

Consumer education on SMA/NPA



Consumer education literature on SMA and NPA classification

Objectives:

The Reserve Bank of India vide Master Direction – Reserve Bank of India (Non Banking Finance Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, has stipulated that with a view to increasing awareness among its borrowers, NBFCs should place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation.

Concepts:

Due:

Indicates the principal/interest/any amount levied on the loan account which are payable within the period stipulated as per the terms of credit facility extended by the Company.

Due date/repayment date

It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement.

Overdue

An amount is to be treated as overdue if it is not paid on the due date fixed by the NBFCs. The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, shall be clearly specified in the loan agreement. The borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date.

NPA classification

The loan account shall be classified as Non-Performing Asset (NPA) when Principal or interest payment or any other amount remains overdue for a period of more than 90 days.

The extant NPA classification norm stands changed to the overdue period of more than 90 days for applicable NBFCs. A glide path is provided to applicable NBFCs to adhere to the 90 days NPA norm as under –

NPA Norms	Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
> 90 days	By March 31, 2026

SMA classification

The Company shall recognize incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the categories specified below:

SMA sub categories	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 upto 60 days
SMA 2	More than 60 days upto 90 days

Illustration:

If the instalment due date of a loan account falls on April 05, 2024, May 05, 2024, June 05, 2024, July 05, 2024 and so on, then the SMA/NPA classification for the respective due amount will be done upon running day end processes. The indicative SMA/NPA classification of the amount falling due on April 05, 2024 shall be as follows:

Respective Due Date	Payment Status	Days Overdue	Upon running day end process on	SMA/NPA Classification
April 05 2024	Amount due on 05-Apr-2024 not paid in full	Upto 30 days	April 05, 2024	SMA - 0
	Amount due on 05-Apr-2024 still not paid in full and the subsequent due amount also not paid	More than 30 days and upto 60 days	May 05, 2024	SMA - 1
	Amount due on 05-Apr-2024 still not paid in full and the subsequent due amount also not paid	More than 60 days and upto 90 days	June 04, 2024	SMA – 2
	Amount due on 05-Apr-2024 still not paid in full and the subsequent due amount also not paid	More than 90 days	July 04, 2024	NPA

Upgradation of Accounts classified as Non Performing Asset(NPA):

The loan account classified as NPA can be upgraded as "Standard" only if the entire arrears of interest, principal and any other amount due are paid in full and there is NIL arrears upon running day end process of that calendar date.

The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.
