

Need the dough to study abroad?

Requests for education loans for studies abroad are up three times compared to last year, says Vandana Ramnani



Nausheen did her BMS from HR College of Commerce and Economics, Mumbai, gained two years of work experience. She then opted for studies abroad. She is currently pursuing a masters degree in international business at Hult International Business School in San Francisco, US. Nausheen partly financed her education with a loan taken at 9% pa. She will graduate this year.

Many of us aspire to study abroad but are usually held back by the high tuition fees and related expenditure that such ventures entail.

Surprisingly, as it was in Nausheen's case, getting funding to aid your education overseas is not that difficult.

Education experts advise that even before you opt for an educational loan, you should first tap the university/college funding option. Most education loans not only cover the cost of tuition fees but also the expenses that you may incur for the course. All you need is a set of documents and a guarantor to help you realise your aspirations.

Requests for education loans to study abroad have gone up three times compared to last year. While 50% requests are for engineering courses, an equal number is for MBA, points out Prashant Bhosale, COO, Credilla.

"Most banks prefer lending up to ₹20 lakh for education loans but for us there is no limit. The highest amount that we may have sanctioned so far is ₹1.2 crore for an undergraduate course in medicine in the US," Bhosale adds.

Almost 90% apply for postgraduate studies, less than 10% for undergraduate and a miniscule number for research since the last category generally avails of stipend and financial aid.

If all documents are in place, the loan can easily be sanctioned in less than seven working days, he says.

The fees will be disbursed to the college/institute directly by the bank and repayment starts from six months to a year. It should be noted that for several education loan applicants, the

Make a choice. Find out which bank will give you the best interest rate on your education loan

Lender's name	Rate of interest in %	
	Upto 4 lakh	4 lakh - 10 lakh
Bank of India	13.00	13.00 - 13.50
Bank of Baroda	11.50	13.50
Corporation Bank	11.65	12.15 - 12.65
Central Bank of India	11.50	11.50
IDBI Bank	12.75	13.00
Indian Overseas Bank	11.50	12.50 - 12.75
Punjab National Bank	12.00	12.75
State Bank of India	12.00	12.50 - 13.50
Union Bank of India	13.25	13.00 - 13.75
Credila	11.25	11.25

SOURCE: APNA PAISA RESEARCH BUREAU

bank offers a holiday period on repayment (while the student is doing the course) either on the principal or on the interest or both. But the interest rate at which you borrow is certainly going to become very important as soon as your studies are over.

The interest rate on an education loan depends on whether you are studying in India or abroad, the course you are applying for, your loan amount and the tenure. Special concessions on interest rates are available if the student is a female.

Many banks have a margin criterion for their education loan, which means that they will provide between 75 per cent and 90 per cent of the total cost of the course; you will have to cough up the balance, points out Harsh Roongta, CEO, apnapaisa.com

The student loan amount may also depend on your parents/ guardian's net monthly salary. It could be six to 10 times your parents' monthly salary

Although the bank may be in India, you can get your education loan amount in dollars for studies overseas; the amount is paid directly to the institution abroad. Banks charge you a fee for the remittance. You start repaying the principal portion of the education loan six months to a year after finishing the course, or when you get a job, whichever is earlier.

Some banks will also allow you a moratorium on payment of interest. This means that you can defer payments of even the interest during this period. Hence, there is no need to pay anything to the bank at all - till 6 months

after the course is complete, or you get a job (whichever is earlier). If you go for this option, then the interest is compounded quarterly and added to the principal sum for repayment. This option carries a higher rate of interest, but is a boon to those who cannot repay the loan during the course period.

Banks offer lower interest rates if you start repayment during the moratorium period.

Credilla offers three loan products - one in which a student pays simple interest during the course, starts payment after the course inclusive of principal amount and a partial interest payment product.

Unlike other loans, education loans do not attract prepayment penalty. If you find yourself able to prepay in the early years of your career, you can pay off the entire outstanding loan amount without any penalty.

According to Adhil Shetty, CEO, Bankbazaar.com, the government promotes student education by providing them various benefits. Under Section 80(e) of the Indian Income Tax Act, a person can claim the interest paid towards the education loan as tax deduction. Few conditions apply for the same though. The tax deduction can only be availed by the individual on whose name the loan has been taken. This benefit can be claimed up to eight years after the repayment has started. And the last condition is that it can only be claimed if the loan is taken for a full-time graduation or post graduation course.

Loan requests

50% Engineering

50% MBA

Countrywise demand

40% US

10% Canada

30% UK

20% Others

PHOTOS: THINKSTOCK

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