

This is a Summary from the Guideline published today by National Treasury. The Guideline document is available at the link below:

http://www.treasury.gov.za/comm_media/press/2020/20200424%20Loan%20guarantee%20National%20Treasury.pdf

Background

- The credit guarantee scheme was first announced on Tuesday night by President Cyril Ramaphosa as part of the R500bn fiscal stimulus package.
- The scheme will be facilitated by the banks and the scheme is also in partnership with the SA Reserve Bank
- The initial phase of the loan scheme will involve R100bn

Eligibility criteria (initial phase)

- Businesses with annual turnover of less than R300m
- Registered with SARS
- In good standing with their banks
- Have no further capacity to borrow
- In financial distress due to the lockdown
- Banks are not obliged to extend Covid-19 loans - those that do will use their normal risk-evaluation and credit-application processes

Loan details

- Loan repayment period – 60 months (excluding initial 6 month repayment holiday)
- Loan covers up to 3 months of business operational costs e.g.
 - salaries
 - leases and rentals
 - payment of suppliers, etc.
- Monthly loan drawdowns
- All the participating banks will offer the same loan terms & interest rate, linked to repo rate
- No capital or interest repayments on the loans for 6 months from the first drawdown
 - BUT interest accrues from date of first drawdown
- Business owners may be required to sign surety for the loan

Profits & losses

- Profits and losses are ultimately shared between government and the banks
- The scheme will receive all 'profits' on the loans, i.e. the difference between the rate at which banks lend the money (together with limited costs). This will include a guarantee fee charged to the banks in relation to the scheme. These profits will be used to offset any losses that the scheme makes.
- If the scheme suffers any further losses, these will be absorbed by the banks themselves, capped at 6 per cent of the size of the loan.
- Any further losses will ultimately be covered by the fiscus.

Please contact your bank for further details and eligibility criteria.

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