

# The Samastipur District Cental Co-operative Bank Ltd.

## STUDENT EDUCATION LOAN SCHEME

### 1.1. INTRODUCTION

The Education Loan Scheme was formulated in November 2004 on IBA guidelines as per Govt. of India directives and revised from time to time. The Model Education Loan Scheme was last revised by IBA in September 2012 and forwarded to member banks for implementation.

### 1.2. PURPOSE

The Scheme seeks to extend financial assistance to deserving/meritorious students for pursuing higher education in India and abroad.

### 1.3. TYPE OF LOAN

The loan will be sanctioned as a term loan.

### 1.4. ELIGIBILITY CRITERIA

#### Courses Eligible

#### a. Studies in India :

- Graduation courses: B.A, B.Com., B.Sc., etc.
- Post Graduation courses: Masters Degree and Ph.D.
- Professional courses : Engineering, Medical, Agriculture, Veterinary, Law, Dental, Management, Computer, etc.
- Computer Certificate courses of reputed institutes accredited to Department of Electronics or Institutes affiliated to a university.
- Courses like ICWA, CA, CFA, etc.\*
- Courses conducted by IIM, IIT, IISc, XLRI, NIFT, etc.
- Courses offered in India by approved reputed foreign universities.
- Evening courses of approved institutes.
- Courses leading to Diploma/Degree etc., conducted by colleges/universities approved by UGC/Govt./AICTE/ AIBMS/ICMR, etc.
- Regular Degree/Diploma Courses like Aeronautical, pilot training, shipping etc., Degree/Diploma in Nursing or any discipline approved by Director General of Civil Aviation/Shipping/Indian Nursing Council respectively or any other regulatory Body as the case may be, if the course is pursued in India.
- Teacher Training Course/Nursi ng Courses/B.Ed., 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 fees to be considered for the purpose should be the fees structure as approved by State Government or a Government approved Regulatory Body for **merit seats in Government**.



- Vocational Training and skill development study courses will not be covered under the Model Education Loan Scheme, as the scheme is framed to provide bank loans for higher studies.
- All Indian Citizens who intend to obtain primary medical qualifications from any foreign country on or after 15th May 2013 are not required to obtain Eligibility Certificate from the Medical Council of India.
  - o Loans to student entering into the chartered accountancy course conducted by ICAI only may be considered under Student Loan Scheme. A maximum loan of Rs. 2 lacs may be sanctioned based on the following expenses:
    - On registration for CPT- 10% of the sanctioned amount i.e. maximum Rs 20,000/-
    - On registration for IPCC- 30% of the sanctioned amount i.e. maximum Rs 60,000/-
    - On registration for final- 60% of the sanctioned amount i.e. maximum Rs 1,20,000/-

#### **AICTE/ UGC APPROVED COURSES**

- AICTE vide Advt. No. AICTE/Admn.IV/08 (01)/2008 published in the News Papers that it is mandatory to obtain AICTE approval for “Technical Education”.
- AICTE/UGC guidelines on institutions notified as ‘Deemed to be Universities’ are available on the official web-site ([www.ugc.ac.in](http://www.ugc.ac.in) & [www.aicte.ernet.in](http://www.aicte.ernet.in)) of the UGC and the AICTE respectively. Branches may refer AICTE notification while considering Management/Technical Courses conducted by ‘Deemed to be University’

Links of websites of AICTE ([www.aicte-india.org](http://www.aicte-india.org)) and UGC ([www.ugc.ac.in](http://www.ugc.ac.in)) are available

#### **1.5. DERECOGNIZED DEEMED UNIVERSITIES**

- Indian Banks’ Association had advised that there were newspaper reports (2010) stating that 44 Deemed Universities may be derecognized. In view of the reports in the media, the branches of Banks are in a dilemma about granting loans to the students for their studies in these universities. IBA had referred this matter to Ministry of HRD, New Delhi and the clarifications received are as under:

**(The issue regarding review of institutions deemed to be universities is presently sub judice in the Supreme Court of India in the Viplav Sharma case (WP(C) 142 of 2006). The Hon’ble Court has directed the Government to maintain status quo with reference to the institutions that were found unfit in the review. Accordingly, no such institution has been derecognized till date.)**

- The list of institutions deemed to be universities is available in the public domain, i.e. at [www.ugc.ac.in](http://www.ugc.ac.in) and also at [www.education.nic.in](http://www.education.nic.in).



