

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. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA).

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 -

Overdue	Classification
1 to 30 days	SMA-0
More than 30 days & upto 60 days	SMA-1
More than 60 days & upto to 90 days	SMA-2
More than 90 days	NPA

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.

Example: In the instant case the due date of a loan account is assumed as March 31, 2022.

Description	Classification Dt (upon running day-end process)	Classification Assigned
If the full dues are not received before the lending institution runs the day-end process of March 31, 2022, the account will be tagged as Overdue/SMA-0 .	March 31,2022	Overdue/ SMA-0 for the next 30 days, if full dues are not paid
If the account continues to remain overdue/SMA-0 for the next 30 days, then this account will be tagged as SMA-1 .	April 30,2022	SMA-1 for the next 30 days, if full dues are not paid
If the account continues to remain overdue/SMA-1 for the next 30 days, then this account will be tagged as SMA-2 .	May 30,2022	SMA-2 for the next 30 days, if full dues are not paid
If the account continues to remain overdue/SMA-2 for the next 30 days, then it will be classified as NPA .	June 29,2022	NPA

C. 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.