

Customer Education Literature

Muthoottu Mini Financiers Limited

Approved in the Meeting of the Board of Directors held on 27/05/2024

Muthoottu Mini Financiers Limited (herein after referred to as MMFL) is registered with the Reserve Bank of India (RBI) as a non-deposit taking, non-banking financial company (NBFC) and is falling under the Middle Layer Category as per Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

Pursuant to the Reserve Bank of India (RBI) guidelines on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” as notified vide circulars dated November 12, 2021 and February 15, 2022 and Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 the RBI has clarified the concepts of Overdue dates and Special Mention Account (SMA) / Non Performing Asset (NPA) classification and up gradation of accounts, as mentioned below, to ensure uniformity across all lending institutions.

With a view to increase awareness among the borrowers, consumer education literature has been placed by explaining the concepts of Overdue, Special Mention Account (SMA), Non-Performing Asset (NPA) classification and Up gradation to Standard asset.

The examples quoted in the document are illustrative and not exhaustive in nature and relate to general scenarios. The guidelines and clarifications issued by the RBI will prevail for implementation and may be amended from time to time by the RBI.

Definitions

I. Dues: Principal/interest/ any charges levied on the loan account which are payable within the due date stipulated as per the terms of sanction of the credit facility.

II. Overdue: Principal/interest/ any charges levied on the loan account which are payable but have not been paid within the due date stipulated as per the terms of sanction of the credit facility. In other words, any amount due to the NBFC under any credit facility is 'overdue' if it is not paid within the due date.

The company classifies borrower accounts as SMA/NPA as part of day-end process for the relevant date and the SMA/NPA classification date is the calendar date for which the day end process is run.

What is the meaning of Overdue account?

An account is classified as “Overdue” if any amount due to MMFL under any credit facility is not paid on the due date fixed by MMFL as agreed by borrower as per the loan agreement. The amount may refer to principal or interest or any other amount due (whether wholly or partly due).

The date of classifying a loan account as “Overdue” shall be the date on which the amount was due but not paid by the borrower.

What is days past due (DPD)?

It is the number of days for which your account has remained in overdue status.

For example, if on the due date, full dues are not received by MMFL before its day-end processes are run, the account shall become overdue by 1 day (that is 1 DPD). Accounts at 1DPD are also called as SMA-0.

The customer needs to ensure that all payments due are received & realized by MMFL before its day-end processes are run on or before the due date. Further, if the due date falls on a nonworking day, the borrower has to ensure that the repayment is made on or before the due date.

When is an account treated as Current? What are its benefits?

An account wherein all payments are made as & when due is treated as “Current”. In other words, any account with nil DPD is Current (Other than SMA/NPA).

Benefits of Accounts treated as “Current”:

- Strong credit profile – high credit score in credit bureau report
- Easy access to funds from Banks & NBFCs
- Competitive rate of interest

What is SMA & what is NPA?

An account is classified as Special Mention Account (SMA) or Non-Performing Account (NPA) based on days past due (DPD).

The classification of borrower accounts as SMA as well as NPA shall be done as part of the day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Non-Performing Asset (NPA): The Loan Account shall be classified as Non-Performing Asset (NPA) where interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a loan.

Classification of SMA and NPA

Lenders are required to recognize the incipient stress in borrower’s accounts immediately on Default, by classifying them as SMA. Such accounts if not regularized within 90 days gets classified as NPA. The basis of classification of SMA & NPA is as follows:

Loans other than revolving facilities	
SMA/NPA 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	In case of NBFC Middle Layer, the references to 90 days for NPA classification may be read as per the applicable norms and also subject to the provisions of the circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on ‘Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs. More than _90 days

An illustration of asset classification is given below:

Asset Classification	Date
Original Due Date	The date on which interest/principal payment is due for payment.
SMA-0	If due date of a loan account is 31st March, 2024, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2024.
SMA-1	If the account continues to remain overdue, then this account shall get tagged as SMA1 upon completion of 30 days of being continuously overdue i.e., 30th April, 2024.
SMA-2	If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May, 2024
NPA	If the account continues to remain overdue more than 90 days, it shall get tagged as NPA on 30 th June,2024.

Upgradation of accounts classified as NPA: Loan accounts classified as NPAs are upgraded to 'Standard' asset only if the entire arrears of interest and principal pertaining to credit facilities are paid by the borrower. In case of borrowers having more than one credit facility from the lender, 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.

What will happen if your account gets tagged as NPA?

Gold Loan

- a. Reminders through phone calls, sms, notices sent by the lender
- b. Once an account has been identified as "eligible for auction accounts" a notice in the local language shall be sent to all "auction accounts" by registered post with acknowledgement card requesting the borrower to immediately pay the full dues.
- c. With a view to reduce the number of auction identified accounts and as a measure of customer service, the Company shall send a registered auction notice with acknowledgement due 20 days from the date of overdue notice, requesting the borrower to immediately pay the full dues, failing which the security would be liable to be put on public auction, without further notice, for recovery of dues.
- d. A notice in the local language in an approved format shall be sent to all (auctionable) pledges furnishing the date and venue of auction at least 14 days before the proposed date of auction by registered post with acknowledgement due requesting the borrower to immediately pay the full dues failing which the security would be liable to be put on auction, without further notice, for recovery of the dues.
- e. A demand notice in the vernacular language shall be sent to all MTM Loss accounts by Registered post, requesting the borrower to immediately pay the loss amount including interest. Failing which the security (gold) will be liable to be put on public auction or E auction either account wise or as a lot without further notice for recovery of the loss and dues.
- f. When such letters are returned undelivered, intensive action should be taken to locate the borrower, reconfirm the KYC documents and re-evaluate the security. The responsibility for ensuring the compliance would vest with the branches.
- g. The acknowledgement card or unopened (returned undelivered letters), as applicable, should be preserved and systematically stored for easy future retrieval. Such records shall be under the custody of the branch up to the Auction. The responsibility for ensuring the compliance with the above policy guidelines shall vest with the respective Regional Managers.

Micro Finance

- a. Reminders through phone calls, sms, notices sent by the lender
- b. Downgrade of your credit score on Credit bureaus thereby making it difficult for you to avail loans in future.

How to move your account out of NPA?

You can move your account/s out of NPA by repayment of ALL dues overdues in ALL the facilities availed by you from MMFL.

How to ensure that your account always remains in current status?

You can follow simple steps depicted below to ensure that your account always remains in current status.

- a. Ensure that your account has sufficient balance before the EMI due date.
- b. If you are not able to pay your EMI amount on the due date, please reach out to the nearest MMFL Branch or Customer Care of MMFL.

Whom can I contact in case of queries?

For any account classification related queries, kindly write to info@muthoottumini.com
