

**CONSUMER EDUCATION LITERATURE**

RBI vide its circular DOR.STR.REC.68/21.04.048/2021-22, dated 12.11.2021 instruct all lending institutions to place Consumer Education Literature on their websites.

Accordingly, Nivara Home Finance Limited is providing herewith Consumer Education Literature, incorporating RBI directions on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances for consumer education purpose.

Pursuant to “Reserve Bank of India (RBI) circular on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” as notified vide dated November 12, 2021 and February 15, 2022, The RBI has clarified certain aspects of Overdue dates and SMA/NPA classification dates etc., as mentioned below, to ensure uniformity across all lending institutions.

**Concepts/ clarifications/ Illustrative examples:**

**Dues:**

The term 'Dues' mean, the principal / interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

**Overdue:**

The term ‘Overdue’ mean, the principal / interest/ any charges levied on the loan account which are payable, but have not been paid within the period stipulated as per the terms of sanction of the credit facility. In other words, any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

**Special Mention Account (SMA):**

Classification of the borrower account as SMA shall be done immediately on default as part of day-end process for the relevant date. The basis for classification of SMA categories shall be as follows:

<b>SMA Sub-categories</b>	<b>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue</b>
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 (Non-performing Assets):**

A Non-Performing Asset (NPA) is a loan or an advance where:

- i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains ‘out of order’ as indicated below, in respect of an Overdraft/Cash Credit (OD/CC):
  - a. The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days , or
  - b. The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

- iii. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- iv. the account remains 'out of order' as indicated below, in respect of an Overdraft/Cash Credit (OD/CC):
  - c. The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days , or
  - d. The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.
- v. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- vi. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- vii. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- viii. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- ix. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

**Illustration:**

If due date of a loan account is 31 March 2022, and full dues are not received before Company runs the day-end process for this date, the date of overdue shall be 31 March 2022 and the account will be tagged as SMA-0 as on 31 March 2022.

If it continues to remain overdue even after that, then this account shall get tagged as SMA-1 upon running day-end process on 30 April 2022 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for this account shall be 30 April 2022.

Similarly, if the loan account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on 30 May 2022 and if it continues to remain overdue further, it shall get classified as NPA upon running day-end process on 29 June 2022.

**Upgradation of accounts classified as NPAs**

A loan accounts classified as NPAs are upgraded to 'Standard' asset only if the entire arrears of interest and principal pertaining to all the credit facilities are paid by the borrower.

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.

**Note:**

All respected customers are requested to be aware about latest RBI guidelines on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances. For further details, please contact your nearest branch. Further, the above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.