

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2624
ANSWERED ON:04.12.2009
EDUCATION LOANS
Antony Shri Anto;Dubey Shri Nishikant

Will the Minister of FINANCE be pleased to state:

- (a) the details of the schemes implemented by public/private sector banks for the disbursement of education loans to the general and reserved categories;
- (b) the details of the targets set and achievement made thereunder by public/private sector banks in this regard during the last three years and the current year, bank-wise;
- (c) the total amount of education loans disbursed by the public/ private sector banks and the rate of interest charged thereon;
- (d) the terms and conditions of recovery of loans alongwith the status of recovery during the last three years and the current year;
- (e) whether the Government has received complaints in regard to the sanctioning of education loan and insisting upon mortgage despite the Reserve Bank of India directions to the contrary; and
- (f) if so, the details thereof and action taken by the Government in this regard?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI NAMO NARAIN MEENA)

(a) : The main features of the Model Educational Loan Scheme (MELS) formulated by Indian Banks' Association (IBA) and circulated to its member banks both public and private sector banks . are as under;

Limit of loan

For studies in India Rs. 10 lakhs
For studies abroad Rs. 20 lakhs

Interest rates

Upto Rs. 4 lakh Benchmark Prime Lending Rate (BPLR)
Above Rs. 4 lakh BPLR + 1 percent

Security

UptoRs. 4 lakhNo security. Co-obligation of parents.
Above Rs. 4 lakh and UptoRs. 7.5 lakh Co-obligation of parents together with collateral security in the form of suitable third party guarantee.
Above Rs. 7.5 lakh Co-obligation of parents together with tangible collateral security of suitable value alongwith the assignment of future income of the student for payment of installments.

The detailed MELS is available on the web-site of IBA at [www,iba.org.in](http://www.iba.org.in). The Scheme is uniformly applicable to all segments of the society

(b) & (c) : Reserve Bank of India (RBI) does not prescribe any specific target for educational loans for the banks.

As per data furnished by RBI, bank-wise details of total educational loans outstanding as on 31st March, 2007, 2008 and 2009 in respect of public sector banks and as on 31st March, 2008 and 2009 as available in respect of private sector banks are at Annexure.

The interest rates to be charged by banks on educational loans, as per MELS, are given in part (a) above.

(d): As per MELS the repayment holiday/moratorium period is the course period+year or 6 months after getting job, whichever is earlier. However, on account of global meltdown, IBA has advised member banks that the moratorium period of one year under the scheme could be extended upto 24 months, on a case to case basis, on merit.

The loan is to be repaid in Equated Monthly Installments (EMI) in 5-7 years after commencement of repayment. The accrued interest during the repayment holiday/ moratorium period is to be added to the principal. One percent interest concession to be provided for loans if the interest is serviced during the study period when repayment holiday specified for interest/repayment under the scheme.

Year-wise recovery of loans under educational loan is not available. However, as on 30th September, 2009 total recovery of loans, as reported by IBA, was Rs. 1628.97 crore in 4,39,772 accounts.

(e) and (f): Specific complaints received by Government and RBI regarding non- sanction of educational loans by banks are taken up with the concerned banks for remedial action.