

Education Loan & Scholarships Guide



www.StudyGuideIndia.com

What is education loan?

Central Government facilitates education loan through 27 nationalized banks to help students for their education. India's National asset is the young population and their brain power. The student loans are offered by financial institutions based on the guidance issued by Government. Each bank has its own eligibility criteria, interest rates and repayment options. The education loan can be used for any level of education including school, graduation, post graduation and doctorate. Loans are given for study in India as well as in foreign universities. The students who have good academic record but don't have any option to study further due to the financial condition of the family can go for loan option. Once the loan is approved, the financial institution will guarantee your education but you should be ready to study hard and work hard to repay the loan.

Who is eligible for the education loan?

You must be a citizen of India

1. Secured admission to the course through selection process or entrance exam in India or Abroad
2. You may be expected to have certain percentage of marks. For example 50% for SC/ST Students and 60% for others
3. Some banks may have some age criteria. For e.g., age should be between 16 and 28
4. Some banks offers loan for only full-time and certain specified courses like computer courses

What is the age limit for Education Loan? 30 Years

What do they consider to approve the loan?

1. The course you choose
2. The Institution you choose
3. The amount you require
4. Your education performance
5. Repayment capacity of you and your family based on the discussion with you
6. Annual income of the family
7. Family assets, etc

What courses are eligible for Education Loan?

Education in India:

- School education including plus 2
- Graduation Courses: B.A., B. Com. B. Sc., etc.
- Post Graduation Courses: Master degree and Ph.D.
- Professional Courses: Engineering, Agriculture, Medical, Veterinary, Law, Dental, Management, Computer, etc.
- Computer certificate courses of reputed institutes accredited to Department of Electronics or institutes affiliated to university
- Courses like CA ,ICWA, CFA, etc. or courses conducted by IIT, IIM, XLRI, IISc, etc
- Courses offered by National Institutes and any other reputed private institutions
- Courses offered in India by reputed foreign universities
- Evening courses of approved institutes
- Other courses leading to diploma / degree etc. conducted by colleges / universities approved by UGC / Govt. / AICTE / AIBMS / ICMR etc.

Education Abroad:

1. Courses conducted by CIMA - London, CPA in USA etc.
2. Graduation: For job oriented professional / technical courses offered by recognized universities
3. Post Graduation: MCA, MBA, MS, etc.

How much loan I can get?

Generally upto Rs. 15 lakhs for studies in India and upto Rs. 25 lakhs for studies abroad.

Can I get a loan for Correspondence/distance/part-time education?

Some Banks provide loan to certain professional course if your college and course is approved one. You can check with your local banks once you finalize the course that you are going to study. But most of the Banks don't offer loan for part-time/distance education course.

How and when should you start paying the loan?

You don't have to pay the loan until you complete the course. After your course, you will get grace period to find a job which may be between 6 to 12 months. After that the actual repayment of the loan begins.

If I discontinue my study or do not complete my course or do not find my job within the grace period what will happen to the loan repayment?

You should start your loan payment immediately. Some institution will allow you to complete your course but it is a rare case.

Is the interest amount for the loan applied during the course of study?

Simple Interest is charged and kept in a separate account till the course is completed. The student has the option to repay or not to repay the interest till the course is completed. After the grace period is over, the interest is transferred and credited to the Principal loan amount and from that time the interest becomes compounded interest.

Full interest subsidy will be provided during pause period (moratorium) on loans for students whose parental income from all sources is less than Rs.4.5 lakh a year. The scheme is effective from the academic year 2009-10. The proof of income is to be certified by authorities to be designated by the State governments. The Ministry has written to Chief Secretaries of States/Union Territories to intimate the designated authority/authorities (at the district/sub-district/block levels). All scheduled member-banks of the IBA have been advised to implement the scheme.

Canara Bank is the nodal bank for the IBA member-banks for claiming reimbursement of interests credited to student accounts. Eligible students can approach the respective bank branch from where they are availing the loan and complete the formalities so that the individual accounts could be credited with the interest due on the loan from the academic year 2009-10 onwards.

How much is the interest rate and how will I get tax-benefit?

- **Interest Rate:** The interest rate for the education loan is between 10% and 15% depending on the bank and the course you choose.

Tax Benefit:

Income tax Act provides two types of deduction for education. These are

1. Tuition fee paid for children under section 80C subject to maximum Rs 1, 00,000.
2. Interest on education loan for studies of self or spouse or children without any limit under section 80E

Loans taken for education are not eligible for tax benefit.

