

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

In reference to 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 November 12, 2021 this Customer Education Literature is presented with regards to the Customer Awareness - Regarding Classification of Loan Account as SMA and NPA.

A. Clarification on Overdue:

A loan Equated Monthly Instalment (EMI) 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/EMI is due to be paid.

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

The below Illustration covers the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), upgradation of loan account etc.

SMA categories	Sub-	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0		Upto 30 days
SMA-1		More than 30 days and upto 60 days
SMA-2		More than 60 days and upto 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 1	Scenario 1
Original due date	March 01, 2022	April 05, 2022
SMA-0	Upto March 30, 2022 end of day	Upto May 04, 2022 end of day
SMA-1	March 31, 2022 end of day	May 05, 2022 end of day
SMA-2	April 30, 2022 end of day	June 04, 2022 end of day
NPA	May 30, 2022 end of day	July 04 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 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.

For e.g. if a customer is classified as NPA on 30 May 2022 with an overdue of Rs. 1,00,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.
