Moratorium Period vs Grace Period

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Introduction:

Now a days it becomes almost a trend to take a loan from the banks or financial institutions for necessity to luxury requirements. A loan is mostly repaid by an equally monthly instalments. An Equally monthly Instalments include the Principal amount plus interest at a predetermined rate. So, in loan and EIMs deal with the Moratorium period and Grace period.

Moratorium period:

- Once we have taken a loan from the bank and EMIs don't start immediately. So the gap between this time periods is a moratorium period.
- A moratorium period is a time period between the loan taken and the time before to start paying EMIs.
- So, in easy language a moratorium period is when the loan is taken and yet the borrower not started to pay EMIs.
- Moratorium period has a long time frame.
- Interest may be charged in moratorium period.
- If a borrower send a request to lender, it depends on lender to approve it and it is applicable to only that particular individual.

Example:

In Education Loan, there is lump sum amount given by bank and once the term is over the borrower is liable to pay EMIs with interest. Interest is calculated in moratorium period

Grace period:

- A Grace Period is a time frame between the ending of a loan term and payment is not done.
- In short Grace Period is a chance given to a borrower to pay debt before end of the given extra term period.
- In fact, it is an extra time period given once the payment becomes due.
- Compare moratorium period to grace period there is short term time frame in grace period.
- Grace Period is an interest free time frame.
- In Grace Period if lender approves grace period, it applies to all clients.

Example:

In insurance policy, there is time limit in which you have to pay your Premium and if you have not paid, the company will give you some extra time period to pay. And that extra time period is called Grace period.

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