

Customer Education Literature on SMA/NPA

Introduction

The Reserve Bank of India (RBI) released “**Prudential Norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances – Clarifications**” on **November 12, 2021** to be read in conjunction with Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated **October 1, 2021**.

Objective

With a view to increasing awareness among borrowers of Fedbank Financial Services Limited (Fedfina), this document covers the concept of SMA, NPA & related provisions for ease of understanding.

The examples quoted herein are indicative and relate to general scenarios and are not exhaustive in nature. The guidelines issued & amended by RBI from time to time shall prevail for implementation.

What is the meaning of Overdue account?

An account is classified as “Overdue” if any amount due to Fedfina under any credit facility is not paid on the due date fixed by Fedfina & agreed by borrower as per the loan agreement. The amount may refer to principal or interest or any other amount due (whether wholly or partly due).

The date of classifying a loan account as “**Overdue**” shall be the date on which the amount was due but not paid by the borrower.

What is days past due (DPD)?

It is the number of days for which your account has remained in overdue status.

For example, if on the due date, full dues are not received by Fedfina before its day-end processes are run, the account shall become overdue by 1 day (that is 1 DPD). Accounts at 1DPD are also called as SMA-0.

The customer needs to ensure that all payments due are received & realized by Fedfina before its day-end processes are run on or before the due date. Further, if the due date falls on a non-working day, the borrower has to ensure that the repayment is made on or before the due date.

My EMI repayment with Fedfina got bounced on the due date on account of insufficient funds &/or technical reasons. How do I ensure that my account does not become overdue?

You can repay the EMI by visiting - https://fedfina.com/installment_loan_login/ thereby ensuring that your account does not get classified as “Overdue”.

When is an account treated as Current? What are its benefits?

An account wherein all payments are made as & when due is treated as “Current”. In other words, any account with nil DPD is Current (Other than SMA/NPA).

Benefits of Accounts treated as “Current”:

- a. Strong credit profile – high credit score in credit bureau report
- b. Easy access to funds from Banks & NBFCs
- c. Competitive rate of interest

What is SMA & what is NPA?

An account is classified as Special Mention Account (SMA) or Non-Performing Account (NPA) based on days past due (DPD).

SMA/NPA	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	An account remaining overdue for up to 30 days
SMA-1	An account remaining overdue for more than 30 days & up to 60 days
SMA-2	An account remaining overdue for more than 60 days & up to 89 days
NPA	An account remaining overdue for 90 days* or above

**As per Ind-AS norms followed by Fedfina (Based on RBI circular dated 13th March 2020)*

Some examples of account classification into SMA & NPA

Due date	2-April-22	Due date	7-April-22
SMA/NPA	Date	SMA/NPA	Date
SMA-0	02-Apr-22	SMA-0	07-Apr-22
SMA-1	02-May-22	SMA-1	07-May-22
SMA-2	01-Jun-22	SMA-2	06-Jun-22
NPA	30-Jun-22	NPA	05-Jul-22

Due date	14-April-22	Due date	22-April-22
SMA/NPA	Date	SMA/NPA	Date
SMA-0	14-Apr-22	SMA-0	11-Apr-22
SMA-1	14-May-22	SMA-1	22-May-22
SMA-2	13-Jun-22	SMA-2	21-Jun-22
NPA	12-Jul-22	NPA	20-Jul-22

If any one of your facility gets classified as SMA/NPA, your other borrowings from Fedfina shall also get classified as SMA/NPA. For example, if you have availed 2 loans from Fedfina and only one loan account is in overdue status, both the loans shall get tagged as “Overdue” even if the 2nd loan is duly serviced or is in Current status.

What will happen if your account gets tagged as NPA?

A customer getting classified as NPA has several detrimental impact on his/her credit profile. Some of the effects are as highlighted below:

- a. Reminders through phone calls, sms, notices sent by the lender
- b. Recall of entire loan amount
- c. Visits by Collection agents for recovery of dues
- d. Police complaints
- e. Legal actions
- f. Attachment of your property/assets
- g. Downgrade of your credit score on Credit bureaus thereby making it difficult for you to avail loans in future

How to move your account out of NPA?

You can move your account/s out of NPA by repayment of **ALL** dues & overdues in **ALL** the facilities availed by you from Fedfina. For account/s classified as NPA due to restructuring, non-achievement of Date of Commencement of Commercial Operations (DCCO), etc, the instructions as per the specific regulatory guidelines shall be applicable.

How to ensure that your account always remains in current status?

You can follow simple steps depicted below to ensure that your account always remains in current status.

- a. Ensure that you receive repayment schedule once the loan is disbursed
- b. Ensure that your account has sufficient balance before the EMI due date
- c. If your EMI amount does not get debited on the due date, please reach out to Customer Care or nearest Fedfina Branch.

Whom can I contact in case of queries?

For any account classification related queries, kindly connect with the nearest Branch/Regional Office or write to customercare@fedfina.com

You can repay overdue EMI by visiting https://fedfina.com/installment_loan_login/

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