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**1.6. OFF CAMPUS/OFF-SHORE CAMPUS/STUDY  
CENTRE/DISTANCE EDUCATION/FOREIGN UNIVERSITIES  
IMPARTING TECHNICAL EDUCATION IN INDIA**

- It is observed that students joining educational institutes, which are not authorized/recognized by regulating bodies like AICTE/UGC etc, are approaching branches for education loans. Requests are also received by Circles for tie-ups under Education Loan from such non-recognized institutes conducting technical and management courses. In this connection, we have to advise as under:

i) **Off Campus/ Off-shore campus/ Study Centre:**

ii) **Distance Education:**

Our Education Loan Scheme does not cover courses conducted by universities through Distance Mode of Learning.

- Operating units to be guided by the UGC/AICTE Notifications placed in their websites mentioned herein above, issued from time to time while considering the education loan proposals and exercise due diligence while approving/sanctioning the loans for the courses offered by unrecognized institutes in the light of the AICTE/UGC notifications issued recently.

- **Withdrawal of Off-Campus Courses Conducted by ICFAI & Other Affiliates**

In view of the UGC guidelines, Hyderabad Circle has withdrawn all off- campus courses approved by ICFAI and associates except for their MBA and One Year Executive PG Programme courses conducted by ICFAI Business School at Hyderabad Campus alone which is a Deemed University.

- **Withdrawal of Courses conducted by NIIT**

In terms of our Circular No: NBG/PBU/PL-STU/5/2006-07 dated 18.05.2006, Computer courses conducted by NIIT i.e. GNIIT, ANIIT and AAE courses were earlier approved for finance under Student Loan scheme. In view of the latest UGC notifications, their approval has been withdrawn .

**1.7. STUDENT ELIGIBILITY**

☐Should be an Indian National

- Secured admission to Professional/Technical courses through Entrance Test/Selection process after completion of HSC (10 plus 2 or equivalent)

- In cases, where there is no Entrance Test / Merit based selection procedure, securing admission to a higher education course in a recognized institute may be considered.

- Students who have appeared in any Entrance Test, secured passing marks but could not get admission due to lower ranking and who opt to pursue the course under Management Quota in the same institution or another institution for reasons of convenience (proximity) or choice of course, will be eligible.



- Loan proposals from students who have failed in the last qualifying examination including class XII and subsequently cleared, discontinued studies and resumed again may be considered after satisfying the reasons for the same.
- Presently, our scheme does not prescribe any age limit for the students availing the loan. Wherever, parents/guardians are not there the branches may consider grandparent as co-borrower to the loan taking into account their net worth.

#### **1.8. EXPENSES CONSIDERED FOR LOAN**

Fee payable to college/school/hostel:

- Where the student will be making his own boarding and lodging arrangements, the sanctioning authority is authorized to fund boarding and lodging expenses on the basis of estimate submitted by the student/parent, provided such expenses are not more than those charged by the educational institution for boarders.
- In case, the institute does not provide for boarding and lodging facilities, such expenses will be assessed at the time of sanctioning of loan based on the reasonable boarding and lodging charges applicable to that area. For studies abroad, living expenses (boarding/ loading expenses) are generally mentioned in the admission letter issued by the university/ institute. If it is not mentioned in the admission letter, the applicant is required to download it from university/ institute's website. Maximum eligible expense is restricted to the university's estimates.
- For courses under Management Quota seats considered under the scheme, fees as approved by the State Government/Government approved regulatory body for payment seats will be taken
- Examination/Library/Laboratory fee.
- Travel expenses/passage money for studies abroad.
- Purchase of books/equipments/instruments/uniforms/ computer at reasonable cost, if required for course completion and any other expense required to complete the course– like study tours, project work, thesis, etc. considered for loan should be capped at 20% of the full amount of total tuition fee payable by the students who do not get any concessions/ remissions.
- Caution deposit /building fund/refundable deposit supported by Institution bills/receipts the amount considered for loan should not exceed 10% of the tuition fees for the entire course.
- In case of Doctorate Programmes (Ph.D.) courses in India/ Abroad, the quantum of finance for such courses should be arrived at after factoring in the Scholarship/Fellowship/Honorarium etc., available to the student.

**Note:** In terms of IBA guidelines, insurance premium for student borrower can be considered as expense for the loan. IBA has advised that while it is not compulsory for all students taking loan from the Bank to avail the Insurance



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facility, the branches should explain to the student/parent borrowers the benefits arising out of taking an insurance policy covering life and make efforts to market the product.

