

Education Loan Overview

What Is an Education Loan?

Education loans are offered to students to finance their higher education in India and Abroad. Multiple financial institutions like Public sector banks, Private banks, and NBFCs offer education loans to students.

- The funds provided by the education loan will cover the tuition fees, living expenses, cost of books and supplies, etc.
- A loan amount between **1 lac to 1.5 cr** can be offered with interest rates starting from **8.15% (latest ROI)**.
- The general education loan process includes searching for a lender, applying for an education loan, getting your loan sanctioned, disbursement of the amount, and the repayment of your education loan
- The repayment of education loans starts after the moratorium period in all banks. A moratorium period of around 6 months to 1 year is offered by banks on taking an education loan.
- Moratorium period = Course duration + 6 months/ 1 year (grace period)



Education Loans can primarily be divided into 2 types:

- Secured Education Loan
- Unsecured Education Loan

The loan terms offered by banks further depend on the location (overseas, domestic), and course (undergraduate, postgraduate) the student opts for. These factors decide the Loan amount, interest rate, Moratorium period, and Repayment duration.

To know clearly about each of these aspects, keep on reading and comment if you have any further queries.

Secured vs Unsecured Education Loans

What is a Collateral?

Collateral is any form of asset/ property that you pledge to the bank to get your loan. A collateral acts as a security to the bank in case you are unable to repay your loan for any reason.

- **Secured or Collateralized Education loan:** Secured or Collateralized Education Loan is an education loan where you have to pledge collateral (an asset or security) such as a house or land to receive the loan amount.
 - Immovable property: House, flat, or non-agricultural land.
 - Liquid security: Fixed deposits, Insurance policies (term insurance), or Government bonds.
- **Unsecured or Collateral- free Education Loan**
 - An Unsecured or Collateral-free education loan is an education loan where the student can take an education loan without having to offer any security or collateral.

Comparison of Secured vs Unsecured Education Loan

Here is the comparison table of various parameters of collateral requirement, loan amount, processing fee, rate of interest, moratorium period, and eligibility criteria

Parameter	Secured Education Loan	Unsecured Education Loan
Collateral requirement	Required minimum of 50% of the loan amount	Not required
Loan Amount	<ul style="list-style-type: none">• Up to 1 Cr for India• Up to 1.5 Cr for Abroad <i>(Depends on the collateral evaluation)</i>	<ul style="list-style-type: none">• Up to 50 lacs for India• Up to 1 Cr for Abroad
Processing fee	Zero to max 10,000 rupees + GST	0.75% to 1.5% of the Loan amount
Rate of interest	8.15% to 10.5%	10.5% to 12.5%

Moratorium period	<ul style="list-style-type: none"> • Course duration + 6 months • No payments are required in the moratorium 	<ul style="list-style-type: none"> • Course duration + 12 months • Partial interest or full simple interest
Key parameters for loan eligibility	<ul style="list-style-type: none"> • Collateral legal and evaluation • Student's profile 	<ul style="list-style-type: none"> • Parent's income • Student's profile

- Government banks are the best option to go for in case you are trying for a secured education loan and they offer very good interest rates and flexible repayment conditions. They also offer unsecured education loans of up to 7.5 Lakhs under the **CGFSEL Scheme**.
- Private banks and NBFCs are the best when it comes to an unsecured education loan as they offer a higher loan amount than government banks considering that there is no collateral involved.



Comparing Education Loans from Different Banks & NBFC

Note: These interest rates are effective as of Jan 2025. The student loan interest rates may change with changes in RBI repo rate and bank policies.

(Keep in mind that these are the applicable interest rates on going through your education loan with Students Channel, which can vary on a case-by-case basis)

Banks	Interest rate	Processing fees	Loan Amount
State Bank of India (SBI)	Starts from 8.15%	Rs.10,000 + GST	<ul style="list-style-type: none"> • Without collateral: 7.5 lacs Higher amounts possible for top universities in India • With collateral: Up to 1.5 Cr
Bank of Baroda (BOB)	Starts from 8.55%	Rs.10,000 + GST or 1% of the loan amount whichever is lower	<ul style="list-style-type: none"> • Without collateral: 7.5 lacs Higher amounts possible for top universities in India • With collateral: Up to 1.5 Cr
Canara Bank	Starts from 8.60%	Rs. 10,000 + GST	<ul style="list-style-type: none"> • Without collateral: 7.5 lacs Higher amounts possible for top universities in India • With collateral: Up to 100% of the loan amount
ICICI Bank	Starts from 10.85%	1 - 2% of the loan amount	<ul style="list-style-type: none"> • Without collateral: 7.5 lacs • With collateral: Upto 1.5 Cr
Credila	Starts from 10%	1 - 1.5% of loan amount + GST	<ul style="list-style-type: none"> • Without collateral: 50 lacs • With collateral: Up to 1 Cr
Axis Bank	Starts from 9.99%	1% PF Loan amount + GST	<ul style="list-style-type: none"> • Without collateral: 40 lacs • With collateral: Up to 1 Cr
Karur Vysya Bank	Starts from 9.99%	Rs. 10,000 + GST	<ul style="list-style-type: none"> • Without collateral: 7.5 lacs Higher amounts possible for top universities in India • With collateral: Up to 1.5 Cr

