

## IMPORTANT POINTS WITH REGARD TO CUSTOMER EDUCATION INITIATIVE

We are referring to the RBI circular dated 12<sup>th</sup> November 2021 on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications”. In order to ensure that customers are aware of the new norms as well as classification of the loan account in the event of non-payment of over dues, some of the most important terms and conditions are being elaborated as under:

### 1) Date of Overdue

An account will be considered as overdue if the instalment is not paid on the due date. It continues to be overdue till the instalments up to the month along with the additional interest and other applicable charges (kindly refer loan agreement / MITC) are paid in full.

### 2) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

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

### 3) Day-end-process

The borrower’s accounts shall be flagged as overdue if the dues remain unpaid as at EOD (end of the day) of the due date.

Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of 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 March 31, 2021, and full dues are not received before the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 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 April 30, 2021.*

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

**4) Up gradation of accounts classified as NPAs**

Loan accounts classified as NPAs will be upgraded as **“standard’ asset”** only if the entire **arrears of Principal or interest payment or any other amount overdue is paid by the borrower in full.**

**5) Impact of SMA classification on CIBIL/Credit report**

Any delinquency in the loan account as mentioned above is reported to Credit Information Companies and credit score of the customer shall get impacted adversely.