

## 7. EDUCATION LOAN FACILITY

### 7.1 EDUCATIONAL LOAN SCHEMES OF INDIAN BANKS ASSOCIATION :

<b>Purpose</b>	Payment of course fees. Purchase of books, equipments, instruments, uniform, payment of hostel fees, examination fees, study tours for studies in India
<b>Eligible Courses</b>	Professional courses: Engineering, Medical, Agriculture, Veterinary, Law, Dental, Computer, Management, etc.
<b>Quantum of Finance</b>	Need based finance For studies in India: Max. Rs.10.00 lacs
<b>Margin</b>	Upto to Rs.4.00 lacs – Nil Above Rs.4.00 lacs – for studies in India – 5%
<b>Security</b>	Loan is given jointly to the student and parent /guardian Assignment of future income of the student <ul style="list-style-type: none"> <li>• Upto Rs.4.00 lacs- No security</li> <li>• Above Rs.4.00 lacs upto Rs. 7.50 lacs –Satisfactory third party guarantee</li> </ul> (Note: If the proposed borrower prefers to offer collateral security of tangible assets (moveable or immovable) instead of bringing collateral securities in the form of third party guarantee, the same may be accepted, at his request, provided the securities with stipulated margin covers 100% of the loan amount). <ul style="list-style-type: none"> <li>• Above Rs. 7.50 lakhs: Collateral security equal to 100% of the loan amount.</li> </ul>
<b>Processing fee</b>	No processing / upfront charges may be levied on loans sanctioned under the scheme.
<b>Repayment</b>	Commences two years after completion of the course or six months after getting employment, whichever is earlier.  <b>Loan with interest is repayable in equated monthly installments within:</b> For loans Upto Rs.7.5 lacs – 10 years after commencement of repayment For loans above Rs.7.5 Lakhs - up to 15 years after commencement of repayment  No prepayment penalty <u>Credit Delivery</u> Loan can be availed from the branch nearest to the place of permanent residence of the parent / guardian. Obtention of UID number (Aadhaar) of the student is compulsory
<b>Rate of interest</b>	<ul style="list-style-type: none"> <li>• Interest to be charged at rates linked to the Base rate as decided by individual banks</li> <li>• Simple interest to be charged during the study period and up to commencement of repayment.</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Should be an Indian National with no specific restriction for age of the student.</li> <li>• Should have secured admission on merit to professional/technical courses in India including management quota.</li> </ul>
<b>Not eligible for interest subsidy</b>	<ul style="list-style-type: none"> <li>• Students admitted through management quota</li> <li>• Students pursuing studies abroad</li> <li>• Students pursuing courses which are not approved under IBA Scheme but approved by the Bank.</li> <li>• Students discontinuing the course in the mid-stream or who are expelled from the institution on disciplinary or academic grounds. However subsidy would be available for actual period of study only if discontinuation is due to medical grounds with necessary documentation.</li> </ul>
<b>Interest Subsidy to Economical Weaker Section Students</b>	<ul style="list-style-type: none"> <li>• Interest subsidy during moratorium period is available to students who produce parents income certificate not exceeding Rs.4.50 lacs p.a.</li> <li>• The income certificate is to be issued by the authority viz. District Collector, Dy. Collector/ Asst. Collector/Prant Officer &amp; Mamlatdar</li> </ul>

## 7.2 CENTRAL SECTOR SCHEME OF INTEREST SUBSIDY FOR EDUCATION LOANS BY SCHEDULED BANKS :

### Synopsis

- Students belonging to Economically Weaker Sections (EWS) with annual gross parental/family income from all sources with an upper limit of Rs. 4.50 Lacs are eligible.

### Introduction:

One of the major concerns of the Government is to ensure that nobody is denied Professional education because he or she is poor. The Indian Banks' Association (IBA) had formulated a comprehensive model educational loan scheme for adoption by all Banks aimed at providing financial support from the banking system to deserving/meritorious students for pursuing higher education in India and abroad.

