

Frequently Asked Questions (FAQs)
Credit Guarantee Fund Scheme for Education Loans (CGFSEL)

1. What is the role and objective of CGFSEL Scheme?

Credit Guarantee Scheme for Education Loans (CGFSEL) is the Trust Fund set up by Government of India, managed by NCGTC as a Trustee, with the purpose of guaranteeing payment against default in Education Loans, extended by the Member Lending Institution(s) (MLIs) to the eligible borrowers up to Rs 7.5 lakh.

2. What does Education Loan means under CGFSEL Scheme?

“Education Loan” means any financial assistance by way of loan, extended by the lending institution to the eligible borrower for higher education as per ‘IBA Model Educational Loan Scheme.’

3. What is the quantum of assistance eligible under the Scheme?

The Trust shall cover assistance up to Rs. 7.5 lakh extended to an eligible borrower without any collateral security and third party guarantee by a Member Lending Institution (MLI)

4. Which are the eligible MLIs under the Scheme?

All public sector banks, private sector banks and foreign banks which are members of IBA. The Funds may, on review of performance, include co-operative banks/other FIs/ NBFCs as additional MLIs in future.

5. Who are the Eligible Borrower under the Scheme?

“Eligible borrower” means new or existing borrower with Indian Nationality who meets eligibility criteria prescribed under “IBA Model Educational Loan Scheme for pursuing Higher Education in India and Abroad” and executed loan documents with the lending institution to avail education loan. Parents/guardians will be the co-borrowers/joint borrowers. In case of a married person, joint borrower can be either spouse or the parent(s)/parents-in-law.

6. When does the education loan eligible under the scheme?

The lending institution applies for guarantee cover in respect of education loans disbursed in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June, respectively. The Guarantee is subject to the material date, where there are no overdue in respect of the account to the lending institutions and/or the loan has not been classified as a Non-Performing Asset (NPA) in the books of the lending institution, and/or the activity of the borrower for which the credit facility was granted has not ceased; and / or the credit facility has not wholly or partly been utilized for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NCGTC.

7. What is the extent of the guarantee cover under CGFSEL?

“Guarantee Cover” means maximum cover (i.e. 75%) available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution.

8. How to avail guarantee coverage under the Scheme?

The lending institution applies for guarantee cover in respect of education loans disbursed in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June, respectively. Where as on the material date,

- there are no overdues in respect of the account to the lending institutions and/or the loan has not been classified as a Non-Performing Asset (NPA) in the books of the lending institution, and/or
- the activity of the borrower for which the credit facility was granted has not ceased; and / or
- the credit facility has not wholly or partly been utilized for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NCGTC.

9. How would a MLI invoke guarantee and within what period of time are they supposed to do so?

The lending institution may invoke the guarantee in respect of Education loan within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year of lock-in period, if NPA is within lock-in period, after the following conditions are satisfied:

- a. The guarantee in respect of that credit facility was in force at the time of account turning NPA.
- b. The lock-in period of 12 months from either the end of period of moratorium of interest or the date of commencement of guarantee cover in respect of loan covered, whichever is later, has elapsed. As per IBA Education Loan Scheme, the moratorium is course period + 1 year. Further, servicing of interest during study period and the moratorium period till commencement of repayment is optional for students.
- c. The amount due and payable to the lending institution in respect of the Education loan has not been paid and the dues have been classified by the lending institution as Non-Performing Assets. Provided that the lending institution shall not make or be entitled to make any claim on NCGTC in respect of the said Education loan if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by NCGTC.
- d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law.

10. What would be the interest rate chargeable on loans provided under CGFSEL?

The Interest Rate charged by the Member Lending Institutions for education loans to be covered under CGFSEL should be maximum up to 2% p.a. over the Base Rate. However, the Fund may revise such ceiling from time to time keeping in view the prevailing interest rate scenario, base rates of lending institutions and RBI's Credit Policies.

11. Who can provide answers to any further queries?

Please address your queries/suggestions to cgfel@ncgtc.in

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