

SAHAYYA FINSERVE

Customer Awareness on Loan Repayment

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

RBI circular no. RBI/2021-2024/125 DOR.STR.REC.68/21.04.048/2021-22 on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications’ dated Nov. 12, 2021

A. **Clarification on Overdue:** An amount 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 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 Subcategories	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:

- SMA 0 -If due date of a loan account is 31st March, 2021, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2021.
- SMA 1 -If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e. 30th April, 2021.
- SMA 2 -- If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May,2021
- NPA -If the account continues to remain overdue further, it shall get classified as NPA on 29th June,2021

In the above context, it is further clarified that borrower accounts shall be flagged as overdue by the lending institution as part of their day-end processes for the due date, irrespective of the time of running such processes.

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 4 July 2024 with an overdue of Rs. 50,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.

Please feel free to contact our representative at the nearest Sahayya Finserve branch, or email us at contact@sahayyafinservice.com