

## CONSUMER EDUCATION LITERATURE

**Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances as per Circular dated November 12, 2021 bearing reference no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22**

Below is the detailed write up on concepts of date of overdue, SMA, NPA classification and its upgradation & impact of SMA classification on CIBIL Reports.

### **A) Concepts of Date of Overdue:-**

The due date for the payment of EMI has been indicated in the Sanction Letter and Loan Agreement and repayment schedule it is understood that time shall be of essence for the payments to be made by the Borrower under/in relation to the Finance Documents.

#### **For example:-**

Amount of EMI:	Xxx
Due dates for payment of EMI:	5 <sup>th</sup> of every month

### **B) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):-**

The lenders shall recognize incipient stress in borrower accounts immediately on default, by classifying them as special mention accounts (SMA) in the following manner :-

<b>Loans other than revolving facilities</b>		<b>Loans in the nature of revolving facilities like cash credit/overdraft</b>	
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	Upto 30 days		
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days





In the above context, it is further clarified that borrower accounts shall be flagged as overdue as a process at the day-end of due date. Similarly, classification of borrower accounts as SMA as well as NPA shall also be done in the similar manner. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

*Example: If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021.*

*Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.*

**C) Non-Performing Asset (NPA) and Upgradation as Special Mention Account (SMA) :-**

Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run. A Non-Performing Asset (NPA) is a loan where interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.

It is clarified that loan accounts classified as NPAs may be upgraded as '**standard**' asset only **if entire arrears of interest and principal are paid by the borrower**. With regard to upgradation 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.

**D) Impact of SMA Classification on CIBIL/Credit Reports :-**

Any delinquency in the loan account as mentioned above is reported to Credit Information Companies and credit score of the customer shall get impacted adversely.