Based on the new rule, the interest paid against the education loan will be deducted from taxable income. There is no maximum limit for the interest payment. Your principal amount will not go against tax deduction If you take a loan for long term, it is better to pay off within eight years. After that the tax benefit will not apply to your interest payment. You will not be eligible for tax deduction if you get the loan from your employer, family or friends.

Tax benefits will be available even for loan that was taken against securities. But the securities to be taken by banks and the loan should be used for higher education of self, spouse or your children. Not for brother or sister.

Do I have to give any property or collateral documents in order to get the loan?

For loans up to 4 Lakhs security is not required. Documents have to be signed both by student and parent/ guardian. For loans of above Rs. 4 lakhs but below Rs. 7.50 laksh, in addition to the documents, third party guarantee has to be signed. But loans above Rs. 7.50 Lakhs require you to provide security documents to the Bank. The security documents can be National Savings Certificates (NSC), insurance policies (surrender value), Kisan Vikas Patra, bonds, bank deposits, government securities, shares (if the bank accepts it), vehicle, house, land, property, gold etc.

The security should be some form of investment you surrender to the bank. If you don't repay the loan the bank can sell the security and recover the loan amount. For loans above 4 Lakhs, the bank may ask either third party guarantor or security or both. If you don't pay, the bank has the right to recover the loan amount from the guarantor or else they can take legal action against the guarantor.

I am from a middle class family and my father is not working and we don't have anything to show as regular income and we don't have any property document or financial document to show as security. What is the possibility of getting my education loan?

You are eligible for education loan. The education loan is given based on your educational performance. You should make sure that the loan is paid on time without any issue. The educational loan scheme aims at providing financial assistance on reasonable terms to:

- Poor and needy to undertake basic education.
- To the meritorious students to pursue higher/ professional/ technical education.

The main emphasis is that no deserving student is denied an opportunity to pursue education for want of financial support.

What are the expenses covered by education loan? After getting my education loan, should I have more money to take care of the other expenses?

The education loan not only covers your tuition fee. It includes other expenses related to your study. You have to check with your bank to verify what are the expenses covered by their loan. It depends on the Bank. The other expenses

- College/school/hostel fees which includes tuition fees.
- Exam fees, library and laboratory fees.
- Non-Refundable deposit, refundable deposit, building fund, supported by the institutions receipts or bills.
- Purchase of books, uniforms, equipment, instruments and buying computers
- Expenses related to education tours, project work and thesis work.
- Some banks cover the cost of the computer if the same is required for your education.
- Travel expenses for overseas study

Check up with your institutions for the expense details and confirm with your bank as what are the expenses covered by them.

Since the education loan interest rate is high, I want to pay the loan completely as soon as I find my job. Is there any pre-payment penalty applied?

Unlike other loans, most of the banks don't charge any pre-payment penalty when you want to repay the loan in full. It is better to check with your bank to make sure you will not face any penalty in the future. Some Banks will allow you to repay after 6 or 12 months after the course completion or after finding your job.

After taking my education loan, I get less interest rate from some other bank; can I move my education loan to the second bank?

Yes, you can do so. But, your current bank may have some refinance charge for your outstanding amount (example 1%). If the second bank gives 1% less than your current bank, you dont gain anything. So, carefully calculate the benefit when you transfer your loan.

Both of my parents are working and we have enough money to pay for my course but my friend says that it will be good to take the loan. Is that true?

No. If you can pay from your pocket, it is better to do so. Taking a loan involves some maintenance work; you can avoid them if you can. If you are really in need of the loan, you can apply for this. The purpose of education loan is to support needy people who can't afford for their education.

I am from a remote village and I dont have any bank in my village. How and where to apply for my education loan?

You can contact the bank in your nearest town/city and ask for loan.

My education loan was not approved. Is there any way I can find out why my education loan request was denied?

Yes, you can. When the bank denies your application, they will give a reason for why your application was not approved. If they don't give any valid reason, you can file a RTI (Right to Information Act) petition to ask for the reason. If you need any help in filing RTI petition you can send an e-mail to info@studyguideindia.com

Getting scholarship or taking a loan which one is better?

You can try for both. Refer to our scholarship section at www.StudyGuideIndia.com. If you get scholarship for your entire study it is well and good. Sometimes the scholarship amount will be a one time payment which may be a small amount that will not be enough to cover your complete course expenses. So, you can still get them and use it for your study. Today many institutions, charities, foundations, trust, NGOs, State/Central government are offering scholarship to the students. There is no condition that you can only apply for one scholarship. You can apply for whatever you are eligible and get them.

My friend suggested to me that since we get the loan we can study in USA/UK? What is your advice?