- As a measure of de-risking the Education Loan portfolio, every effort must be made that the students who are availing Education Loans from the Bank should be suitably covered by Life Insurance Policy. The policy should cover the loan amount plus approximate estimated accrued interest as at the commencement of the repayment, for the full tenure of the loan i.e., study and moratorium period plus the loan repayment period as applicable. However, in case of students who are eligible for Interest Subsidy, the amount of life insurance policy will be obtained for the loan amount only.
- Though various insurance policies issued by different Banks/ Insurance Companies are available in the market, the students may be appropriately counseled to obtain suitable insurance policy. However, the choice of Insurance Company should be left to the borrower and the policy needs to be assigned in favour of the Bank.

**Note:** Education institutions often enhance the fees during the course increasing overall cost. The funding of enhanced cost may be considered on case-to-case basis subject to the availability of adequate security as prescribed in the scheme.

## 1.9. QUANTUM OF FINANCE

Need based finance subject to repaying capacity of the parents/students with margin and the following ceilings:

**-Studies in India - Maximum Rs. 10.00 lacs. -**

- Loans to Individuals for Education purposes including Vocational courses upto Rs 10.00 lacs irrespective of the sanctioned amount will be considered as eligible for priority sector lending.

## 1.10. TOP UP LOANS

Students often opt for higher education after completion of the first course, a trend visible in Engineering and Medical students. Second loan (Top Up Loan) for further studies, within the overall limit is permitted to pursue a professional course in India or abroad if such further studies are commenced during the moratorium period of the first loan and subject to the second loan being allowed with the security requirements as applicable to the aggregate loan limit.

The repayment of the loan will commence after the completion of the second course and further moratorium period, as provided under the scheme.



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- For Students opting for Higher Studies, without availing 2nd (Top Up) Loan from our Bank due to following reasons:

- i. Availability of Scholarship for the Higher studies.
- ii. Concessional /Low fee structure, moratorium period to be extended for the duration of the higher studies also.

- The combined repayment to be shifted to one year after the completion of Higher Studies, or 6 months after taking up a job whichever is earlier.

**Note:** In cases where the student is pursuing higher studies by availing Second Loan from some other Bank, there will be no change in the moratorium period.

#### **1.11. EDUCATION LOANS TO TWO OR MORE CHILDREN OF ONE PERSON**

There is no ceiling in maximum aggregate amount of loan when two or more wards of a parent/guardian individually avail loan. Educational Loan is given for an individual and not for the family as a unit. Each ward of a parent/guardian may be sanctioned loans upto Rs. 4 lakhs individually without insisting for any security.

#### **1.12. MARGIN**

**-Upto Rs.4 lacs : Nil. -**

**Above Rs.4 lacs :**

**- Studies in India: 5 %**

- 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.
- The students pursuing studies abroad face hardship in bringing pro -rata margin which works out to more than 15%, as the expenses considered for the loan are far higher than the maximum permissible loan amount. The students can meet a part of the expenses out of their own sources like scholarship, teaching assistantship, research assistance, campus jobs etc. which can be treated as margin. The Branches may consider the following while arriving at the margin at the time of disbursement of loan.
  - (i) Only those expenses which are to be funded through the loan account may be considered. A letter may be obtained from the student/parent to the effect that the other expenses/part of the expenses will be taken care of by them.
  - (ii) The student borrower/parent should bring minimum 15% margin on the amount that he/she wants to be funded by the Bank at the time of each disbursement.

#### **1.13. SECURITY**

**Security – For loans upto Rs.10 lacs for studies in India and upto Rs. 30 lacs for studies abroad**

**a) Upto Rs. 4 lacs**

Co-obligation of parent(s)

No security



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**b) Above Rs. 4 lacs and upto Rs.7.50 lacs.**

Co-obligation of parent(s) together with collateral security in the form of suitable third party guarantee for above and upto 4 lacs.

**c) Above Rs.7.50 lacs**

- Co-obligation of parent(s) together with tangible collateral security of suitable value, along with the assignment of future income of the student for payment of instalments.
- The documents should be executed by both the student and the parent/guardian as joint-borrower. In case the student is a minor, the documents will be signed by the guardian acting 'for self' as well as 'for and on behalf of the minor'.
- The Law Department opined that for the purpose of Education Loan the guardian is defined as under:  
"Natural guardian, the legal guardian i.e. a guardian appointed by any authority, or a person in-charge of the care of the person and property of the student who intends to avail such loan facility"
- The co-obligator should be parent(s)/guardian of the student borrower. In case of married person, co-obligator can be spouse or the parent(s)/parents-in-law.

