



## Customer Education Literature Document

Reserve Bank of India( RBI) vide its 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 and IBA letter C&I-III/IRAC/14.12/2021-22 on 'Clarifications/guidance provided by RBI on Prudential norms on IRACP' dated December 30, 2021 have clarified and/or harmonized certain aspects relating to SMA / NPA classification dates, dates of overdue, etc. with a view to bring about uniformity and common understanding regarding the implementation of the guidelines on IRACP in a harmonized manner.

- **Why it is important?**

With a view to increase awareness amongst the borrowers, placed herewith are concepts / clarifications / illustrative examples on Dues, Over Dues and specification of Special Mention Account (SMA) / Non-Performing Asset (NPA) classification dates etc.

- **What is the meaning of the term 'Dues'?**

The term 'Dues' mean, the principal / interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

- **What is the meaning of the term 'Over Dues'?**

'Over Dues' mean the principal / interest/ any charges levied on the loan account which are payable, but have not been paid on or before the Due date fixed by the Bank.

- **What is a Special Mention Account (SMA)/NPA?**

Special Mention Accounts (SMA) are those assets/accounts that shows symptoms of bad asset quality In the first 90 days itself. If such irregularity exist for a continuous period of 90 days, the account will be classified as NPA.

### **Identification as SMA (Special Mention Account)**

Categories	Term loan	Cash Credit Limit/Overdraft
SMA Sub Categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	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 & Up to 60 Days	More than 30 Days & Up to 60 Days
SMA-2	More than 60 Days & Up to 90 Days	More than 60 Days & Up to 90 Days

## Identification as NPA (Non-Performing Assets)

Categories	Term Loan	Cash credit limit/Overdraft
<b>NPA</b>	<p>Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.</p> <p><b>Note :</b> In case of Term loan payment received in advance but interest on balance amount is pending for more than 90 days then account will be NPA.</p>	<ul style="list-style-type: none"> <li>• Cash credit/Overdraft (CC/OD) account is classified as NPA if it is 'out of order' if:                             <ol style="list-style-type: none"> <li>1) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or</li> <li>2) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.</li> </ol> </li> <li>• The definition of 'out of order' shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits.</li> <li>• The previous 90 days period for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is being run.</li> <li>• An account where the credit limits have not been reviewed or have not been renewed within 90 days from the due date will be treated as NPA.</li> <li>• In a case of CC/OD sanctioned against the hypothecation of Stock &amp; book debts, Drawing Power of the account calculated from stock &amp; Book Debts statement older than three months would be deemed as irregular &amp; A/c become NPA if such irregular drawing are permitted in the account for a continuous period of 90 days.</li> </ul>



**Stage movements of an account to SMA category to NPA category based on delay or nonpayment of dues and subsequent up-gradation to Standard category at the end of process :**

Due date of payment	Payment Date	Payment covers	Age of oldest dues in days	SMA/NPA categorization on	SMA class Date	NPA Categorization	NPA Date
01.01.22	01.01.22	Entire dues up to 01.01.22	0	Nil	NA	NA	NA
01.02.22	01.02.22	Partly paid dues of 01.02.2022	1	SMA-0	01.02.2022	NA	NA
01.03.22		Dues of 01.02.22 not fully paid & 01.03.22 is also due at EOD 01.03.22	29	SMA-0	01.02.2022	NA	NA
		No payment of full dues of 01.02.22 & 01.03.22 at EOD of 03.03.22	31	SMA-1	01.02.2022/ 01.03.2022	NA	NA
01.04.22		No payment of dues of 01.02.22 till 01.04.22 at EOD 02.04.22	61	SMA-2	01.02.2022/ 01.04.2022	NA	NA
01.05.22		No payment of dues of 01.02.22 till 01.05.22 at EOD 01.05.22	90	NPA	01.02.2022/ 01.04.2022	NA	NA
01.05.22		No payment of dues of 01.02.22 till 01.05.22 at EOD 02.05.22	91	NPA	NA	NPA	02.05.22
01.06.22	01.06.22	Paid entire dues up to 01.05.22 & 01.06.22	0	Standard account	NA	NA	A/C STD from 1.06.22

- The process of the classification of Accounts as **SMA/NPA** on daily basis during the Day-end-process.
- **NPA classification is borrower wise** and not account wise. Hence if one loan account of the borrower is classified as NPA, all other loan accounts of the borrower also will be classified as NPA.
- **When accounts are upgraded to regular status or becomes standard Asset?**  
A loan account classified as NPA will be upgraded to Standard Asset only upon regularization of all loan accounts of the borrower having arrears and rectification of attendant irregularities relating to Review/Renewal and Stock & book debts of the borrower account.
- **How to ensure that your account always remain in standard account?**  
You can ensure that you know the due date and EMI amount and kept sufficient balance with your account before the EMI due date. In case of CC/OD follow the credit discipline, route all the transaction through such account only and submit the renewal and stock & book debts statement before the due date.
- **If any account is classified as SMA / NPA**, the credit scores (e.g. CIBIL, EXPERIAN, EQUFAX, CRIF) of borrowers & guarantors will be downgraded which will also affect their credit rating & it becomes difficult to avail loans in future. Bank will recall of entire loan amount through notices , legal actions , attachment of your property/assets.

The above SMA/NPA classification norms are subject to changes as per regulatory instructions issued by RBI from time to time.

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