

# **Consumer Education Literature on Date of overdue, SMA, NPA classification and upgradation**

## **1. Introduction:**

This document, in compliance with RBI Circular on 'Prudential norms on Income Recognition, Asset Classification and Provisioning' pertaining to Advances-Clarifications Ref: DOR.STR.REC.8/21.04.048/2024-25 dated 02/04/2024, which aims the consumer to have awareness on the concepts of overdue, SMA and NPA classification.

The Consumer Education Literature with details / explanations on the concepts of SMA/NPA with clarifications and illustrative examples on due dates are furnished herewith.

## **2. Dues.**

Indicates 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

### **Overdue and Date of Overdue:**

Any amount due to the Bank under any credit facility shall be treated as overdue if it is not paid on the due date fixed by the Bank. Borrower accounts shall be flagged as overdue by the Bank as part of the day-end process for the due date and the date of overdue shall be the calendar date for which the day-end process is run. Example: If the due date of a loan account is March 31, 2024, and full dues are not received before the Bank runs the day-end process for this date, the date of overdue shall be March 31, 2024.

### **Example:**

A customer availed a loan of Rs.1,00,000/- on a 01.01.2024. If EMI of the said Loan is Rs.5,000/- and repayment of the loan commences from 01.02.2024. If customer fails to pay this EMI amount of Rs. 5,000/- on or before 01.02.2024 (due date), this amount will be Loan Overdue Amount.

## **3. Special Mention Account (SMA):**

Special Mention Account (SMA) is an account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of his/her debt obligations, though the account has not yet been classified as NPA as per the extant RBI guidelines. Early recognition of such accounts will enable banks to initiate timely remedial actions to prevent their potential slippages to NPAs. Classification of borrower accounts as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the day-end process is run.

Classification of borrower accounts as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the day-end process is run.

The basis for classification of SMA categories shall be as follows:

**A) Loan Accounts:**

<b>SMA Sub-categories</b>	<b>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between</b>
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

**Example:**

If overdue date of a loan is March 31, 2024, the account will be in “SMA-0” category up to 30 days, i.e., 29/04/2024.

If it continues to remain overdue, then this account shall be classified as SMA-1 upon running day-end process on April 30, 2024 and the date of SMA-1 classification shall be 30/04/2024. If the account still continues to remain overdue, it shall be classified as SMA-2 upon running day-end process on 30/05/2024, i.e., upon completion of 60 days of being continuously overdue.

**B) Revolving credit facilities like Cash Credit / Overdraft limits:**

<b>SMA Sub-categories</b>	<b>Basis for classification - Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of</b>
SMA-1	31 days and up to 60 days
SMA-2	61 days and up to 90 days

**Example:**

If a CC/OD account is overdrawn on 31/03/2024 and the overdrawn status continues, it will be classified as SMA-1 upon running day-end process on April 30, 2024 and the date of SMA-1 classification shall be 30/04/2024. Similarly, if the account continues to remain overdrawn, further, it will be classified as SMA2 upon running day-end process on 30/05/2024.

Note: The above-mentioned instructions on classification of borrower accounts into SMA categories are applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure of the bank.

## Example for SMA/NPA status

Loan facilities other than in the nature of CC/OD accounts:

Scenario 1: All dues are paid

Date	Due	Amount Credited	Overdue	DPD	Status	Remarks
30.03.2024	100.00	100.00	0.00	0	Standard/Regular	No Overdue

**Scenario 2: Due is not paid**

Date	Due	Amount Credited	Total Due	DPD	Status	Remarks
30.03.2024	100.00	0.00	100.00	1	SMA-0	Overdue
29.04.2024	0.00	0.00	100.00	30	SMA-1	Overdue
30.04.2024	110.00	0.00	210.00	31	SMA-1	Overdue
29.05.2024	0.00	0.00	210.00	60	SMA-2	Overdue
31.05.2024	115.00	0.00	325.00	62	SMA-2	Overdue
28.06.2024	0.00	0.00	325.00	90	NPA	Overdue