**1.14. SECURITY AND RECOMMENDED MARGINS AGAINST SECURITY**

- The security can be in the form of land/building/Govt. Securities/ Bonds issued by PSUs/Units of UTI, NSC, KVP, LIC policy, gold, shares/debentures, bank deposit in the name of student/parent/guardian or any other third party.
- The recommended margins for type of security is as Under:
  - (i) Land & Building -10%,
  - (ii) Govt. Securities, Bonds issued by PSUs, NSCs, Bank Deposits, RBI Relief Bonds etc –NIL (Face value or Issue Price of the security/bond, whichever is lower, to be reckoned as value of security),
  - (iii) LIC Policies – Surrender Value
- For Higher loan limits i.e., Above Rs. 10 Lacs for studies in India (where permitted by the Competent Authority) or Above Rs 20 Lacs for studies abroad (upto Rs. 30 Lacs as per our scheme and as permitted by the Competent Authority for amounts above Rs. 30 Lacs): In case of immovable property offered as collateral for these categories, SARFAESI compliant property only to be taken as security.
- Wherever the land/building is already mortgaged, the residual unencumbered value can be taken as security on 1<sup>st</sup> charge provided it covers the required loan amount. A second charge on the property can be accepted provided the market value thereof, as per acceptable current valuation, is adequate to cover our loan also after providing for liability towards the 1<sup>st</sup> mortgage



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- In case the loan is given for purchase of computer the same to be hypothecated to the Bank.
  - All charges in connection with valuation of property, TIR from Bank Advocate and Stamp Duty etc., to be borne by the borrower.

**1.19.RATE OF INTEREST :- 12% P.A.**

**(As Interest rates are subject to change, please refer to latest instructions for interest rate)**

- application is presently done on the last day of the month.
- Simple interest to be charged during moratorium period.
- Penal interest @ 2% to be charged for loans above Rs.4 lacs for the overdue amount and overdue period.
- The service charges as applicable for failed EMIs will be applicable.  
(presently Rs 500/- + service charges which equates to Rs 562.00 per EMI)

**1.16. LOAN MODULE: INTEREST RATE CHANGE SIMPLE TO COMPOUND IN CBS**

Branches should ensure the entry of correct moratorium end date in the system and ensure that in case of existing accounts where moratorium is already over, the compound interest is charged.

**1.17. SANCTION/DISBURSEMENT**

The loan to be sanctioned as per delegation of powers.

The loan is generally sanctioned at the branch nearest to the permanent residential address/place of domicile of the student/parent.

In case of the parent having transferable job, the “address for correspondence” must be meticulously noted in the system as well as in the records, so that whenever the parent is transferred, the Bank will be in a position to track the student/parent. The loan to be disbursed in stages as per the requirement/demand directly to the Institutions/Vendors of books/ equipments/ instruments to the extent possible. As a measure of prevention of frauds, the disbursements to institutions must be made directly by way of drafts etc.

Considering the genuine difficulty faced by students, the tuition fee already paid to the institute by the borrower from their own sources for first semester at the time of counseling / admission may be considered for reimbursement as a part of the scheme provided the reimbursement is claimed within 6 months of the payment. It should be ensured that the claims for reimbursement are genuine and appropriate safeguards to be exercised by verifying receipts/ proof of payment/ account statement etc.





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## 1.18. REPAYMENT

**Repayment Holiday/ Moratorium:** Course period + 1 year, or 6 months after getting job, whichever is earlier.

**Repayment:**

If the student is not able to complete the course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of 2 years. If the student is not able to complete the course for reasons beyond his control, the sanctioning authority may at his discretion consider such extensions as may be deemed necessary to complete the course.

The accrued interest during the moratorium period/repayment holiday period to be added to the principal and repayment to be fixed in Equated Monthly Installments (EMI).

**NOTE:** Increase in repayment period, for loans upto Rs. 7.5 Lacs from 7 years to 10 years, is applicable to all existing as well as fresh loans. RBI has clarified that if the repayments in education loans are extended due to revision in the repayment period, the same may not be treated as restructuring. However, this treatment would be available only to education loans which are standard in the books of Banks on the date of such extension of repayment period. Further, such extensions should not be given by banks with retrospective effect and it should be ensured that any extension in repayment period mentioned above should be need based and after taking into account the repayment capability of the respective borrowers.

