

Customer Education – Classification of Borrower Accounts as SMA/NPA

Dues:

Indicate the principal/ interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

Overdue:

The demand out of the loan amount which customer fails to repay on time is known as the Loan Overdue Amount, i.e., the Loan Overdue Amount is the amount left unpaid even after the due date of payment. In other words, any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Stressed Accounts:

Borrowers are required to pay the EMI / instalment / interest at periodic intervals as per the terms agreed before availing of the loan. In case such EMI / instalment / interest dues are not paid on or before the due date on agreed terms, such account is called as a "Stressed account"

SMA

A loan account showing symptoms of stress as evidenced by a default in payment of dues will be classified as a "Special Mention Account (SMA)".

<u>Loans other than revolving facilities</u>		
SMA	Sub-categories	Basis for classification Principal or interest payment or any other amount wholly or partly overdue
SMA-0		1 to 30 days
SMA-1		More than 30 days and upto 60 days
SMA-2		More than 60 days and upto 90 days

<u>Loans in the nature of revolving facilities like cash credit/overdraft</u>		
SMA	Sub-categories	Basis for classification Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-1		More than 30 days and upto 60 days
SMA-2		More than 60 days and upto 90 days

For example: If in any loan account as on 01.02.2024 there are no dues and an amount of Rs. 1,00,000 is due for payment towards principal instalment/interest/charges on 01.02.2024. Any payment being credited on or after 01.02.2024 in the loan account will be used to pay off the dues outstanding on 01.02.2024

Assuming that there is a partial payment Rs 40,000/- of dues during the month of February, the overdue as on 01.03.2024 will be Rs 60,000/- (INR 1,00,000 – INR 40,000)

Additionally, if an amount of Rs. 80,000/- becomes due as on 01.03.2024. Now any payment /partial payment received into the account on or after 01.03.2024 will be first utilized to pay off the partial due of 01.02.2024 of INR 60,000/-. If there is more recovery than the INR 60,000/-, then after recovering dues of 01.02.2024, the remaining amount will be treated as recovery towards due of 01.03.2024.

NPA:

A non-performing asset (NPA) is a loan or an advance where;

- i) Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii) The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC) iii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv) In case of Agricultural advances, the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops / the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- v) When the account is restructured. Restructuring is an act in which lending institutions grant a concession to the borrower under financial difficulty for economic or legal reasons. Restructuring may involve modification of terms of the advances/securities, which would generally include, among others, alteration of payment period/payable amount/the amount of instalments/rate of interest, roll over of credit facilities, sanction of additional credit facility/release of additional funds for an account in default to aid curing of default/enhancement of existing credit limits, compromise settlements where time for payment of settlement amount exceeds three months
- vi) Non-commencement of commercial operations within the scheduled date and the grace period permitted by the regulator.
- vii) Detection of fraud in the loan account

****Cash credit/Overdraft (CC/OD) account is classified as NPA if it is 'out of order'. An account should be treated as 'out of order' if:***

a) The outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days.

b) In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'