

## **Social Banking**

No.SB/10-21/713

June 29, 2009

### **Chief Executives of all Member Banks**

Dear Sirs,

#### **Model Education Loan Scheme - repayment of education loan**

The Ministry of Finance, Dept. of Financial Services (Banking Division), Government of India had forwarded representations for reschedulement of repayment of education loan on account of collapse in job market due to global meltdown for IBA's views/comments. The issue was placed before the "IBA Working Group on Education Loan Scheme" at its meeting held on 15<sup>th</sup> May, 2009. The issues raised and the decision of the Working Group on these issues are quoted below:

#### **"Global Meltdown - Extension of Repayment period**

Representations were received that on account of global meltdown there is a near collapse of the job markets with minimal campus recruitment resulting in delayed employment prospects for the student community. Therefore, banks should take a lenient view and provide succor to the young students. Towards this, following suggestions were made:

1. Moratorium period to be extended to 24 months after the completion of the studies as against the current provision of 12 months period.
2. EMI of loan repayment to be scaled down suitably in view of drastic fall in the initial salary package offered to fresh professionals.
3. Extend the repayment from 5-7 years to 7-10 years so that the burden of repayment will be less.

**Views:** Members were of the view that banks could consider genuine requests received from the student community, on a case to case basis, on merits. As to the suggestions made, the Working Group expressed the following views, seriatim:

1. The moratorium period could be extended upto two years.
- 2/3. Existing repayment period of 5-7 years is quite sufficient and there is no need to further extend to 7-10 years."

Member Banks may kindly take note of the views expressed by the Working Group as stated above.

Yours faithfully,

**Ms.Prabhuta Vyas**  
**Sr.Vice President**

b.Cir. pg.