

Consumer Education Literature

In reference to the RBI circular having reference number RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021, on Prudential norms on Income Recognition, Asset Classification and Provisioning and to ensure customers are aware of the due date of the repayment and the classification of their loan account in the event of default in payment of overdue, some of the important terms and conditions in this regards are explained as under:

1. **POS (Principal Outstanding):** The outstanding principal balance of a loan/ credit facility is simply the total amount of principal amount outstanding in the particular loan which doesn't include the accrued interest, default interest, other charges etc.
2. **Overdue:** Any amount due to the lender under any credit facility is 'overdue' if it is not paid on the due date agreed by the lender with borrower. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL etc. and the CIBIL report of the customer will reflect defaults and its classification status.
3. **DPD (Days past due):** It indicates whether you have been consistent in your repayments and if you have missed any, how many instalments you have missed and by how many days. With respect to a particular loan, the no. of days till day for which any principal/ interest/ EMI or any of its instalment for that loan is overdue and not paid as at day end process.
4. **SMA (Special Mention Account):** The Borrower Loan accounts shall be downgraded to SMA classification defined below, upon failure of the Borrowers to pay any EMI by the due date or the Outstanding Dues or any other amount wholly or partly is overdue.

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
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

5. **NPA (Non-performing Assets):** A Loan account is classified as NPA upon failure of the Borrower to pay any EMI for a period of more than 90 days. **Once the borrower is classified as NPA, the loan accounts shall remain classified as NPA until the entire arrears of interest and principal are paid in full by the Borrower.**

The reporting to Credit Information Companies (Credit Bureaus) and Regulatory bodies would be as per this norm.

Illustration:

If due date of a loan account is 31 March 2021, and full dues are not received before Company runs the day-end process for this date, the date of overdue shall be 31 March 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on 30 April 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for this account shall be 30 April 2021.

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