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CONSUMER EDUCATION LITERATURE ON SMA & NPA CLASSIFICATION AND UPGRADATION

In case of any default by the consumer, Branch can share the default information with the Credit bureau and other financial institutions/authorities.

As per the RBI circular on default by customer, the Company is required to immediately classify them as special mention account (SMA), the basis of classification of SMA categories are as given below:

Loans other than revolving facilities		Loans in the nature of 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 and up to 90 days	SMA-2	More than 60 days and up to 90 days

The Borrowers account 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, the classification of borrower accounts as SMA as well as NPA shall be done as part of the 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 October 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 October 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on November 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 November 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on December 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on January 29, 2022.

For interest payments on term loans an account will be classified as NPA, if the interest applied at specified rests **remains overdue** for more than 90 days.

Further, 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**.