## 1.19. EXTENSION OF MORATORIUM

- Extension of moratorium attracts provisions of restructuring norms as the terms of sanction changes and the asset classification changes accordingly.

## 1.20. FOLLOW-UP/TRACKING

- Branches to contact college/university authorities to send the progress report at regular intervals in respect of students who have availed loans. We clarify that Student/Guardian may also be requested to furnish progress report at regular intervals. Periodicity may be fixed as per semester or annual system of examination.
- In addition to the exiting instructions, in case of studies abroad, bank may obtain the Unique Identification Number (UIN)/Identity Card/Passport details and note the same in the bank's records.
- E-mail addresses of the students should be obtained and kept on record
- Passport details and UID (Aadhar Card) wherever available may be obtained and kept in the bank's records.
- **PAN Card of the student and the Parent/ Guardian is a mandatory document for all Education Loans**
  - **Aadhar details of the borrower should be obtained wherever available, in addition to PAN and other identifiers prescribed by CIBIL (w.e.f. 25.03.2015).**



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Aadhar details of the borrower should be obtained wherever available, in addition to PAN and other identifiers prescribed by CIBIL. However, no application will be rejected for mere want of Aadhar details and the borrower will be advised to submit Aadhar before the second scheduled disbursement.

- a) In cases, where the borrower is not in possession of either PAN or Aadhar with him/ her, obtaining Aadhar details will be preferred as Aadhar is being used for administration of subsidies by the Government and is also a proof of identity and address anywhere in India. Moreover, it is based on biometric system for identification of an individual and is more reliable.
- b) In cases, where the student has already submitted PAN, Aadhar details should also be obtained during the course of the study period.
  - Student Alumni may be contacted to track the students
  - In case of the parent having transferable job, the “address for correspondence” must be meticulously noted in the system as well as in the records, so that whenever the parent is transferred, the Bank will be in a position to track the loan

#### **CIBIL REQUIREMENTS:**

It is observed that in case of Education Loans, full details of the borrower/ co-borrower are not being captured in CBS by the Operating Units, thus leading to a large number of these loan accounts in our CBS data not reflected in CIBIL data base thereby providing opportunity for these borrowers to avail loans from other Banks/ FIs etc. This is more so in case of loan accounts which are classified as NPAs in our books. The CIBIL advised that the following fields are mandatory for mapping our loan accounts to CIBIL database.

- a) Name of borrower
  - b) Date of Birth
  - c) Gender
  - d) Full Address with pin-code
  - e) Telephone number (Landline or Mobile phone)
  - f) Any one of the following photo-identity cards
    - i. PAN
    - ii. Passport
    - iii. Voter id
    - iv. Driving License
    - v. Aadhar Card (should be accompanied by another variable)
    - vi. Ration Card (should be accompanied by another variable)
- Operating Units to ensure that the above mandatory data fields are captured in CBS without any exception while opening the loan accounts. Also, in cases where the loan accounts have already turned NPA, these fields to be updated in CBS on top priority so that these NPA accounts are uploaded in CIBIL database and other Banks/ FIs get notice of the default with our Bank.



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- While opening an Education Loan, operating units have to ensure that :
    - i) Where parents have an existing CIF, the CIF particulars should be verified and updated.
    - ii) Separate CIFs must exist for Parent and Student. There should be no clubbing of names.
    - iii) In most cases, Student will not have a CIF and in all such cases, a new CIF must be created

#### **TRACKING BORROWERS THROUGH SOCIAL MEDIA SITES**

It is observed that Education Loan borrowers move out after the completion of their studies, as a result of which the Operating Units are often finding it difficult to trace them. A large number of these borrowers, especially Scholar Loan borrowers, are active in various Social/ Professional Networking Sites and can be easily tracked and contacted by the Operating Units for recovery of the Education Loans.

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#### **1.21. PROCESSING CHARGES**

**No processing/ upfront charges may be collected on educational loans.**

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#### **1.22. NO DUES CERTIFICATE**

'No dues' certificate need not be insisted upon as a pre-condition for considering educational loan. However, a declaration/an affidavit confirming that no loans are availed from other banks may be obtained.

