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## **HELB FINANCIAL LITERACY GUIDE**

### **Q. What is a loan?**

**Ans.** A loan is a sum of money borrowed to be repaid with interests as per terms and conditions.

### **Q. Who qualifies to apply for a HELB loan?**

**Ans.**

One can access HELB loan for studies as a government sponsored or privately sponsored student in a recognized institution of Higher Learning.

A student is eligible for HELB loan at any stage of their academic program.

### **Q. I am below 18 years, Can I access HELB Loan**

**Ans.** HELB loan is a legally binding agreement between HELB and the applicant therefore until you attain the age of 18 years you cannot apply for the loan. Please note, you cannot use another person's National ID to apply for the loan because it is illegal and a criminal offense.

### **Q. How do I get the HELB loan?**

**Ans.** If in need of the loan, you MUST apply and submit a loan application every year for the course duration regardless of whether the previous application was successful or not.

### **Q. What happens if I am unsatisfied with my loan award?**

**Ans.** You may also appeal/ request for review of your loan award if you were not satisfied with previous award. This includes unsuccessful applications.

### **Q. Must I apply for the HELB loan?**

**Ans.** It is not mandatory for one to apply for the HELB loan. Only apply for the loan if you need financial assistance during your studies.



	<p><b>Q. How much is charged as loan Interest?</b></p> <p><b>Ans.</b> HELB offers Undergraduate direct entry, TVET and Afya Elimu loans which are repayable at an interest rate of 4% p.a.</p>
B.	<p><b><u>LOAN REPAYMENT</u></b></p> <p><b>Q. When is the loan due for repayment?</b></p> <p><b>Ans.</b> The loan shall be due for repayment one year after completion of the course studied or within such period as the board may decide to recall the loan. When the loan falls due for repayment, obligation to repay shall not be extinguished or suspended by the economic status or condition of the loanee.</p> <p>Loan repayment can be made directly by the loanee.</p> <p>Jielimishe Loan repayments fall due one month (30 days) after disbursement.</p> <p><b>Q. Does HELB notify me upon completion of loan?</b></p> <p><b>Ans.</b> Upon completion of loan repayment, a clearance certificate is issued.</p> <p><b>Q. What if I need a certificate and haven't cleared the loan?</b></p> <p><b>Ans.</b> A compliance certificate is issued to beneficiaries who have fulfilled their obligation towards the loan as provided by law. This can be accessed on <a href="http://www.helb.co.ke">www.helb.co.ke</a></p>
	<p><b>Q. A loanee has the following obligations;</b></p> <p><b>Ans.</b> within a year of completion of his/her studies or within such period as the Board decides to recall its loan whichever is the earlier the loanee should:</p> <ul style="list-style-type: none"> <li>(a) inform the Board of his/her current contact contacts</li> <li>(b) begin repayment of his/her loan together with any interest and fees accrued thereon;</li> <li>(c) if he/she is in formal employment, to authorize his/her employer to deduct the loan repayment and to remit it to the Board in such a manner as the Board may direct.</li> </ul> <p><b>Q. What are benefits of prompt repayment</b></p> <p><b>Ans.</b> You will build a good credit history for yourself. This will improve your credit score and positively impact your future borrowing power. You will also be eligible for a Post-Graduate loan from HELB if you are servicing your under-graduate loan. By paying promptly, you avoid attracting penalties and paying much more in the end.</p>



