

Consumer Education Literature: Concepts of Date of Overdue, SMA and NPA Classification and Upgradation

A. Overdue date

In line with the RBI directions, an amount shall be treated as overdue if it is not paid on the due date fixed by the lending institutions. It is further clarified that borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date.

B. Day-end process

Day-end process means the process undertaken by the lender for booking receipt of/ crediting an amount into the loan accounts of a borrower, post which the account of a borrower is closed for the day.

C. Special Mention Account (SMA)

The RBI directions on 'Prudential Framework for Resolution of Stressed Assets' requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). In order to remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows -.

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 and upto 60 days
SMA-2	More than 60 days and upto 90 days

In the above context, it is further clarified that 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.

D. Non-Performing Asset (NPA)

A non-performing asset (NPA) is a loan or an advance where interest and / or instalment of principal remains overdue after closure of day end process on 90th day from the due date.

Example:

Examples of Due Date, Overdue date and SMA and NPA Classification of Loan Account

Date of overdue with respect to the loan account shall be the **due date** itself and not due date + 1.

Example: In the instant case the due date of a loan account is assumed as 20/11/2021

Description	Classification Dt (upon running day-end process)	Classification Assigned
If the repayment is not made by the borrower as on the day-end of 20/11/2021 then the said loan account becomes overdue on 20/11/2021 (date of overdue) itself	20/11/2021	SMA-0 for the next 30 days, if full dues are not paid
If the account continues to remain SMA-0 for the next 30 days, then this account will be tagged as SMA-1.	20/12/2021	SMA-1 for the next 30 days, if full dues are not paid
If the account continues to remain SMA-1 for the next 30 days, then this account will be tagged as SMA-2	19/01/2022	SMA-2 for the next 30 days, if full dues are not paid
If the account continues to remain SMA-2 for the next 30 days, then it will be classified as NPA.	19/02/2022	NPA

E. Upgradation of Accounts Classified as NPA

Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.

In case of borrowers having more than one credit facility from a lending institution, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.