

FAQ on Matter of NPA

Q1.	When is an account termed as NPA ?
A.	<p>An account is termed NPA under the following scenarios:</p> <ul style="list-style-type: none"> (i) When interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of term loan (ii) The account remains “out of order” in respect of an Overdraft/Cash Credit (OD/CC) (iii) In case of Short duration of Crops if Accounts remains overdue for 2 crops season & In case of long duration crop if accounts remains overdue for 1 crop season the Account will turn to NPA. <p>To consolidate, if any repayment to a loan is outstanding for a period exceeding 90 days then that account is termed as NPA</p>
Q2.	Other reasons for an account to become NPA ?
A.	<p>In some special cases also account will be termed as NPA. They are:</p> <ul style="list-style-type: none"> (i) If security against which loan was originally given is disposed off without the knowledge of Bank (ii) If any fraudulent methods were employed to procure loan (iii) If it is found that funds were diverted for other purposes <p>In such cases, Bank can declare an account as NPA</p>
Q3.	What is Out of Order account ?
A.	<p>An overdraft account becomes Out of Order if :</p> <ul style="list-style-type: none"> (i) The account does not receive any credits at all in the account for a period exceeding 90 days, or the credits received in the account is not adequate to cover the interest debited to the account, even if account remains below the limit. (ii) The account has outstanding balance that exceeds the sanctioned overdraft limit continuously for a period exceeding 90 days
Q4.	Status of Multiple accounts of a borrower in case of NPA ?
A.	As per RBI's latest guidelines, all facilities granted by the bank to a borrower will be classified as NPA even if a single account becomes NPA.
Q5.	What does it mean to a Co-borrower/Co-Obligant/Guarantor?
A.	It means in case of Joint borrowers/Guarantors, if any single account of one of the joint liability holders becomes NPA, then all the facilities of both joint liability holders will become NPA.

Q6.	Can the NPA account be upgraded?
A.	Yes, if all the arrears are paid in the NPA account, then the account can be upgraded and the borrower can continue repaying the loan as before, except in cases where the loan account is classified as LOSS
Q7.	What are the different stages of NPA account?
A.	Once the account is classified as NPA, the account is sub-classified under various categories depending on the number of years it remains as NPA: Sub-Standard, Doubtful and Loss
Q8.	How to avoid becoming NPA?
A.	<p>Please follow the following steps to avoid your account to be classified as NPA:</p> <ul style="list-style-type: none"> (i) EMI to be regularly paid on time. (ii) In business account, route all transactions through the overdraft account. (iii) In case of OCC Accounts financial statement should be submitted well before on time.
