



## Indian Banks' Association

### Frequently Asked Questions

**Q1.**What criteria should be adopted to recognize courses like Nursing, Teacher Training B.Ed for the purpose of grant of education loan and the fees to be considered for such courses?

- A.** Teacher Training/Nursing/B.Ed.courses will be eligible for education loan provided the training institutions are approved either by the Central Government or by State Government and such courses should lead to Degree or Diploma course and not to Certification course. The revised Model Educational Loan Scheme (2011) covers only merit channel seats for these courses.

Banks have been considering study loans to students getting admissions to above mentioned courses under management quota as part of model education loan scheme in the past subject to the condition that the fee considered for assessment of loan was the fee stipulated by the regulatory authority concerned for merit seats in the respective colleges/institutions. The revised model scheme recognizes only merit based admissions. As such any loan to a student admitted under management quota will be outside the model scheme. Such loans will be governed by terms and conditions separately specified by banks including security/collaterals which the bank may stipulate.

**P.S:** Operational guidelines contained in IBA Circular No.SB/Cir./10-21/3211dated March 31, 2010 will stand withdrawn in the light of revision of the scheme

**Q2.**Can we consider request for education loan in respect of Nursing Colleges having provisional approval/recognition?

- A.** The Indian Nursing Council gives permission to Nursing colleges to start new courses for a period of 1 year which is renewed on a yearly basis. The practice of renewing the permission is done on a year-to-year basis for both the existing nursing colleges as well as the new nursing colleges. Banks could consider applications from student borrowers seeking education loan for pursuing nursing courses in these institutions which are having provisional approval / recognition.

**Q3.**How to deal with requests for sanction of collateral free loans to more than one student from the same family? Is the collateral free limit of ₹ 4.0 lakh for a student or for a family as whole for the purpose of the scheme.

A. Repayment of the education loan is based on the future earning potential of the student. Going by the spirit of the scheme, limit of Rs 4.0 lakh collateral free loan is student specific and not family specific. There is no restriction on giving a second or third collateral free loan to other siblings when one of the siblings has already taken a collateral free loan.

**Q4.** How to consider request from students who have to stay outside the college campus due to non availability of hostel accommodation?

A. Banks could consider reasonable lodging and boarding expenses, for the purpose of fixing loan limit under the scheme, in case the student is not in a position to get allotment for hostel accommodation within the campus and is required to stay outside the campus in private accommodation.

**Q5.** Whether the repayment period could be extended at the request of the borrower?

A. Extension of moratorium period or repayment beyond the time specified at the sanction would amount to restructuring of the loan and will be governed by the RBI guidelines on restructuring of advances. However, in case the student takes up higher studies immediately upon completion of the course, the commencement of repayment would get shifted to 6 months from employment or one year from completion of the course whichever is earlier without treating the change as restructuring. This would be so irrespective of whether the student had taken fresh/top up loan for higher studies or not.

**Q6.** Whether any incentive is available for girl students?

A. Banks generally provide 0.5% or more concession in interest rate to girl students pursuing higher education in India and abroad. .

**Q7.** Whether request received for sanction of loan to meet partial cost of studying abroad can be considered?

A. It is not uncommon for students to take up part-time jobs as permitted by the institutions where they are studying to part fund their education. So they will not be taking loan for meeting entire cost of studies(usually amount mentioned in I-20). Banks may sanction loan for meeting part cost as requested by students in such cases

**Q8.** Can the bank consider request for loan received from NRIs?

A. Requests received from NRIs can be considered if student is Indian passport holder and they meet other eligibility requirements. However, it would be necessary to accept as security any collateral which is enforceable in India.

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- Q9.** How the student will know whether the application for the loan has been considered or rejected by the bank?
- A. The bank should communicate to the student about the sanction of the loan in writing. Similarly, whenever loan applications of student borrowers are rejected, banks should invariably record the reasons for rejection by the bank.
- Q10.** Whether the means of the joint borrower has any relation to the sanctioning of the loan to the student borrower?
- A. Education loan is not sanctioned based on the means of joint borrower who is usually a parent or guardian. For loans up to ₹ 4.00 lakhs, no collateral is taken. For loans above ₹ 4.0 lakhs and up to ₹ 7.5 lakhs, the means of the joint borrower will not be a factor if acceptable third party guarantee is offered. Also, security offered for loans above ₹ 7.5 lakhs need not necessarily be belonging to the joint borrower.
- Q11.** How to consider license courses like Aircraft Maintenance Engineering/ Pre Sea training which are neither degree nor diploma, though such courses are approved by authorities like DGCA without affiliating to any university for award of degree?
- A. The Aircraft Maintenance Engineering/ Pre Sea training courses must be either a Degree Course recognized by a competent University or Diploma Course recognized by appropriate State Body to be eligible for loan. The employability of the students and employment potential of the courses selected has to be considered while appraising the loan application.
- Q12.** Whether vocational / skill development study courses, off-campus courses and on-site/partnership programmes are eligible for education loan under the IBA Model Educational Loan Scheme?
- A. Vocational / skill development study courses, off-campus courses and on-site/partnership programmes are not eligible for loan under the IBA scheme.
- Q13.** What are the eligibility requirements in respect of Diploma / PG Diploma course for financing under studies abroad ?
- A. Only degree / post graduation diploma courses pursued abroad are eligible for sanction of loan under the IBA scheme.
- Q14.** How to deal with cases where the joint borrower becomes defaulter after sanction of education loan?
- A. The student loan will not be affected by any change in asset classification of any separate bank borrowing of the joint borrower.

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