

Examrace

IBA Model for Educational Loan Scheme

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A model which had been proposed by a study group was propagated and accepted for central implementation by The Reserve Bank of India for benefit of all the member banks in India. The basic aim of this model is to provide educational loan to exemplary students who aspire to take higher education.

The salient aspects of the modifications incorporated in the revised Scheme or guidance are as under:

- Admissions under Management quota for all courses including nursing courses will be not included in the Scheme.
- At the time of sanction of loan amount, scholarship, if any, is available to the student would be considered and computation will be done accordingly.
- An option to applicants is available in that way that they can apply for loan at any branch of the bank as per their requirement, either at bank branch near to the residence of parents or at bank branches near to the education institutions. However, KYC compliance is compulsarily to be done at the bank branch which is closer to the place of residence of parents. Further, after the loan is sanctioned, the student's file could be transferred to the bank's branch near to the institution for follow-up/monitoring.
- Part-time courses, research work and job oriented specialized programs would be considered based on merit and placement records at bank's discretion for sanctioning of loan. Also banks may consider rating of educational institutions and students to improve asset quality.
- Banks can offer different interest rates on loan amounts as per their will based on rating of courses/institutions/students.
- It would be the judgement of bank to disburse the remaining installments of repayment, in case the student fails in one or two subjects.
- The bank will keep a check on course completion of the student in co-ordination with educational institutions.
- Now the Government is trying to establish a Credit Guarantee Fund Trust to administer and operate Credit Guarantee Fund Scheme for educational loans granted by banks upto ₹ 7.5 lakhs so that the loans of these amount can be offered without any securities being charged.

The details of the new education loan scheme by IBA for Pursuing Higher Education in India and abroad are stated below:

Student Eligibility

Only an Indian National is eligible to apply for loan.

Should have secured admission to a higher education course in recognized institutions in India or Abroad through Entrance Test/Merit Based Selection process after completion of HSC (10 plus 2 or equivalent) . In case, such admission procedure is not prevalent in the institutions, then the bank will adopt its own method to sanction the loan which will be based on criteria such as employability and reputation of the institution concerned.

Courses Eligible: For Studies in India

- Approved courses leading to graduate/post graduate degree and PG diplomas conducted by recognized colleges/universities recognized by UGC/Govt. /AICTE/AIBMS/ICMR etc will be considered for loan.
- Courses like ICWA, CA, CFA etc are also included if the applicant wants to apply for loan.
- Courses conducted by IIMs, IITs, IISc, XLRI, NIFT, NID etc are covered in the list.
- Courses which are eligible for loan application also include regular Degree/Diploma courses like Aeronautical, pilot training, shipping etc. approved by Director General of Civil Aviation/Shipping, if the course is pursued in India.
- Approved courses offered in India by reputed foreign universities also form a part among the various courses eligible for loan.
- The above list is indicative in nature. Banks may approve other job-oriented courses leading to technical/professional degrees, postgraduate degrees/diplomas offered by recognized institutions under this scheme. Courses other than the above offered by reputed institutions may also be considered based on employability.

Courses Eligible: For Studies Abroad

- At graduation level, job oriented professional/technical courses offered by reputed universities will be considered for loan application.
- At Post graduation level, professional courses such as MCA, MBA, MS, etc will be considered.
- Courses conducted by CIMA-London, CPA in USA etc.
- Degree/diploma courses like aeronautical, pilot training, shipping etc will also be included, only if these are recognized by competent regulatory bodies in India/abroad for the purpose of employment in India/abroad.

Quantum of Finance

A Maximum loan amount upto ₹ 10 lakhs will be available for studies in India.

For studies in Abroad, a loan amount of maximum ₹ 20 lakhs will be provided.

Banks may consider higher quantum of loan on course-to-course basis (eg: Courses in IIMs, ISB etc) on their own discretion. It may also be noted that even loans in excess of ₹ 10 lakhs qualify for interest subsidy under Central Sector Interest Subsidy Scheme for loans up to ₹ 10 lakhs.

Expenses Considered for Loan

- Fee payable to college/school/hostel
- Examination/Library/Laboratory fee
- Travel expenses/passage money for studies abroad
- Insurance premium for student borrower, if applicable
- Caution deposit, Building fund/refundable deposit supported by Institution bills/receipts.
- Purchase of books/equipments/instruments/uniforms
- Purchase of computer at reasonable cost, if required for completion of the course
- Any other expense required to complete the course-like study tours, project work, thesis, etc
- However, scholarships, fee waiver etc. if any available to the student borrower may be taken into account while computation of loan amount.

Margin

No margin is applicable if the loan amount is upto ₹ 4 lakhs.

However for loan amount above ₹ 4 lakhs, different margins apply.

- For Studies in India, 5 % margin is applied on loans above Rs4 lacs.
- 15 % margin is charged on Loan amount above ₹ 4 lacs, in case of studies in foreign.

Scholarship/assistantship to be included in margin. Margin may be brought-in on year-to-year basis as and when disbursements are made on a pro-rata basis.

Security

No security will be required upto loan of ₹ 4 lakhs. However, parents need to be joint borrowers.

Above ₹ 4 lakhs and upto ₹ 7.5 lakhs: Besides the parents executing the documents as joint borrowers, collateral security in the form of suitable third party guarantee will be taken.

The bank may, at its discretion, in exceptional cases, waive third party guarantee if satisfied with the net-worth/means of parent/s who would be executing the document as joint borrower (s) .

For loan amount of above ₹ 7.5 lakhs, a tangible collateral security is required to be given along with the ensurance of parents as joint borrowers. Also the bank will consider the assignment of future income of the student for payment of instalments.

Rate of Interest

Interest to be charged at rates linked to the Base rate as decided by individual banks. Simple interest to be charged during the study period and up to commencement of repayment.

Repayment

Repayment period will commence 1 year after completion of studies or 6 months after getting job, whichever is earlier. Repayment of the loan will be in equated monthly installments for periods as under:

For loans upto ₹ 7.5 lakhs-upto 10 years

For loans above ₹ 7.5 lakhs-upto 15 years

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