



Indian Banks' Association

No.CIR/RB-ELS/6

17th August, 2015

Chief Executives of all Member Banks

Dear Sirs/Madam,

IBA Model Educational Loan Scheme for Pursuing Higher Education in India & Abroad -2015

We refer to the IBA circular No. CE/210 dated May 31, 2012 enclosing IBA Educational Loan Scheme for Pursuing Higher Education in India & Abroad to member banks for adoption and implementation by banks.

The DFS, based on the recommendations of a Sub-Committee on Student Financial Aid of the Planning Commission, had requested IBA to review and revise IBA Model Educational Loan Scheme to accommodate acceptable suggestions of the Planning Commission Sub-Committee recommendations. These modifications and further suggestions received from the RBI were deliberated at several meetings of IBA Working Group on Educational Loan Scheme and also at meetings with DFS, MoHRD and Reserve Bank of India. Some of the suggestions were incorporated appropriately in the Model Scheme. A revised Model Educational Loan Scheme (2015) along with a common application form was approved by the DFS, MoHRD, RBI and IBA Managing Committee. The new scheme contains following changes:

1. Classification of portfolio into rated institutions, unrated institutions and foreign studies.
2. Provision for charging of differential interest rates based on status of collateral, employability and reputation of institutions.
3. Continuing with the existing practice of taking parents as co-borrowers with discretion to the banks to waive in special cases.
4. Capping stream-wise and institution-wise limits on education loans wherever possible.
5. Relaxation in margin and security for loans guaranteed by NCGTC.
6. Extension of repayment period (after moratorium) upto 15 years for all loans.
7. Uniform one year moratorium for repayment after completion of studies in all cases.

8. Provision for moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan. Moratorium may also be provided for the incubation period if the student wants to take up a start-up venture after graduation.

The revised IBA Model Educational Loan Scheme with proposed changes by the DFS and RBI was approved by the IBA Managing Committee at its meeting held on 31st July, 2015, for adoption and implementation in banks. The Revised IBA Model Educational Scheme 2015, Guidance Note and Common Application Form is enclosed for adoption and implementation.

Yours faithfully,



K Unnikrishnan
Deputy Chief Executive

Encl: as above