20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **The student is the primary borrower in an education loan, with a parent or guardian joining as co-borrower.**
This is a scheme feature, not a discretionary condition, since the co-borrower's income supports repayment while the student has no cash flow.

2. **No collateral security and no third-party guarantee are required for education loans up to Rs 4 lakh.**
Under the IBA Model Education Loan Scheme, the parent or guardian simply joins as co-borrower for this slab.

3. **For loans above Rs 4 lakh up to Rs 7.5 lakh, CGFSEL guarantee cover can substitute for a third-party guarantee.**
The Credit Guarantee Fund Scheme for Education Loans lets banks lend in this slab without physical security.

4. **For education loans above Rs 7.5 lakh, tangible collateral security plus parental co-obligation is required.**
Above this threshold the bank also takes assignment of the student's future income towards repayment.

5 **Margin, the borrower's own contribution, is nil for education loans up to Rs 4 lakh.**
No upfront contribution is demanded from the borrower for loans in this lowest slab.

6 **Above Rs 4 lakh, the standard margin is 5% for studies in India and 15% for studies abroad.**
The higher margin for overseas study reflects the higher risk and cost of foreign education.

7 **Scholarships and assistantships received by the student are treated as part of the required margin.**
This lets the student's own scholarship income count toward the contribution the bank requires.

8 **Education loan disbursement is staggered directly to the institution as per fee demand, not paid as a lump sum.**
This mirrors general disbursement discipline used across other retail lending products.

9 **The moratorium on an education loan equals the course period plus one year.**
This repayment holiday gives the student time to secure employment before EMIs begin.

10 **Interest accrues on an education loan throughout the moratorium period even though EMIs are not due.**
The loan is not interest-free during the study period, only free of scheduled repayment.

11 **Servicing simple interest during the moratorium typically earns a rate concession of about 1%.**
This concession rewards borrowers who prevent interest from being capitalised into the principal.

12 **Unserviced interest is capitalised into the principal once the moratorium period ends.**
This increases the principal on which post-moratorium EMIs are calculated.

13 **Vidya Lakshmi (vidyalakshmi.co.in) is the Government of India's single-window portal for education loan applications.**
It lets a student apply to multiple banks from one registration instead of visiting branches individually.

14 **The Vidya Lakshmi portal uses the Common Education Loan Application Form (CELAF) for applying to banks.**
A single standardised form is routed to the banks the student selects.

15 **PM-Vidyalaxmi, approved by the Union Cabinet in November 2024, offers collateral-free loans to students at listed quality institutions.**
It is a central sector benefit scheme layered on top of the Vidya Lakshmi application platform.

16 **PM-Vidyalaxmi provides a partial credit guarantee on education loans up to Rs 7.5 lakh.**
This guarantee is meant to encourage banks to lend to eligible students without security.

17 **PM-Vidyalaxmi offers 3% interest subvention during moratorium on loans up to Rs 10 lakh for family income up to Rs 8 lakh.**

This subvention targets meritorious students from moderate-income families, subject to annual beneficiary limits.

18 **CSIS provides full interest subsidy during moratorium on loans up to Rs 10 lakh for family income up to Rs 4.5 lakh, for studies in India.**

The Central Sector Interest Subsidy scheme serves the economically weakest student segment.

19 **CGFSEL is operated through the National Credit Guarantee Trustee Company.**

It provides guarantee cover for collateral-free education loans in the specified slab.

20 **Section 80E allows tax deduction on education loan interest only, with no monetary ceiling, for up to eight years.**

The deduction excludes the principal amount and runs from the year repayment begins or until interest is repaid, whichever is earlier.