Avanse	Starts from 11%	1 - 1.5% of loan amount + GST	<ul style="list-style-type: none"> • Without collateral: 80 lacs • With collateral: Up to 1 Cr
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Top 4 Education Loan NBFCs in India

Credila:

- Up to 100% finance of i20 value
- Option of 100% collateral-free student loan
- Sanction before admission for i20
- Doorstep service

Avanse:

- 100% education finance
- There is no limit to the maximum amount
- Sanction within 1 day after logging the file
- Prefers meritorious students
- Can disburse in 1 instalment
- Doorstep service

Incred:

- Accepts multi-city co-signers
- Can cover all the expenses of a student
- All charges are included in InCred's origination fees
- Can provide pre-visa disbursement if the situation demands
- Doorstep service

Auxilo:

- 1% processing fees
- 100% Finance
- Pre-admission student loan
- Pre-Visa study loan disbursement
- Fast-track student loan
- Competitive interest rates

Other NBFCs offering study loans are **Aditya Birla Capital**, Tata Capital, Bajaj Finserv.

How to Apply for an Education Loan Online?

Let's go through the application process for an education loan.

Online:

- It is possible to start your study loan process online for all Govt. banks, private banks, and NBFCs.

The steps are as follows:

- **Step 1:** Fill out our Student Loan Common Application form or request a callback
- **Step 2:** You will receive a call from your financial officer, to check your eligibility. Provide all the required information.
- **Step 3:** Compare and choose your lender bank from all the lender options as per your eligibility and education loan policies.
- **Step 4:** Submit your documents in the bank or upload your documents on the Students Channel secure document portal, as per the documents checklist shared by your financial officer
- **Step 5:** After document submission, your file will be logged in. You will receive a decision within 2-6 days for Private banks like Axis, and ICICI and within 15-20 days for Govt. banks.
- **Step 6:** After the sanction, you can sign the education loan agreement and collect your sanction letter.

Offline:

- If you want to apply for an education loan offline, you can visit the nearest bank branch and speak to the bank manager.

Documents Needed to Apply for an Education Loan

Section 1: Study Loan Application form

- Bank Application form with 2 passport-size photographs (online copy generated by Students Channel is acceptable)

Section 2: Basic documents for Applicant (student) and co-applicant and/or Guarantor

1. Proof of identity –PAN Card (and Passport of the student if going abroad)
2. Proof of Residence – Voter ID Card/ Passport/ Electricity Bill/ Telephone Bill/ Ration card/ Bank account statement/ Aadhar. (2 different proofs if current and permanent residence are different)
3. Bank account statement for the last 6 months (Personal/ Salary). For co-applicants, it should show the salary credits if salaried or 1-year business transactions if self-employed.

4. Personal Asset & Liability Statement (assessed by the branch professional)
5. All the documents should be self-attested.

Section 3: Academic Documents for Applicant

1. Education mark sheets and certificates- 10th, 12th, Degree
2. Proof of admission for the course (should be evidencing total duration of the course)
3. Fee structure
4. Entrance exam scorecard

Section 4: Income Documents for Co-applicant

- **If Salaried**
 - Latest Salary slips (for the last 3 months)
 - Form 16 of the last 2 years.
 - Employee ID card
 - ITR of last 2 years
- **If Self-employed**
 - ITR of last 3 years
 - Last 3 years Balance sheet and Profit & Loss account (only if self-employed)
 - Proof of Business address

Section 5: Other Documents

1. Letter stating that leftover expenses, apart from the loan amount will be borne by the co-applicant (Format to be provided by Students Channel Financial officer)
2. Notarised joint affidavit with the student and co-applicant in the Bank's standard format (Format to be provided by Students Channel Financial officer)

Section 6: Additional docs (if applicable)

1. Receipts of advance payments made, if any.
2. All loan account statements (1 year) if any pending loans.
3. Letter explaining the gap if the students had a failure/break in studies on Rs. 100 stamp paper. (Format to be provided by Students Channel Financial Officer)

Section 7: Collateral Documents (Optional)

- It is only applicable for collateralised study loans. The list of documents for each state is different.

When you process your student loan with Students Channel, your financial officer will provide you with a detailed documents checklist after analysing your profile.



