

CONSUMER EDUCATION LITERATURE

Pursuant to Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

Housing Finance Companies (HFCs) are committed to ensuring transparency and helping customers clearly understand how their loan accounts are monitored. The following information explains, in simple terms, how **“Date of Overdue”, Special Mention Account (SMA)** categories, and **Non-Performing Asset (NPA)** classification work, along with examples using the day-end process.

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 (default) Accounts

An account shall be in default when principal including arrears of interest and any other amount due is not paid in full as seen on the respective due date mentioned in sanction terms/loan agreement, such account shall be specified as overdue loan account.

The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the me of running such processes.

Example:

If the due date of a loan account is April 05, 202X, and full dues are not received by the Company on or before this date then the account will be considered overdue from April 05, 202X

Classification of Special Men on Account (SMA) & Non-Performing Asset (NPA)

The classification of a loan account as a Special Mention Account(“SMA”)/ Non-Performing Asset (“NPA”) is dependent on the period for which any payment, including the Principal component and/or Interest component, remains overdue from a borrower.

If there is a default in making payment of Principal component and/ or Interest component and/ or any applicable dues, as per the terms & conditions of the loan, wholly or partly, on or before the due date specified/ notified as per the loan agreement, then such overdue loan account along with all other loan/ credit facilities availed by the borrower from the Company shall be classified as SMA or NPA as indicated in below table given below, as per RBI regulations:

SMA Sub-Categories	Basis of Classification
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days
NPA	More than 90 days

***Upgradation of accounts classified as NPAs:** Loan accounts once classified as NPA can be upgraded as Standard only after entire arrears of Principal, Interest and any other amount-outstanding and due are paid by the borrower.

Illustration or classification of borrower's account as SMA / NPA

(All the dates mentioned herein are for illustration purposes only)

If the due date of a loan account repayment is April 05, 202X and the payment is not received by the Company before the day-end process is run, then indicative SMA/NPA classification shall be follows:

Overdue period of Principal/ Interest/ Any other amount	SMA/ NPA Classification Category	SMA/ NPA Classification
Up to 30 days	SMA-0	April 05, 202X
More than 30 days and up to 60 days	SMA-1	May 05, 202X
More than 30 days and up to 60 days	SMA-2	June 04, 202X
More than 90 days	NPA	June 04, 202X

#The date of SMA/ NPA shall reflect the Asset Classification status of a loan account at the day-end of that calendar date.

For instance, if the due date of a loan account is April 05, 202X, and full dues are not received by the Company on or before this date then the account will be considered overdue from April 05, 202X and this account shall be tagged as SMA-0.

If the loan account continues to remain overdue then it will be tagged as SMA-1 on May 05, 202X, i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be May 05, 202X to June 03, 202X

Similarly, if the loan account continues to remain overdue, it will be tagged as SMA-2 on June 04, 202X, i.e., upon completion of 60 days of being continuously overdue. Accordingly, the date of SMA-2 classification for that account shall be June 04, 202X to July 03, 202X.

If the loan account continues to remain overdue further, it shall be classified as NPA upon running the day-end process on July 04, 202X.