

CONSUMER EDUCATION LITERATURE

With a view to increasing awareness among the borrowers, the Reserve Bank of India has vide its circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November, 12, 2021 has mandated the lending institutions to spread the education amongst borrowers, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. As such the above follows as below:

1. Concept of date of OVERDUE?

When a customer does not pay her scheduled EMI within the due date of a particular month, she/ he becomes OVERDUE.

Example:

- Sumana's EMI due date for the month of April, 2022 is 5th April, 2022.
- Sumana did not pay her EMI by 5th April, 2022. Instead, she paid later on 10th April, 2022. She is now an OVERDUE CUSTOMER.

The Borrower should avoid becoming overdue to keep their Credit Bureau Records thus, making it difficult for them to avail future loans from any lending institution.

2. Concept of DAYS PAST DUE (DPD)?

When borrower delays in making the payment of EMI from the scheduled due date then it is termed as DAYS PAST DUE.

Example:

- Sumona's EMI due date for the month of April, 2022 is 5th April, 2022.
- Sumona did not pay her EMI by 5th April, 2022. Instead, she paid later on 10th April, 2022. Sumona is now 10 DAYS PAST DUE.

3. Concept of SPECIAL MENTION ACCOUNT (SMA)?

When a borrower has made part payment for the total dues of the principal and interest amount or any other amount due from her to the lending company, her loan account is classified as a SPECIAL MENTION ACCOUNT.

Example:

- Sumona's EMI due amount, including interest rate, is Rs 2000/-.
- Sumona pays Rs. 1000/- only.
- Sumona's loan account is now classified as a SPECIAL MENTION ACCOUNT.

4. Concept of NON-PERFORMING ASSEST (NPA)?

If a borrower has not paid the EMI for ninety days, then her account becomes a NON-PERFORMING ASSET (NPA). Borrowers should, at all times, maintain a healthy Credit Bureau Record by paying their EMIs on time in order to continue to be eligible for future loans from any lending institutions.