



Consumer Education Literature

Due date/Repayment date

It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement

Overdue (default) accounts

An account shall be in default when principal including arrears of interest and any other amount due is not paid in full as seen on the respective due date mentioned in sanction terms/loan agreement, such account shall be specified as overdue loan account.

The Bank shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

For instance, if due date for a loan account is April10, 2022 and full dues are not received on the same date, the date of irregularity (overdue) shall be April10, 2022.

Classification of Borrower Accounts as SMA/NPA

The bank recognizes incipient stress in borrower accounts by classifying them as Special Mention Account (SMA) / Non-Performing Asset (NPA) as per the norms given below:

Special Mention Account (SMA)

Special mention accounts shall be classified as per following categories:

Loans in the nature of Term Loans		Loans in the nature of cash credit/overdraft	
SMA Sub-categories	Basis for classification– Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Up to30 days		
SMA-1	More than 30days and up to 60 days	SMA-1	More than 30days and up to 60 days
SMA-2	More than 60days and up to 90 days	SMA-2	More than 60days and up to 90 days

Non-Performing Asset (NPA)

Anon-performing asset (NPA)is a loan or an advance where:

- a) Interest and/or installment of principal remains overdue¹ for a period of more than 90 days in respect of a term loan,
- b) the account remains 'out of order' as indicated at paragraph below, in respect of an Overdraft/Cash Credit (OD/CC),

'Out of Order' status

Cash credit/Overdraft (CC/OD) account is classified as NPA if it is 'out of order'. An account should be treated as 'out of order' if:

- a) The outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days.

¹Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.



b) 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. The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is beingrun. these accounts should be treated as 'out of order'.

NPA classification on account of non-renewal of CC/OD limits

An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

NPA classification on non-submission of stock statements

In working capital borrower account, Bank relies upon stock statements not older than three months for determination of drawing power. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. Account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

Illustrative Example

Example: If the due date for a loan account is April 10,2021 and the entire dues are not paid by the borrower, the account would be reported as:

- SMA-0: During April 10,2021 to May 9, 2021
- SMA-1: During May 10, 2021 to June 8, 2021
- SMA-2: During June 9, 2021 to July 8, 2021

Due Date: April 10, 2021

Overdue Days	Date of Classification	Classification Status
NA	April 9, 2021	Standard
1	April 10, 2021	SMA 0
31	May 10, 2021	SMA 1
61	June 9, 2021	SMA 2
91	July 9, 2021	NPA

Upgradation of accounts classified as NPAs

It is clarified that loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.

In case of borrowers having more than one credit facility from a lending institution, 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.

For detailed guidelines in asset classification and provisioning, please refer to RBI's Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated April1,2022 and Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances–Clarifications dated November 12,2021. The above asset/SMA classification norms are subject to changes as per regulatory instructions issued from time to time.

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Example for SMA/NPA status

Loan facilities other than in the nature of CC/OD accounts:

1. All dues paid

Date	Charged(₹)	Recovery(₹)	DPD*	Status	Remarks
Mar31,2022	1,000	1,000	0	Regular	No over dues

*DPD: days-past-due

2. No dues paid

Date	Charged(₹)	Recovery(₹)	DPD	Status	Remarks
Mar 31, 2022	1,000	-	1	SMA-0	Overdue position
Apr 30, 2022	1,100	-	31	SMA-1	Overdue position
May 30, 2022	-	-	61	SMA-2	Overdue position
May 31, 2022	1,150	-	62	SMA-2	Overdue position
Jun 29, 2022	-	-	91	NPA ¹	Asset classification

3. Partial dues paid (during SMA)

Date	Charged (₹)	Recovery (₹)	DPD	Status	Remarks
Mar 31, 2022	1,000	-	1	SMA-0	Overdue position
Apr 30, 2022	1,100	800	31	SMA-1	Overdue for Mar
May 25, 2022	-	500	26	SMA-0	Overdue for April
May 31, 2022	1,150	-	32	SMA-1	Overdue for April
Jun 28, 2022	-	1,000	29	SMA-0	Overdue for May
Jun 30, 2022	900	-	31	SMA-1	Overdue for May

Note: 1. The SMA status may be upgraded on payment of dues by the borrower.

2. The appropriation of recovery would be done for the oldest overdue as per first-in-first-out (FIFO) basis.

4. Partial dues paid (after NPA)

Date	Charged (₹)	Recovery (₹)	DPD	Status	Remarks
Mar 31, 2022	1,000	-	1	SMA-0	Overdue position
Apr 30, 2022	1,100	-	31	SMA-1	Overdue position
May 30, 2022	-	-	61	SMA-2	Overdue position
May 31, 2022	1,150	-	62	SMA-2	Overdue position
Jun 29, 2022	-	-	91	NPA	Asset classification
Jun 30, 2022	-	3,000	31	NPA	All dues not cleared

Note 1. The account classified as NPA is upgraded only when the borrower pays off the entire arrears of interest and principal for all loan facilities availed from the Bank.

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Loan facilities in the nature of CC/OD accounts:

1. Out of order (CC/OD accounts)-Not enough credits in the account in last 90days

Date	Debit (`)	Credit (`)	Status	Remarks
Mar 31, 2022	1,000	-		
Apr 1, 2022	-	1,000		
Apr 30, 2022	1,050	-		
May 1, 2022	-	1,050		
May 31, 2022	1,025	-		
Jun 29, 2022	-	-	NPA	Total interest debits in 90 days: ` 3,075, total credits: ` 2,050

The above examples are illustrative covering common scenarios and not exhaustive and subject to change based on the RBI guidelines. The asset classification of the borrowers would be determined based on the prevailing RBI guidelines including Master Circular issued by RBI on income recognition, asset classification and provisioning pertaining to advances