

RBI'S CIRCULAR ON IRACP NORMS DECODED FOR BORROWERS

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What it has for borrower?

The lender (FIs, Banks and NBFCs) shall provide following information to borrower at the time of execution of loan agreement:

- Exact due dates for repayment of a loan
- Frequency of repayment,
- Breakup between principal and interest
- SMA/NPA classification dates
- Subsequent changes, if any

What borrower need to understand?

Borrower loan account shall be labelled as overdue if EMI/ other charges not paid by him within due date. The date of **Special Mention Account (SMA) and Non-Performing Asset (NPA)** shall reflect the asset classification status of an account at the end of due date.

For example:

If due date of a loan account is May 31, and full dues are not received by end of the day of May 31, the date of overdue shall be the same date i.e., May 31.

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

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on July 31, and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on Aug 30.

In persistence, from below table it is clarified that borrower accounts shall be labelled as overdue by the lending institutions as part of their day-end processes for the due date, regardless of the time of running such processes. The date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. Further, SMA classification of borrower accounts are applicable to all kinds of loans, including retail loans, irrespective of size of exposure of the lending institution.

Loans other than revolving facilities		Loans in the nature of revolving facilities like 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	0- 30 days		
SMA-1	31-60 days	SMA-1	31-60 days
SMA-2	60-90 days	SMA-2	60-90 days

So next time when you are heading for Loan, remember another considerate step by RBI in favor of ‘Aam Aadmi’ has been put forward!