Think twice before taking the loan. Taking a loan is not a simple thing and it is not free. When the bank gives you the loan, they will make sure that they recover their money from you. If you don't pay the amount and there is no genuine reason, the bank will not leave you. So, ask yourself whether you have interest or passion to do that course and you want to get settled with the field related to your study. You should have confidence on yourself on completing the course, getting the job related to your study and repaying the loan. If you are not sure, don't go for the loan. It will be a burden for you as well as to your family and your property.

Will the loan amount cover 100% of my education expenses?

Not always. The bank charge a margin of 5% for studies in India and 15% for studies abroad for loans above Rs. 4 lakhs, i.e., they offer to give a loan of 95% or 85% of your total expenses only. The balance has to be met by you. If the loan amount is less than Rs. 4 lakhs, the bank covers the entire amount.

Do I have to pay any processing fees for my education loan?

Generally banks do not charge processing fee for educational loans. But it depends on the bank.

How soon do I have to repay the loan?

Mostly, the loan amount should be paid within 5 to 7 years. But a large amount may take a long time; a small amount will take less time. Tax deduction can be used for education loan for up to 8 years. If you are taking loan for more than 8 years, after 8th year whatever interest you pay will not get any tax benefit.

What are the documents required to apply for a loan?

This again depends on the Bank. The bank will give you the document checklist when you get your application form. The commonly asked documents are:

1. Proof of your course admission / scholarship details
2. Schedule of the fees and expenses
3. The certificate and mark sheet of your last qualifying examination.
4. Photographs
5. Last 6-12 months bank statement/ Income tax statement of past years
6. Document related to proof of income, asset and liabilities etc.
7. If you don't have bank account you should give the identity proof.

Will the Banks have any preferred Institutions?

Some banks have a list of institutions. If you join them you will get the loan easily or some institutions will have tie-up with banks. Please check with your institution and bank for the details.

Is there any other benefit that comes with the Education Loan?

1. Some banks offer some benefits like .5% to 1% less for girl student
2. Some banks offer personal accident insurance
3. Some banks offer group life Insurance

Is there any limitation like on how many people can take the education loan from the same family? Or my sister got an education loan, Will I be eligible for my education loan?

There are no restrictions. But your family's ability to repay the loan will be verified. Suppose if you sister has taken more than 4 Lakhs by pledging a property document, you can also claim the same property to get the loan provided the property value is high and the bank accepts it.

Is there any insurance policy that covers my guarantor?

Yes. Some banks will ask you to take one time payable insurance policy to cover your loan amount. If the bank is not able to recover the money from you or your family, the insurance will pay the loan amount.

Can I get the education loan as cash? How the loan amount is given to me?

The college fees are paid directly to the college/institution. For each year students should submit a form with expense details, based on that the amount will be sent to college/institution. For foreign institutions the fees will be paid in respective currencies and remittance charge is mostly paid by students.

You can use the following simple checklist while applying for education loan. This will cover most of the details that you should ask before taking the loan.

S.No.	Education Loan Checklist	Yes/No/ Detail
	Do you really need education Loan?	
	Are you a citizen of India?	
	Have you secured admission from the college?	
	Is the Course an approved one?	
	Is the course full-time/Part-time/Distance Education?	
	Have you obtained the course Expense statement from your college?	
	Does my institution have any tie-up with any bank where I can get the loan easily?	
	Do I have all the required document for the Loan?	
	What is the Interest Rate the Bank offers?	
	Is there any service charge or processing fee for loan processing?	
	How much of the total expenses will be covered by Education Loan? Can you manage the remaining expenses?	
	Will there be any pre-payment penalty if you repay in one payment earlier than the actual duration of the loan? If so, how much?	
	If you want to move your loan from one bank to another bank, what are the Penalties/charges involved?	
	What kind of security/guarantor you need for your loan? Have you arranged?	
	How long is the grace period after completing the course to start the loan payment?	
	What is the tax benefit you will get when you complete your course? Will this course be eligible for tax benefit?	
	What is the Loan duration? Is it more than 8 Years?	
	Who will take the insurance for the Loan?	
	Do I have any other benefit like life insurance, interest rate reduction etc?	
	Is there any dispatch fee for the overseas payment? Who will pay for that?	

The following list has some banks that offer education loan. We take maximum care to bring the accuracy in the information but due to frequent update of the interest rate and other bank policies, we may have some inaccurate data. Please refer the bank website or contact the banks directly to get the current information.