#### **1.23. DISPOSAL OF LOAN APPLICATION (TIME NORM) AND FINANCE**

##### **MINISTRY GUIDELINES ON DISPOSAL OF LOAN APPLICATIONS**

- After the receipt of duly filled application form, a standard acknowledgement giving a reference number will be issued. The acknowledgement will contain contact details of the bank official who, could be contacted in case of delay in disposal of application.
- Sanction/ rejection will be communicated within 15 days of receipt of duly completed application with supporting documents.
- Loan applications received and disposed off register should be properly maintained.
- No application for educational loan received should be rejected without the concurrence of the next higher authority. Branches need to record reasons for rejection and advise the applicants suitably with reason for rejection to avoid complaints.



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### 1.24. PAPERS TO BE SUBMITTED WITH LOAN APPLICATION AND DOCUMENTATION

Under noted papers /documents would apply.

- a) Application-cum-Appraisal Form Annexure 'I'
- b) Proposal Form (Annexure 'II')
- c) Agreement for Term Loan under Education Loan Schemes (Annexure 'III')
- d) Guarantee Agreement for Term Loan under Education Loan Schemes (Annexure 'IV')
- e) Arrangement Letter for Term Loan under Education Loan Schemes (Annexure 'V')
- f) Supplemental Agreement for Term Loan under Education Loan Schemes (Annexure 'VI')
- g) Supplemental Deed of Guarantee for Term Loan under Education Loan Schemes (Annexure 'VII')
- h) Exchange Letter requesting for extension in Moratorium period after completion of study/course (Annexure 'VIII')

- In view of the condition of assignment of the student's income, the Law Department have advised that the following clause should be incorporated in the operative part of the loan agreement and the guarantee agreement, etc. ( This agreement can only be entered into by a student who is a major. A minor student may agree for the same provided it is ratified by him on his attaining majority):-

"The student agrees and states that his future income from any gainful employment that he may secure or from any other source shall be held by the Bank as a security for repayment of the installments of the entire amount of loan in favour of the Bank."

- Generally the student is not available at the place where the branch granting the education loan is situated. It sometimes becomes difficult to obtain a revival letter from the student. It has, therefore, been decided that a clause be incorporated in the "Agreement for the Term Loan" in connection with SBI Education Loan, enabling the father / guardian to sign the revival letter on behalf of the student.

Para 5 (ii) of the Term Loan Agreement.

The Student authorizes the Guardian to sign Revival Letter/Balance Confirmation and /or Acknowledgement of Debt and/or Admission of liability on his/her behalf. The Student affirms, confirms and declares that any revival letter and/or balance confirmation and/or acknowledgement of debt and/or admission of liability given and/or a promise or part payment made by the Guardian to the Bank shall be deemed to have been made and/or given by or on behalf of the Student and shall be deemed to have been made and/or given by or on behalf of the Student and shall be binding on the Student.

### 1.25. CLASSIFICATION UNDER PRIORITY SECTOR

As per Reserve Bank of India guidelines, education loans to Individuals for Education purposes including Vocational courses upto the ceilings of Rs . 10 lacs irrespective of the sanctioned amounts (for both studies in India & abroad) will be considered as eligible for priority sector lending.

### 1.26. SWITCH OVER FROM ONE COURSE TO ANOTHER

Students, especially those who go for Engineering or Management studies, sometimes avail loans for courses/institutions which may not be their first choice, with a view to obviating forfeiture of



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admission. For example, a student seeking admission to B.E. (Electronics) in a good college may initially get admission into B.E. (Civil) in the same college or even into B.E. (Electronics) in a comparatively lower grade college. Later on, upon availability of admission in B.E. (Electronics) in the institution of his choice, he may like to switchover. Whenever the switchover involves migration from one institution to another, the fee already deposited is refunded by the transferor institution after deducting a small amount. Switchover from one course to another after availing the loan will be permissible in order to facilitate smooth administration of the loan so that the student does not lose an opportunity to get admission in a better course/institution and to improve his employment prospects thereby. Sanctioning authority will be authorized to consider reimbursement of additional expenses incurred in connection with such switchover, since repayment of the loan is incumbent upon employment prospects in respect of the course undertaken as also the institution from which the same is undertaken.