Scenario 3: Payment of Partial Dues

Date	Due	Amount Credited	Total Due	DPD	Status	Remarks
30.03.2024	100.00	0.00	100.00	1	SMA-0	Overdue
29.04.2024	0.00	80.00	20.00	30	SMA-1	Overdue

30.04.2024	110.00	0.00	130.00	31	SMA-1	Overdue
15.05.2024	0.00	100.00	30.00	16	SMA-0	Overdue
29.05.2024	0.00	0.00	30.00	30	SMA-1	Overdue

**Loan facilities in the nature of CC/OD accounts:**

**Scenario 3: Out of order (CC/OD accounts) - Not enough credits in the account in last 90 days**

Date	Interest Debited	Amount credited	Status	Remarks
31.03.2024	100.00	0.00		
29.04.2024	0.00	100.00		
30.04.2024	110.00	0.00	SMS-1	
15.05.2024	0.00	110.00		
31.05.2024	150.00	0.00	SMA-2	
29.06.2024	0.00	0.00	NPA	Int. Debit in last 90 days :Rs.360.00 Credit in Last 90 days Rs. 210.00

**4. Classification as Non-Performing Assets (NPA):** 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 or an advance where; i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,

ii. the account remains 'out of order' as indicated below, in respect of an Overdraft/Cash Credit (OD/CC),

iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

## **Example**

In a CC or OD account, if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days -say from March 31, 2024, the account gets tagged as SMA 1 as of April 30, 2024 i.e. upon completion of 30 days of being continuously in excess. If the account continues to be remain in excess, the account gets tagged as SMA-2 on May 30, 2024. If the account continues to remain in excess, account gets classified as NPA at day end of June 29, 2024.

**4. Classification as Non-Performing Assets (NPA):** 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 or an advance where;

- i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains 'out of order' as indicated below, in respect of an Overdraft/Cash Credit (OD/CC),
- iii. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- iv. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,

### **Non-Submission of Stock & Book Debt Statement:**

If a CC/OD account is sanctioned against hypothecation of stock & book debts, the borrower has to submit the stock statements periodically to facilitate the Bank to determine Drawing Power calculated under the account. The outstanding in the account based on the Drawing Power shall be calculated from the stock statements older than three months would be deemed as 'irregular'. If such irregularity exists for a continuous period of 90 days, the account will be classified as NPA.

### **NPA classification on account of non-renewal of CC/OD limits**

An account where the credit limits have not been reviewed/ renewed within 90 days from the due date will be treated as NPA

### **Advances against Term Deposits, NSCs, KVPs, etc.**

Advances against term deposits, NSCs eligible for surrender, KVPs and life insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts.

## **Out of Order Status:**

CC/OD account shall be treated as “Out of Order” if:

- i) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit / drawing power for 90 days, or
- ii) 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
- iii) 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.

## **Example:**

If the overdue date of a loan is March 31, 2024 and it continues to remain overdue, the account will be classified as NPA upon running day-end process on 29/06/2024 and the date of NPA shall be 29/06/2024.

## **5. Upgradation of accounts classified as NPAs**

The loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility from a bank, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

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 continue to be applicable.

## **6. Impact to Borrower due to Non-repayment of credit facilities on time:**

The missed payments / default will be recorded on in borrowers’ credit report which could affect the credit score and make it harder for them to access financial products in the future.

## **Disclaimer:**

Please note that that the aforesaid examples are shown to cover common scenarios of SMA/NPA classification and that of the IRAC norms. The examples are only illustrative and not exhaustive in nature and clarifications provided by RBI on the subjects referred above shall prevail. In case of any clarifications or assistance, you may contact our branch officials.

For detailed guidelines on asset classification and provisioning, please refer to RBI's Master Circular no. DOR.STR.REC.8/21.04.048/2024-25 - Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated April 2, 2024. The asset / SMA classification norms are subject to changes as per regulatory guidelines issued from time to time.