	<p><b>Q. What are repercussions of defaulting on my HELB loan?</b></p> <p><b>ANS.</b></p> <ul style="list-style-type: none"> <li>• You will be charged penalties at the rate of Kshs. 5,000 for every month defaulted</li> <li>• You will additionally be listed as a defaulter with the Credit Reference Bureau (CRB). You will therefore not access loan facilities with any financial institution in Kenya.</li> <li>• Additionally, you will not access employment opportunities in the government and major private and publicly listed companies</li> <li>• Your guarantors will also be pursued and forced to service the HELB Loan</li> </ul> <p><b>Q. What is Credit Reference Bureau?</b></p> <p><b>Ans.</b> A credit reference bureau is a company licensed by central bank of Kenya to collect, store and collate credit information on individuals and companies from different sources and provide the information in form of a credit report upon the request of a lender. The lenders then advance or decline loan applications based on the reports.</p> <ul style="list-style-type: none"> <li>• CRB listing is done for everyone who has accessed a loan facility</li> <li>• Listing can be both positive and negative</li> <li>• Reports from CRBs are also required by employers when vetting the integrity of prospective job applicants.</li> </ul>
	<p><b>WE THOUGHT YOU SHOULD KNOW.....</b></p>
	<p><b>DEBT</b></p> <p>It is an amount of money borrowed by one party-a debtor, from another-a creditor. For an individual, they may borrow to finance education, a car, a home; for a business, they may seek to borrow funds to expand their operations.</p> <p><b>GOOD DEBT</b></p> <p>Good debt is an investment that will grow in value or generate long-term income. A perfect example of a good debt is taking out student loans to pay for a college education. It's an investment in your future!</p> <p><b>BAD DEBT</b></p> <p>Bad debt is debt incurred when purchasing items that quickly lose their value, do not generate long-term income and typically carry high interest rates.</p> <p><b>PRINCIPAL</b></p>



It is the amount of money borrowed from a lender.

### **INTEREST**

It is a fee charged on the amount borrowed. The fee is expressed as an annual percentage of the principal. The fee(interest) can be fixed or variable.

### **GUARANTORS**

A **guarantor** is someone who “guarantees” someone else's loan or credit contract i.e. promises to assist track /put pressure on the loanee or repay a debt if the borrower can't or won't. This is usually because the lender is concerned about the person's ability to keep up their loan repayments.

#### **Q. Who can be a guarantor?**

**Ans.** Almost **anyone can** be a **guarantor**. To be a **guarantor, one** need to be over 18 years old, with a good credit history and financial stability

#### **Q. Can I withdraw my guarantee?**

**Ans.** Unfortunately, if you have signed the loan agreement and the loan has been successfully paid out, you cannot **stop being** someone's **guarantor**. Nonetheless, the Board can consider accepting change of guarantor if the loanee and the guarantor bring forth a replacement guarantor usually within less than one year after the initial loan has been issued.

### **IDENTITY THEFT**

One of the most prevalent forms of consumer fraud is identity theft. This occurs when personal information is used by an individual who is not authorized to possess or use the information. Examples include the illegal acquisition of a credit card or bank account number.

### **Q. WHAT IS INSURANCE?**

**Ans.**

Insurance is paying in advance for protection from unexpected or accidental loss or damage of an asset or a death or injury of a person. It is basically setting up a contract to help reduce the financial impact and to protect oneself from some type of loss.

Section 6 of the HELB Act states that the Board can take out insurance cover for risky loans such as death, incapacity or inability to pay, as the Board deems fit.



	<p>Starting from the 2019/2020 academic year first time undergraduate and TVET loan beneficiaries are eligible for enrolment into the Student Loans Self Protection scheme described herein as follows;</p> <p><b>Q. What is a Student Loans Self Protection Scheme (SLSPS)?</b>  <b>Ans.</b>  This is a protection plan that covers the portion of an outstanding loan balance for a performing loan in the case of a mature loan and the full loan balance in the case of a non-mature loan in the unfortunate event of <b>death</b> of a loan beneficiary. This works like credit life in insurance.</p> <p>Jielimishe loan beneficiaries are covered for the outstanding loan liability in case of death or permanent and total incapacitation.</p> <p><b>CREDIT SCORE</b>  It is a rating computed by credit reference bureaus based on information available on your credit report. Individuals with good credit scores have made timely repayments on previous loans and lack defaults on current outstanding loans.</p> <p><b>Q. What is Credit Information Sharing</b>  <b>Ans.</b> It is a process through which lenders exchange consumer information, specifically related to a consumer's borrowing history. This exchange is facilitated through Credit Reference Bureaus.</p> <p><b>Q. Why do we share your Credit Information?</b>  <b>Ans.</b>  Sharing borrowing history of consumers can result in the following:</p> <ol style="list-style-type: none"> <li>1) A decrease in bad debts and defaults</li> <li>2) Reduces over indebtedness</li> <li>3) Consumers become wise in managing debt because now there are consequences!</li> <li>4) More consumers can access affordable credit!</li> <li>5) Rewards good borrowing behaviour. Consumers with healthy credit scores access loans with more favourable terms</li> <li>6) Lending decisions are made faster because more information is available</li> </ol>
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