

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

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 Nov. 12, 2021

I. 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.

II. 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.

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Subcategories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Subcategories	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 60 days		-
SMA 1	More than 60 days and up to 90 days	SAM 1	More than 60 days and up to 90 days
SMA 2	More than 90 days and up to 120 days	SMA 2	More than 90 days and up to 120 days
NPA	More than 120 days	NPA	More than 120 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:	Example 1	Example 2
Original Due Date	3 April 2024	2 April 2024
SMA 0	3 Jun 2024 end of day	2 Jun 2024 end of day
SMA 1	3 Aug 2024 end of day	2 Aug 2024 end of day
SMA 2	3 Oct 2024 end of day	2 Oct 2024 end of day
NPA	3 Oct 2024 end of day	2 Oct 2024 end of day

III. 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 3 October 204 with an overdue of Rs. 90,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.**

***Pay your instalments on time which helps you build your Credit Score**

