

**Dear Indian School Finance Company (ISFC) Customer,**

**Greetings from ISFC.**

This is with reference to the circular RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 issued by the Reserve Bank of India on 12th Nov'21 clarifying norms to be followed by all lending institutions with regards to classification of loans (advances) and reporting their status, amongst other topics. With a view to increasing awareness among the borrowers, we believe that we should place for the benefit of our customers awareness in our website and branches the concepts of date of overdue, SMA and NPA classification and upgradation with specific reference to day-end process. Customer should be aware of them since they may have a far-reaching impact on their credit worthiness and financial wellbeing which is directly contingent on repayment behaviour. We urge every customer to carefully read through the subsequent paragraphs and make yourself familiar with the norms.

**A) Due date / Repayment date, Default and Overdue.**

All loans availed by the customer from us have a specific date on which customer needs to make repayment towards the instalment due for that particular loan. This is called the 'due date' or the 'repayment date'. This date is clearly mentioned in the loan schedule of the agreement as well as the loan amortization schedule, which we have shared from our end while availing the loan/s. Failure to making payment on the due date is termed as '**default**' and makes customer account '**overdue**'. For example, if the due date for the loan is 15th of every month and customer failed to pay the instalment on 15th, the Loan account will be flagged as overdue by 1 day. If customer keeps it unpaid till the 24th of the month, the Loan account is overdue by 09 days and so on.

Borrower/Customer must know that a default or keeping a loan overdue is viewed negatively by all lending institutions and restricts ability to avail further loans for business or personal needs. Also, an overdue account is charged an overdue/penal interest at a higher rate for the no. of days it remains in overdue, in addition to the bounce charges. Hence, we request every customer to make repayment of entire instalment/s along with overdue interest/bounce charges (if applicable), on or before the due date. Please get in touch with your relationship manager or contact us on details mentioned at the end of this letter to know the due date for all loans availed from us or any additional information.

**B) Classification of an account as Special Mention Account (SMA) & Non-Performing Account (NPA)**

As per the norms, a lending institution is now required to classify all its overdue loans as either SMA or NPA depending upon the no. of days for which the instalment has remained overdue. Such classification will be done on the basis of status of the loan as on the due date and not on the month end date.

<b>Principal or interest or any other amount (overdue interest / bounce charges) remaining wholly or partly overdue</b>	<b>SMA sub-Categories</b>
Between 1 to 30 days (both days inclusive)	SMA-0
Between 31 to 60 days (both days inclusive)	SMA-1
Between 61 to 90 days (both days inclusive)	SMA-2
91 days and above	NPA

**For example**, if the due date of your loan is 10th Dec 2021 and customer failed to make a repayment on this date, the account will be classified as **SMA-0** on the same date and shall be reported as such in Dec'21 month-end to the RBI, even if customer make the payment of all dues anytime thereafter in Dec'21. If customer fail to make this payment along with all dues till 10th Jan 2022 the account will be classified as **SMA-1** in Jan'22 month-end. It will be classified as **SMA-2** in Feb'2 month-end if it remains unpaid along with all dues till 10th Feb 2022. And the account will be classified as **NPA** on 11th Mar'22, if customer not cleared the dues till this date. However, if customer clear all instalments on their respective due dates, the account will not be required to be classified under any SMA sub-category.

All lending institutions on regular intervals report the customer repayment behaviour to various credit bureaus and the customer should know that the institutions verify the repayment behaviour of a customer with the database of various credit bureaus, prior to sanctioning of loans. Customers having satisfactory repayment patterns and not having any of their loans classified as either SMA or NPA have a very high probability of getting their loans sanctioned quickly. Classification under the SMA category severely damages the credit rating of a customer thereby increasing their risk perception and making banks and finance companies averse to lending them for a very long time.

### **C) Upgradation / Reclassification of accounts categorized as NPAs**

As explained in the previous paragraph, an account shall be classified as NPA if its instalment along with other dues, remains unpaid for a period of 91 calendar days and above.

As per the recent RBI clarification, the account shall be upgraded out of NPA / reclassified as non NPA only when the entire overdues of that account are paid. Till such time the account shall continue to remain classified as NPA. Please note that part payment of entire dues will not make the account eligible for any upgradation /reclassification.

**For example**, if an account has 4 instalments overdue and if the Customer pays only 1 instalment, then the account shall continue to be classified as NPA till the time all overdues remain unpaid.

Please see the below table for a better understanding of how accounts are classified on the Due date

<b>Due Date</b>	<b>EMI (Rs.)</b>	<b>Total Overdues (indicative) (Rs.)</b>	<b>Paid</b>	<b>Classification</b>
31 <sup>st</sup> March 2021	5,000	5,000	No	<b>SMA-0</b>
30th April 2021	5,000	10,000	No	<b>SMA-1</b>
29th May 2021	5,000	15,000	No	<b>SMA-2</b>
29th June 2021	5,000	20,000	No	<b>NPA</b>

The Below Table explains circumstances under which an account can be re-classified on payment

Payment Date	EMI(Rs.)	Total Overdues (Rs.)	Amount Paid (Rs.)	Classification on the due date	Explanation
31st March 2021	5000	5000	4000	SMA-0	Entire Overdues not paid
30th April 2021	5000	11000	11000	Current	Entire overdues paid
29th May 2021	5000	16000	5000	SMA-2	Partial overdues remain unpaid between 31-60 days
29th June 2021	5000	21000	15000	NPA	All dues not paid

It is extremely important for customers to note that as long as the account/s remain classified as NPA or SMA, existing lender reserves the right to initiate all remedies including but not limited to legal proceedings under Sec 138 of Negotiable instruments Act or initiating Arbitration, SARFAESI proceedings against customer and other co-applicants of the loan to protect its interest. Customer must also know that no lending institution will consider financing in the near future thus hampering the business growth aspirations.

We ISFC therefore urge to all customers to thoroughly understand the above paragraphs and ensure to make repayments on the due dates / clear all the overdues immediately (if any) before your next due date to maintain an acceptable credit behaviour.

You may also contact us through any of the below touchpoints for any clarifications.

Call our Customer Helpline: - [919154116665](tel:919154116665)

Email us at [customersupport@isfc.in](mailto:customersupport@isfc.in)

Thanking you and assuring you of our best services at all times.

For Indian School Finance Company Pvt Ltd

**Shanker Rao.**

**Operations and Customer Service Head.**