Education Loan Eligibility

In the sections below you can check the applicant and co-applicant eligibility, CIBIL requirements with the acceptable universities and courses:

Applicant:

- The applicant must be an Indian citizen residing in India or NRI.
- Overseas Citizens of India (OCI) and Persons of Indian Origin (PIOs) are eligible for student loans to study in India but not for overseas education.

Co-applicant:

- The co-applicant must also be an Indian citizen residing in India or NRI.
- Overseas Citizens of India (OCI) and Persons of Indian Origin (PIOs) are eligible for education loans to study in India but not for overseas education.
- Applicants must have any of their parents/ parent-in-law/ siblings/ spouse as their co-applicants while applying for a student loan

University and course:

- The applicant should have an admission letter from a recognized School abroad or in India.
- The applicant must have opted for a full-time or part-time UG/PG program.
- An exceptional academic record is always beneficial for the process.

What Will Improve My Eligibility for an Education Loan?

- Banks carefully assess students' eligibility for financial aid to make sure they qualify. They consider factors like a strong academic record, admission to a reputable university, the financial stability of parents or guardians, potential for future employment, and income generation also play a role in making a student eligible.

Note: However, the specific eligibility depends on your bank and the scheme, under which you are taking the education loan. There is always a possibility of deviation from the usual process.

Expenses Covered in Education Loan

Here is the list of expenses covered in an education loan :

- **Tuition fees-** The tuition fee is covered in all education loans as it is the primary expense that students have to pay. The tuition fee is mentioned in your offer letter or admit card provided by your university. It is disbursed directly into the university's bank account.
- **Living expenses-** This includes the accommodation costs, food, and travel expenses that you would need while studying abroad. The student must carefully calculate their living costs and request the living expenses accordingly. The disbursement of living expenses is different in each financial institution.
- **Health insurance-** Many lenders include health insurance in the expenses as part of an education loan, but it has become an optional expense ever since the COVID-19 pandemic.
- **Travel tickets-** A two-way flight ticket once per year is provided for students. Banks don't automatically give you money for airplane tickets. If you can't afford to pay for your travel, you need to ask the bank to include the cost of air tickets in the list of expenses they cover for you. Most banks are willing to help with the cost of air tickets.

Tax Benefits on Education Loan

1. **Under section 80E of the Income Tax Act 1961**, the complete interest amount of a student loan can be claimed as a tax-free expense which means up to your effective interest rate will be 30% less than quoted.
2. **Under section 80C of the Income Tax Act 1961**, an individual can claim an interest portion of up to 1.5 lacs from the total taxable income.
3. **TCS on foreign remittance:** When you send money abroad, you need to pay TCS on foreign remittance. TCS is 5% if you are sending money from your account and it is 0% only if money is coming through an education loan, so there is no TCS on foreign remittances for education loans.

Tips To Manage Your Education Loan

Follow the following tips to effectively manage your education loan

Choose the right repayment plan:

1. Your lender will provide various repayment options, so pick the one that aligns with your budget.
2. Consider the length of your moratorium period.
3. Also, think about your expected income from your first job.
4. Without proper planning, you may end up with a higher EMI that could strain your finances.

Opt for a shorter loan tenure:

1. An effective strategy for handling student loans is opting for a shorter repayment tenure.
2. While shorter tenures may mean higher monthly payments, they also result in significant interest savings over the loan's duration.
3. Be mindful not to choose unaffordable EMIs, but rather select the shortest tenure you can manage.
4. Use an education loan EMI calculator to understand the monthly payments within your means.

Set up automatic payments:

1. It's crucial to avoid missing loan payments as it can affect your CIBIL significantly.
2. Late payments can impact your credit score and lead to additional fees.
3. Prevent this by setting up automatic debits from your savings account.
4. Regular, on-time payments contribute to maintaining a healthy credit report, which proves beneficial for future loan applications.

Pay off interest during the moratorium:

1. Initiate payments toward the interest on your education loan during the moratorium period, even though the full repayments begin after this phase.
2. The moratorium typically lasts for 6 months or 1 year after completing your course.
3. Starting early payments on the interest accrued while studying can result in substantial savings overall.
4. Consider securing a part-time job during college to contribute to paying off this interest, potentially turning a hobby into a source of income.

Make extra payments towards your loan:

1. If you come into extra cash, whether through a work bonus or a gift, consider making larger payments toward your student loan.
2. This approach helps alleviate the overall repayment burden and may even lead to early loan closure.
3. However, check with your lender for any pre-payment penalties before proceeding.

Education Loan Repayment Tips:

1. Check your outstanding loan amount through Internet banking in your student loan account
2. Issue a cheque to your bank for the due amount.
3. Fill out the study loan closure form via online or offline mode
4. While issuing a cheque for the outstanding amount, keep a little extra amount, in case the manager closes your loan the next day, there shouldn't be an additional outstanding amount.

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