S.N	Bank Name	Maximum Amount for India	Maximum Amount Overseas	Interest Rate
1	HDFC	15 Lacs	20 Lacs	13%-14%
2	Indian Overseas Bank	10 Lacs	20 Lacs	11.0-12.25%
3	Syndicate Bank	10 Lacs	20 Lacs	11.75%-12.25%
4	Bank of Baroda	10.0 Lacs	20.0 Lacs	11.00-13.00%
5	Indian Bank	10 Lacs	20Lacs	13.5-13.75%
6	Bank of India	10 Lacs	20 Lacs	12.5-13.0 %
7	United Bank Of India	10 Lacs	20 Lacs	10.95%-11.7%
8	Bank of Rajasthan	10 Lacs	20 Lacs	11%
9	Canara Bank	10 Lacs	20 Lacs	11.00-13.25%
10	Oriental Bank of Commerce	10 Lacs	20 Lacs	11.75-12.5%

Education Loan and RTI Act Usage:

If you have submitted all the documents and application you should get the loan without any issue. But practically this is not happening many times. Especially in rural areas students face many challenges. The Bank manager can't reject your application if you are eligible to get. If they reject your application you have the right to ask for reason for rejection in writing. Please be polite and request them for the loan. Some student's behavior will irritate the officials and they will find a reason for not giving loan to you. As a bank employee, they are also responsible for the loans sanctioned by them and they have to go through many formalities. Some of the common issues faced by rural students.

Challenge / Issue: Bank is not accepting your loan application

Solution: Try to meet the manager and ask for the reason for not accepting. Some banks allow submitting the application online, you can try. Otherwise send the application through registered post so that you will have a proof.

Challenge / Issue: Accepted the application but not giving any acknowledgement for the application.

Solution: Try to get the acknowledgement if you think you are going to face some challenges use registered post.

Challenge / Issue: There is no response from bank for my loan application

Solution: Usually within 30 days bank has to decide on your application and respond. If not visit the branch directly and ask them the reason politely. If you don't get any response you can ask

them whether you can file the RTI petition, if that doesn't work then you can file the RTI petition to check the status of your loan application.

Challenge / Issue: Reason for Rejection is not given

Solution: You have the right to know why your application got rejected. You can use RTI petition to get the reason for rejection in writing. Most of the time when the RTI petition is filed, the bank call them and give the loan instead of reason. If they reject your application without valid reason or delay your application for any purpose they will be in legal trouble.

How to use RTI(Right to Information Act) for Education Loan?

On a plain paper write your questions addressed to the "Public Information Officer" of the respective branch or head office of the bank. This can be in a simple letter format with the subject: Application under Right to Information Act 2005/Section 6 (there is no prescribed application form under the law for filing an RTI application). Your address, Bank address, subject, query and fees are import. It can be simply written in English or local language.

Payment of fees – Along with your application you have to pay Rs.10. The following modes of payment are acceptable in Tamil Nadu. You can pay either of these ways: **State Bank of India:** All State Banks are allowed to accept RTI fees. Payment can be made under the RTI account head and the receipt should be attached to the application and sent by Registered Post Acknowledgement Due. **Cash:** The applicant goes to the bank branch in person and pays fees in cash. Please insist on a receipt/acknowledgement. **Court Fee Stamps:** The applicant affixes court fees stamps.

Scholarships & Other Financial Aids:

In India both the government and private organizations supports the candidates in providing the scholarships to reach their goals. The financial aid is provided to candidate in the form of scholarship at different level of education such as Graduate, Post graduate, doctorate or post doctorate level through which economically backward candidate can achieve their dreamed career.

Scholarship is not only the source to provide financial aid to the students but also acts as awareness about education among various people. Since the fee for higher studies is increasing day by day, without being a brilliant candidate it's not possible for some candidates to go for higher studies. Here the scholarships act as a tool for them to pursue higher studies. Indian scholarships are meant for individual development. However, through which overall development of the country is reached.

Scholarships or Financial aids are offered by various sources in India. They are:

- Govt. Departments (Merit scholarship, State level, District level toppers etc).
- Various welfare departments like BC/MBC/SC/ST welfare schemes through that department.
- Minority scholarships from various Govt. and private bodies.
- Women's welfare scholarship by various Govt. and private bodies
- Financially backward students can apply for many Govt., private and social organization, NGOs, Trusts, and Foundations etc. For Example: Agaram Foundation.
- Scholarships offered by education Institutions like SRM, VIT, Anna University, Various universities Alumni associations etc.
- Scholarship offered by Individuals who settled in life and support few students for their education. Many people do this today

Some of the important Scholarship/Education Aid :

There are so many ways you can get scholarships. Starting from individuals who support few students to Govt, Private and NGO organizations.

