

Chief Executive

No. CE/210

May 31, 2012

To :

Chief Executives of all Member Banks

Dear Sirs/Madam,

Revised IBA Model Educational Loan Scheme for Pursuing Higher Education in India & Abroad

The IBA vide circular No. CE/149 dated August 30, 2011 had circulated to member banks modified Educational Loan Scheme for adoption and implementation by banks.

Subsequently, the Department of Financial Services (DFS) had requested IBA to hold interactive meetings with Directors/Principals of major educational institutions at important centres in India with a view to get their feedback and to make the educational loan scheme more meaningful. Accordingly, the IBA conducted interactive meetings with major educational institutions at Delhi, Bengaluru, Chennai, Kolkata, Hyderabad and Mumbai. These interactions highlighted some of the operational issues as also some suggestions for incorporation in the model scheme. The IBA Sub-Committee on Educational Loan Scheme and the IBA Managing Committee considered the matter and felt that the issues raised did not warrant major changes in the scheme; as majority of the issues were operational in nature and could be incorporated in the Guidance Notes.

The salient aspects of the modifications incorporated in the revised Scheme / guidance note relate to :

- a) Admissions under Management quota for all courses including nursing courses kept outside the scope of the Scheme.
- b) While computing loan amount, scholarship/fee waiver, if any, available to the student would be taken into account.
- c) Students could submit loan applications either at bank branches near to the residence of parents or at bank branches near to the education institutions. However, KYC compliance has to be done by the branch nearest 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.
- d) Part-time courses, research work and job oriented specialized programs could be considered based on merit and placement records at bank's discretion.
- e) Banks could consider rating of educational institutions and students, as a tool for improving asset quality.

- f) It would be open for banks to offer differential interest rates based on rating of courses/institutions/students.
- g) Where institutions permit students to keep terms, in case of failure in one or two subjects, banks could disburse subsequent installments.
- h) Tracking of students after completion of course could be done in co-ordination with educational institutions.

The IBA Managing Committee at its meeting held on May 25, 2012 decided to circulate the revised Scheme together with the Guidance Notes to all the member banks of the IBA for adoption and implementation.

While on the subject, member banks may kindly note that the Government is proposing 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 without any collateral security and third party guarantee. The details are being worked out.

We place for member banks' reference the following :

- 1) Revised IBA Model Educational Loan Scheme for pursuing higher education in India & Abroad – Annexure I
- 2) Revised Guidance Notes on Model Educational Loan Scheme – Annexure II
- 3) Feedback received from Educational Institutions – Annexure III

Yours faithfully,

K Ramakrishnan

Encls. : Annexures I, II, and III.

- c.c. to :
- 1) All SLBC Convenors
 - 2) All Members of the IBA Sub-Committee on Educational Loan Scheme