

Education Loan

(Updated as on October 10, 2023)

1. What are the RBI guidelines on education loans?

RBI issued [circular RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001](#) on 'Educational Loan Scheme' advising all Scheduled Commercial Banks to adopt the Model Education Loan Scheme, formulated by Indian Banks' Association (IBA). The Scheme has been revised by IBA from time to time and its latest revision is Model Education Loan Scheme (MELS), 2022.

For detailed information on guidelines to banks on education loan, please refer to MELS, 2022 and its related circulars. Copy of the aforesaid Scheme is available on the [IBA website](#).

It is to be noted that the MELS, 2022 provides broad guidelines to the banks for operationalizing the educational loan scheme and implementing banks will have the discretion to make changes as deemed fit.

2. Whether Model Education Loan Scheme, 2022, is applicable to Regional Rural Banks, Cooperative Banks, NBFCs, Fintech companies, etc.?

No. Model Education Loan Scheme, 2022 is currently applicable to Scheduled Commercial Banks (SCBs) only. The list of SCBs is available [here](#).

3. Can education loans be availed from banks without collateral?

RBI issued [circular RPCD.SME&NFS.BC.No.69/06.12.05/2009-10 dated April 12, 2010](#), on Collateral Free Loans - Educational Loan Scheme, making it mandatory that banks must not obtain collateral security in the case of education loans upto ₹4 lakh.

4. What is the rate of interest applicable for education loan?

Reserve Bank of India has deregulated interest rates on advances including education loans sanctioned by Scheduled Commercial Banks. The interest rates are determined by banks with the approval of their respective Board of Directors, subject to regulatory guidelines on interest rate on advances contained in RBI's [Master Direction- Reserve Bank of India \(Interest Rate on Advances\) Directions, 2016](#) as updated from time to time.

5. Whether service area approach is applicable to sanction of education loans?

In terms of [RBI circular RPCD. MSME&NFS.BC.No.46/06.12.05/2012-13 dated November 09, 2012](#), banks have been advised not to reject any education loan application for reasons that the residence of the borrower does not fall under the bank's service area.

6. What is the grievance redressal mechanism for borrowers in case of having any specific complaint against bank/s relating to education loan?

In case of any specific complaint against any bank relating to deficiency in service pertaining to education loan, the same can be filed with the bank concerned. If there is no response to the complaint within one month or non-satisfactory response from the bank, the complaint may be filed under '[The Reserve Bank - Integrated Ombudsman Scheme, 2021](#)'. Complaints can be filed online through Complaint Management System (CMS) portal of the RBI, at <https://cms.rbi.org.in>. Complaints can also be filed through the dedicated [e-mail](#) or sent in physical mode to the 'Centralised Receipt and Processing Centre' set up at Reserve Bank of India, 4th Floor, Sector 17, Chandigarh – 160017, as per the *Format* provided in the Scheme.

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