

GIC HOUSING FINANCE LIMITED

Customer Awareness & Education - Regarding Classification of Loan Account as SMA and NPA

In reference to RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' dated November 12, 2021 this Customer Education Literature is presented with regards to the Customer Awareness - Regarding Classification of Loan Account as SMA and NPA.

A. Clarification on Overdue:

A loan Equated Monthly Instalment (EMI) or Pre-Equated Monthly Instalment (PEMI) is considered overdue if it is not paid by the specified due date, before the lender completes the day-end process on that day. The due date is the date outlined in the repayment schedule when the EMI or instalment is required to be paid.

B. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

The below Illustration covers the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), upgradation of loan account etc.

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
NPA	More than 90 days

Accordingly, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. An illustration of such classification is given below:

Classification as:	Example 1
Original Due Date	31 March 2022
SMA 0	31 March 2022 end of day
SMA 1	30 April 2022 end of day
SMA 2	31 May 2022 end of day
NPA	30 June 2022 end of day

Details of Delinquent are reported to Credit Bureaus. This impact the Credit rating of customers. Hence, it is advisable to honor EMIs on the due date, as per the terms of the loan agreement

C. Upgradation of accounts classified as NPAs

Customer classified as NPAs may be upgraded as 'standard' only if **entire arrears** of interest and principal are paid by the customer. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

Customers classified as Non-Performing Assets (NPAs) can be upgraded to 'standard' status only when all overdue interest and principal amounts are fully paid. For accounts classified as NPAs due to restructuring, failure to meet the Date of Commencement of Commercial Operations (DCCO), or similar reasons, the specific instructions for those cases will continue to apply.

For e.g. if a customer is classified as NPA on 30 June 2022 with an overdue of Rs. 1,00,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.

On classification of a loan account as NPA, SARFAESI or other legal remedies shall be initiated. SARFAESI PROCEEDINGS UNDER SARFAESI ACT shall be initiated against the borrower. Demand notice shall be issued under section 13(2) of the Act, followed by publication of demand notice in press, subsequently followed by symbolic/physical possession. If the outstanding overdues are not discharged, proceedings for E-Auction Sale shall be initiated under the Security (Interest) Enforcement Rules, 2002.
