

In reference to the RBI circular dated November 12, 2021, on Prudential norms on Income Recognition, Asset Classification and Provisioning and to ensure customers are aware of the due date of the repayment and the classification of their loan account in the event of default in payment of over dues, some of the important terms and conditions in this regard are explained as under:

1. What is EMI?

EMI stands for Equated Monthly Instalments, it means the amount payable every month by the Borrower to the Lender comprising of Interest, or as the case may be, the Loan Amount and/or Interest and includes Pre-EMIs, if any.

2. What is Repayment date?

Repayment Date, in relation to EMI, means the date, on or before which each EMI is to be repaid by the Borrowers and in relation to other Outstanding Dues, means the date, on or before which the relevant Outstanding Dues and/or the entire Outstanding Dues, is to be paid by the Borrowers.

3. What is Due date?

Due Date with respect to the Loan availed means the respective Repayment Date for the EMI and/or the Outstanding Dues and shall mean and include, wherever applicable, the date specified by the Lender in the notice in the event of any costs, charges and expenses being incurred or paid by the Lender under the Loan Documents.

4. What are Bounce charges?

Bounce Charges means an amount payable by the Borrower to the Lender as a penalty where the post dated cheques issued by the Borrower is / are not honored by the bank, or NACH or any other repayment mode agreed by the Borrower in the Loan Agreement, is returned or not honored.

5. What is SMA?

SMA stands for Special Mention Account. The Borrower Loan accounts shall be downgraded to SMA classification defined below, upon failure of the Borrowers to pay any EMI by the due date or the Outstanding Dues or any other amount wholly or partly is overdue.

| 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 |

6. What is NPA?

NPA stands for Non-Performing Asset. A Loan account is classified as NPA upon failure of the Borrowers to pay any EMI for a period of more than ninety days. The Borrower loan accounts shall remain classified as NPA until the entire arrears of interest and principal are paid in full by the Borrowers.

The reporting to Credit Information Companies (Credit Bureaus) and Regulatory bodies would be as per this norm.

Example:

If due date of a loan account is March 31, 2021, and full dues are not received before Company runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for this account shall be April 30, 2021.

Similarly, if your loan account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if it continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.