

Economic Response Plan brings interest relief for individuals and businesses

The Cook Islands Government is expanding vital **lifeline financial support** to households and businesses through the introduction of the **Interest Relief Program**.

The COVID-19 pandemic has had a significant negative impact on the economy, affecting people's livelihoods and the business community. With economic output estimated to drop further in the coming financial year, the Government has identified individual personal finances as an area in need of immediate support.

Included in Phase II of the Economic Response Plan (ERP), the Interest Relief Program aims to reduce financial stress for individuals and businesses currently holding bank loans held with banks operating in the Cook Islands.

Working with the banking sector to provide financial support

The **Interest Relief Program** works with the loan repayment deferral programs currently offered by the commercial banks (Bank of Cook Islands, Bank South Pacific, and ANZ Bank) to provide immediate financial relief for debt holders.

Banks began a six-month principal repayment deferral program in late February in response to the immediate needs of borrowers after border restrictions were put in place as a result of

Covid-19. As part of this repayment holiday arrangement, while loan payments are relaxed for COVID-19 affected customers, interest continues to be compounded during the payment deferral period.

This is where the Government's Interest Relief Program comes into effect. Individuals and businesses holding loans in the Cook Islands will now have the majority of their interest payments covered, thus reducing their debt burden for the 2020/21 financial year.

How it works

As a part of the program, Government will cover 70 per cent of interest from all applicable loans from 1 July 2020 to 30 June 2021, up to the maximum relief of \$175,000 per individual or business.

With the Government covering a majority of the interest in 2020/21, debt holders will benefit from a reduction in the amount of interest to be paid over the life of the loan when compared with relying solely on the bank deferral program. This will ensure that those households and businesses that do not have the ability to make interest repayments this financial year will not face larger loans at the end of the year.

Eligibility & How to Apply

Borrowers do not need to apply for the Interest Relief Program.

All loans which were held by debt holders as of 29 February 2020 at one of the three Cook Islands' main commercial banks will automatically have interest relief applied to them. There are no further eligibility criteria.

(Overdraft and credit card facilities are not eligible for interest relief under the program).

Through the Interest Relief Program, individuals and businesses are given crucial lifeline financial support to reduce stress caused by the current economic downturn. This will ensure economic continuity and foster new investment to drive economic **recovery and growth**.