### **1.27. FINANCE MINISTRY GUIDELINES / REJECTION OF EDUCATION LOANS ETC.**

1. The Ministry of Finance, GOI, has pointed out that during the course of processing of education loans by banks under the Model Education Loan scheme, complaints are received that banks are often passing on the loan applications to other banks/branches of banks stating that the applicant does not fall within the area of operation of a particular branch. Some of the reasons quoted by banks are:

- (i) Place of domicile of the applicant falls under the service area of another bank.
- (ii) Approach another bank functioning nearer to their place of residence.
- (iii) Applicant is over aged.
- (iv) To approach another bank as per arrangement among local banks.

The Hon'ble Finance Minister appealed to the banks to accommodate the student community and to consider and process the loan applications and not reject any loan application without valid grounds. IBA has advised the member banks to implement the guidelines under the education loan scheme in the right perspective and as far as possible not to reject any genuine requests and try to accommodate the student community as far as possible within the broad framework of the scheme. IBA has further stated that there is no restriction with regard to the age of the student to be eligible for the loan and further wherever parents are not there banks could consider grandparent as co obligator to the loans taking into account their net worth.

2. The above issues came up for further discussion at the meeting of the Hon'ble Finance Minister with CMDs of PSBs held on 4<sup>th</sup> November 2008. FM requested member banks co-operation to accommodate the student community and not to pass on the loan applications of student borrowers to other banks/branches of banks for reasons such as (i) the applicant not falling within the area of operation of a particular branch; (ii) applicant's place of domicile falls under the service area of another bank; (iii) approach another bank as per arrangements among local banks; (iv) approach another bank functioning nearer to place of their residence; applicant is over aged. The Hon'ble Finance Minister has instructed IBA to reissue the instructions once again in the matter of banks/branches of banks not processing education loans on the grounds that the applicants is not



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falling within the area of operation of their branches. The operating units are requested to follow the above guidelines and consider the education loan applications keeping the spirit behind the scheme as desired by Hon'ble Finance Minister.

3. There have been few complaints from Ministry of Finance that branches are rejecting the applications on the grounds that the applicant's place of domicile is not within the area of operation of the Branch. As per the extant instructions the education loans are generally sanctioned at the branch nearest to the permanent residential address of the student/parent for tracking purposes. Many parents/guardians move away from their place of domicile due to employment/transferable jobs etc. and face difficulty in processing the loans at the present place of stay/employment although they may be residing there for number of years and possess sufficient documents to prove their stay at that place. Branches may consider such cases in right spirit and record their permanent addresses and their movements for tracking purposes.

#### **1.28. NOTICES TO CO-BORROWERS IN CASE OF NPA**

Legal Notices to all those education loan borrowers, co-borrowers and guarantors are to be sent whose loan accounts have turned NPA.

### **Key Role of Branch Managers :-**

#### **a) During Study and Moratorium period (Before commencement of Repayment):**

- i. To keep in touch with the students regularly at the Campus.
- ii. To obtain the progress reports of the students, who have availed education loans from our Bank, from the respective Educational Institution at periodic intervals.
- iii. To ensure disbursement of loan amounts at regular intervals as required by the Educational Institution / student.
- iv. To ensure timely submission of interest subsidy claims in respect of all eligible EWS Students.
- v. To advise the student / parent / co -borrower the amount of interest applied in the loan a/c and the balance outstanding at the time of every subsequent disbursements.
- vi. To authenticate and update the contact details (Mobile / telephone / e-mail etc) and other information viz., Aadhar number, PAN, Passport number, other details of student/ Parent / co-borrower in the CBS.
- vii. To provide the students / parents / co -borrower with the details of loan a/c and the dates for commencement of repayment of the loan, amount of EMI etc, at the time of passing out by the students.
- viii. Address the student's operational difficulties and play the role of Mentor to them during the period.



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**b) After Commencement of Repayment :**

- i) As and when the students relocate to other places on getting employed / change of jobs etc, establishing regular contact with student/ co -borrower.
- ii) In cases where education loans have turned NPAs, the Branch Manager will contact the Alumni Associations at the institutions to trace the borrower, analyse the reasons for the default
- iii) To ensure sending of timely reminders / notices for repayment of overdues to the students / parents / co-borrowers etc.
- iv) To ensure / verify that names of defaulters are included in the CIBIL and other CICs defaulters databases
- v) Locating the borrowers through various social media websites viz., Facebook, Orkut, Linkedin etc, for updating their contact details and remind them about the repayments.
- vi) To contact the employers on case to case basis, for recovery of the dues in case of recalcitrant borrowers.

