



CUSTOMER EDUCATION LITERATURE ON SMA, NPA CLASSIFICATION AND UPGRADATION

Introduction

In compliance with RBI circular RBI/2021-2022/125 dated 12 Nov 2021 on IRACP (Income Recognition, Asset Classification and Provisioning pertaining to Advances) norms – point no. G on consumer education, lending institutions are required to place Consumer Education Literature on their websites for increasing awareness among consumers w.r.t concepts of overdue, SMA and NPA classification and upgradation.

Accordingly, the concepts/ clarifications/ illustrative examples on due dates and specification of SMA/ NPA have been detailed out for your ready reference.

Objective

With a view to increasing awareness among borrowers, this document covers the concept of SMA, NPA & related provisions for ease of understanding.

The examples quoted herein are indicative and relate to general scenarios and are not exhaustive innature. The guidelines issued & amended by RBI from time to time shall prevail for implementation.

What is the meaning of Overdue account?

An account is classified as “Overdue” if any amount due is not paid on the due date fixed & agreed by borrower as per the loan agreement. The amount may refer to principal or interest or any other amount due (whether wholly or partly due).

The date of classifying a loan account as “Overdue” shall be the date on which the amount was due but not paid by the borrower.

What is days past due (DPD)?

It is the number of days for which your account has remained in overdue status.

For example, if on the due date, full dues are not received before its day end process are run, the account shall become overdue by 1 day (that is 1 DPD). Accounts at 1DPD are also called as SMA- 0.

The customer needs to ensure that all payments due are received & realized before its day-end processes are run on or before the due date.



What is SMA & what is NPA?

An account is classified as Special Mention Account (SMA) or Non-Performing Account (NPA) based on days past due (DPD).

SMA/NPA	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue
SMA-0	An account remaining overdue for up to 30 days
SMA-1	An account remaining overdue for more than 30 days & up to 60 days
SMA-2	An account remaining overdue for more than 60 days & up to 90 days
NPA	An account remaining overdue for more than 90 days

The borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. 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, 2022, and full dues are not received before the lending institution runs the day-end process for this date, then this account shall get tagged as SMA-0 and the date of overdue shall be March 31, 2022. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022 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, 2022.*

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2022 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process as per extant asset classification norms.

How to move your account out of NPA?

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.

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