

Customer Awareness - Regarding Classification of Loan Account as SMA and NPA

RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances - Clarifications dated Nov. 12, 2021

A. Clarification on Overdue: An amount is to be treated as overdue if it is not paid on the due date fixed by the Lender (before the Lender runs the day-end process for that day). Due Date is the date as specified in the Repayment Schedule on which the instalment is due to be paid.

B. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

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| The below Illustration covers the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), up gradation of loan account etc. | | Loans in the nature of revolving facilities like cash credit/overdraft | |
| Loans other than revolving facilities | | | |
| SMA Sub-categories | Basis for classification - Principal or interest payment or any other amount wholly or partly overdue | SMA Sub-categories | Basis for classification - Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of: |
| SMA-0 | Up to 30 days | --- | |
| SMA-1 | More than 30 days and up to 60 days | SMA-1 | More than 30 days and up to 60 days |
| SMA-2 | More than 60 days up to 90 days | SMA-2 | More than 60 days up to 90 days |
| NPA | More than 90 days | NPA | More than 90 days |

Accordingly, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. An illustration of such classification is given below:

| Classification as: | Scenario I | Scenario II |
|--------------------|-------------------------|-------------------------|
| Original Due Date | 5 April 2022 | 2 April 2022 |
| SMA O | 5 April 2022 end of day | 2 April 2022 end of day |
| SMA 1 | 5 May 2022 end of day | 2 May 2022 end of day |
| SMA 2 | 4 June 2022 end of day | 1 June 2022 end of day |

NPA

4 July 2022 end of day

1 July 2022 end of day

C. Upgradation of accounts classified as NPAs

Customer classified as NPAs may be upgraded as 'standard' only if entire arrears of interest and principal are paid by the customer. With regard to up gradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

For e.g. if a customer is classified as NPA on 4 July 2022 with an overdue of Rs. 50,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.

Pay your instalments on time which helps you build your Credit Score

Higher Credit Score may help you get higher loan value with lower interest rates