**Consumer Education Literature on SMA and NPA classification with specific reference to day end process.**

In reference to the RBI circular dated 12 November 2021, on Prudential norms on Income Recognition, Asset Classification and Provisioning it is important for you as SMHFC customers, to understand the importance of the due date of the EMIs every month and how your account is classified in case you do not pay your EMIs on time on the due date. We have explained this along with some other important terms and conditions of the loan relating to repayment in this literature. We hope you find this useful. For any further details, you may write to us at contact@svatantramhfc.com or call us on our customer helpline number 1800 1234 427.

1. **Principal Outstanding:** The outstanding principal balance of a loan/ credit facility is the total amount of principal amount outstanding in the particular loan which doesn't include the accrued interest, default interest, other charges, overdue amount, etc.
2. **Due date/repayment date:** It is the date on which the instalment comprising of principal / interest (EMI) billed on the loan account are payable as mentioned in loan agreement.
3. **Overdue (default) accounts:** An account shall be considered or called Overdue when principal or interest is not paid in full as on the due date mentioned in loan agreement. The accounts are classified as overdue on a daily basis as a part of the day end process.
4. **DPD (Days past due):** It indicates whether you have been consistent in your repayments and if you have missed any, how many installments you have missed and by how many days. With respect to a particular loan, the number of days for which any principal/ interest/ EMI or any of its installments for that loan is overdue and not paid as at day end process.
5. **SMA (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 | 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 |

6. **NPA (Non-performing Assets):** A Loan account is classified as NPA upon failure of the Borrower to pay any EMI for a period of more than 90 days. Once the borrower is classified as NPA, the loan accounts shall remain classified as NPA until the entire arrears of interest and principal are paid in full by the Borrower.

**It is important for all the customers i.e., all applicants on the loan (Borrowers and all Co-Borrowers) to note that if your account is classified as any of the above mentioned SMA categories, it will not only attract additional charges on delayed payments but will also adversely affect the credit scores of all applicants as this information is reported to all Credit Bureaus. If the account is classified as NPA, the company can initiate action against the Borrowers under the SARFAESI Act of 2002 which may result in taking possession of the property and selling the same to recover the outstanding loan along with interest and all other charges.**

**Example:**

If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution 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 that account shall be April 30, 2021.

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

**Upgradation of Accounts classified as Non-Performing Asset (NPA):**
(Implemented w.e.f. 1st October 2022)

The loan account classified as NPA can be upgraded as "Standard" only if the entire arrears of interest and principal are paid in full and there is NIL arrears upon running day end process of that calendar date. In case of borrowers having more than one credit facility, 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.