment term of the referred credits, having to carry out an individual evaluation of each case based on the institution's policies without modifying the originally agreed conditions unless these are for the benefit of the debtor and under the following special conditions:

1. They will be granted only to those loans that as of March 31, 2020, were classified as A or B, that were registered as current, extended, or restructured loans.
2. The credits subject to the rule will maintain the classification they had until March 31, 2020. In other words, by having a good record, your record will not be affected, and you will maintain the rating.
3. Loans modified per the provisions of this Regulation will maintain the risk rating they had as of March 31, 2020, as long as the debtor does not breach the new agreed conditions.
4. Financial institutions, based on the provisions established in their contracts and the corresponding legal risk management, must assess whether or not to modify the original contracts to apply the criteria established in this Regulation, supporting their decision in the credit file.

Likewise, financial institutions may grant initial grace periods of up to 6 months of principal and/or interest within the term extensions that they grant to their debtors.

Concerning **Credit Cards**, the financial institution may negotiate the balance of the card under new more favorable conditions through personal credit. This means that, within the benefits of this Regulation, lower rates may apply.

Likewise, commissions will not be applied to the modification of credits, except for legal, notary and registry expenses, among others paid to third parties. Nor will the appraisal update be required, when applicable.

It is important to highlight that, as the main restriction, the Regulation establishes that these temporary credit conditions may benefit the debtor in all its obligations on a single occasion, but will not apply to those new credits granted after March 31, 2020.

Finally, all the requests made by the debtors in accordance with the conditions established to apply this Regulation, together with their respective formalizations and registrations in the financial institution's systems, will have a **maximum date of December 31, 2020**.

Please do not hesitate to contact us if you have any questions about these new credit conditions. At Dentons Muñoz, we have extensive talent and experience and would be happy to help you.

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