### Objective of the Scheme

The Government of India has approved a scheme to provide full interest subsidy during the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, on loans taken by students belonging to Economically Weaker Sections from scheduled banks under the Educational Loan scheme of the Indian Banks' Association, for pursuing any of the approved courses of studies in technical and professional streams, from recognized institutions in India.

The nomenclature of the Scheme is "Central Scheme to provide Interest Subsidy for the period of moratorium on Educational Loans taken by students from Economically Weaker Sections from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association to pursue Technical/Professional Education studies in India"

### Applicability of the Scheme

The Scheme could be adopted by all scheduled Banks and would be applicable only for studies in recognized Technical/Professional Courses in India. The interest subsidy shall be linked with the existing Educational Loan Scheme of IBA and restricted to students enrolled in recognized Technical/Professional Courses (after Class XII) in India in Educational Institutions established by Acts of Parliament, other Institutions recognized by the concerned Statutory Bodies, Indian Institutes of Management (IIMs) and other Institutions set up by the Central/State Government.

### Interest Rates to loan accounts

The interest rates charged on the education loan shall be as per the rates prescribed by Banks.

### Period for which Interest Subsidy is available

Under the Central Scheme, the interest payable by the student belonging to EWS for availing of the Educational Loan for Technical/Professional Courses in India for the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, as prescribed under the Educational Loan Scheme of the Indian Banks' Association, shall be borne by the Government of India. After the period of moratorium is over, the interest on the outstanding loan amount shall be paid by the student, in accordance with the provisions of the existing Educational Loan Scheme of Bank and as may be amended from time to time, whichever is earlier.

### Income Limit/Proof

The benefits under the Scheme would be applicable to those students belonging to economically weaker sections, with an annual gross parental/family income upper limit of Rs.4.50 Lacs per year (from all sources). Income proof shall be required from the students from such public authorities which are authorized by the

State Governments for certification of income status for this Scheme, including Central and State Sector Schemes. The present scheme is intended to cater to the needs of students belonging to economically weaker sections with prescribed upper parental gross income limit of the family from all sources, which is based on economic index and not on social background. The scheme is independent of any other schemes which may cater to EWS.

### **Eligibility for Interest Subsidy**

The interest subsidy under the Scheme shall be available to the eligible students only once, either for the first undergraduate degree course or the post graduate degrees/diplomas in India. Interest Subsidy shall, however, be admissible for integrated courses.

Interest Subsidy under this Scheme shall not be available for those students once they discontinue the course midstream, or who are expelled from the Institutions on disciplinary or academic grounds, However, the interest subsidy will be available only if the discontinuation was due to medical grounds for which necessary documentation to the satisfaction of the Head of educational institution will have to be given.

### **Noting Lien of Education Loan in the Awards/Certificates**

There would be tag/marker on the degree of the student indicating his repayment towards liabilities. Electronic Tags will enable employers to identify loanees. (The Ministry of HRD has initiated the proposal to dematerialize the educational awards/certificates, setting up of Depository for maintaining the records in dematerialized form and providing service to the users. Banks can have online access for verification process, which would eliminate fraudulent practices like forging of certificates and marks sheets.)

### **Nodal Bank**

The Scheme shall be implemented through Canara Bank, which is the Nodal Bank for the Ministry of Human Resource Development. Modalities for implementation and monitoring mechanism shall be finalised in consultation with the Canara Bank.

### **List of Technical/Professional courses**

A list of Technical/Professional courses for which the Scheme shall be applicable, shall be brought out by the Ministry of HRD in consultation with the concerned Ministries/Departments and the Indian Banks' Association and publicized from time to time. As regards list of accredited universities/institutions and recognized professional courses, UGC and AICTE would immediately display the names of such institutions and courses in their websites, which may be accessed for verification purposes.

### **Monitoring**

A monitoring mechanism shall be evolved by the Ministry of HRD to monitor the benefits accruing to different categories of loanees, such as, the Scheduled Castes, Scheduled Tribes, Minorities, Disabled, etc.