Please visit www.StudyGuideIndia.com scholarship section for various scholarship details and applying procedure etc.

1. First Graduate Free Education Scheme by TamilNadu Govt.:

Free Education Scheme is applicable to BC, MBC & DNC students studying in following undergraduate courses:3 Year Arts/Science Degree courses (B.A., B.Sc., B.Com, etc.,),3 Year Polytechnic Diploma Courses, Professional Degree courses (Medical, Engineering, Agriculture, Veterinary, Law, Indian Medicine etc.,). In 2010 1.67 lakh applications were received by the authorities for engineering counseling out of which 78,000 (46.71 per cent) were from first generation graduate Students.

Condition: Parental annual income should not exceed Rs.50,000/- p.a. and Students should be first graduate in the family. You can find the details of the scholarship details and application forms at: www.tn.gov.in/bcmbcmw/forms/form-fresh-schship.pdf

2. SRM

SRM Offers scholarship for top two students in the state's Higher Secondary board examination in each district in Tamil Nadu, as well as the top student in the CBSE board examination in each Indian state. If these students choose to join any of the SRM group institutions, which offer education in engineering, medicine, management, arts, sciences, hotel management and journalism, they will be given a scholarship covering their tuition, hostel, mess and transport fees and a monthly stipend of Rs. 1,000. If they choose to study in any government college, run by the State or Central governments, they will still receive a scholarship covering their tuition fees for the duration of their course.

Contact:

The Dean (Admissions),
SRM University, SRM Nagar, Kattankulathur – 603203, Tamil Nadu,
Phone: (044) 27452270
Ext: 1451 / 27455715,
E-mail: dean@admissions.srmuniv.ac.in

3. VIT

The **VIT University IGNITE Scholarships** allows top scholars from around the country to leap forward without worrying about financial hurdles. This freedom to study at VIT University one of India's top private Universities forms the perfect launchpad to ignite your engineering dreams. The main feature of this scholarship are: 100% tuition fee waiver for the top three higher secondary exam rank holders in each state, 100% tuition fee waiver for the Top 50 VITEEE candidates(VELLORE INSTITUTE OF TECHNOLOGY ENGINEERING ENTRANCE EXAMINATION), 50% tuition fee waiver for students ranked 51-100 in VITEEE(VELLORE INSTITUTE OF TECHNOLOGY ENGINEERING ENTRANCE EXAMINATION), The Scholarship will benefit 202 top scholars across the country, providing them with an incredible opportunity to stand amongst the best in education.

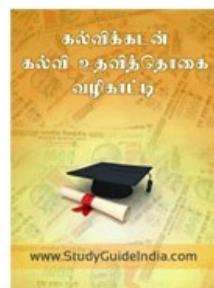
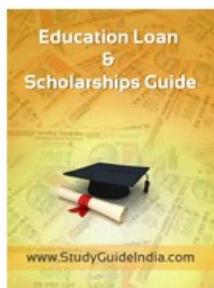
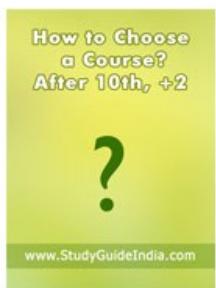
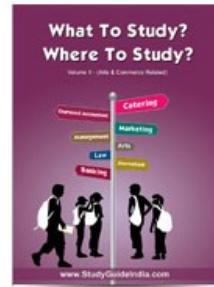
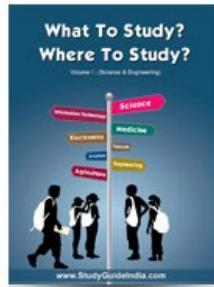
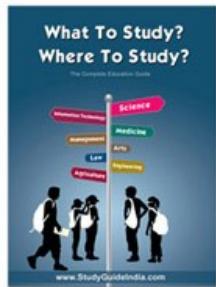
Contact: VIT University,
Vellore- 632014
Tamil Nadu, India,
Tel: 91-416-2243091/93,
Fax: 91-416-2243092, 91-416-2240411 E-mail: vitadmission@yahoo.com,
Official Website: www.vit.ac.in

4. Agaram Foundation

Agaram foundation is supporting poor students to pursue their education. If you are financially struggling with good marks in 10th and +2 you can reach out to the foundation volunteers to check your eligibility to apply. Address: Agaram Foundation

Contact: Agaram Foundation,
No.29,Vijay Enclave KrishnaStreet, T.Nagar, Chennai - 600 017
Tamil Nadu, India.
Telephone : +91 44 4350 6361
Mobile : +91 98418 91000
Email : info@agaram.in

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