



Consumer Awareness

(Understanding the concepts of Overdue, SMA, NPA for your loan account)

**Paying your instalments on time helps you build your Credit Score.
A high Credit Score may help you getting higher loan value with lower interest rates.**

The below Illustration shall cover the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), upgradation of loan account etc.

Illustration

* Due Date	Date of ** Overdue	Basis for classification	Account Classification
		Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories
10 th March'2022	10 th March'2022	Upto 30 days	SMA-0
10 th April'2022	09 th April'2022	31-60 days	SMA-1
10 th May'2022	09 th May'2022	61-90 days	SMA-2
10 th June'2022	08th June'2022	More than 90 days	NPA

* **Due Date:** The date as specified in the Amortization Chart on which the instalment is due to be paid.

** **Overdue:** Instalment due but not paid on its due date specified by the Lender, before the Lender runs the day-end process (the accounts are closed for the day) for that day.

Explanation:

- ✓ If the due date is **10th March' 2022**, and the instalment is not received in full before the day-end process is run, the date of overdue shall be **10th March' 2022**.
- ✓ If the account continues to remain overdue, then this account shall get tagged as **SMA-1** upon running day-end process on **09th April'2022** i.e., upon completion of 30 days of being continuously in overdue. Accordingly, the **date of SMA-1** classification for that account shall be **09th April'2022**.
- ✓ Similarly, if the account continues to remain overdue, it shall get tagged as **SMA-2** upon running the day-end process on **09th May'2022**; and
- ✓ If the account continues to remain overdue further, it shall get classified as **NPA** upon running day-end process on **08th June' 2022**.
- ✓ If the instalments of **March, 2022** & **April, 2022** are collectively repaid post **8th June, 2022**, then also the account shall continue to be **reported as NPA**.
- ✓ If all the unpaid instalments (in the above example from **March, 2022** till actual realization) are fully paid along with the other charges / arrears, then only the account will be **upgraded / regularized as standard asset** and shall **not be reported as NPA**.
- ✓ The Loan account shall be automatically **reported as NPA** on the day end of the **90th day of its remaining as Overdue**.
- ✓ The loan account shall remain in **NPA** status till **all unpaid instalments are repaid along with other charges / arrears**
- ✓ Please note in case of **partial payments** towards the Loan account **will not change the status of the loan from NPA to Standard**.

Reference: As per RBI circular dated 12th November, 2021 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications [RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22].