

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 868**

ANSWERED ON TUESDAY, THE DECEMBER 03, 2024, AGRAHAYANA, 12, 1946 (Saka)

**‘MODEL EDUCATION LOAN SCHEME’**

**868 DR. DHARMASTHALA VEERENDRA HEGGADE:**

Will the Minister of FINANCE be pleased to state:

- (a) whether all scheduled commercial banks have been advised by RBI to adopt Model Education Loan Scheme and if so, the main features of the scheme;
- (b) the details of the guidelines for disbursement of education loans;
- (c) whether Government has made it compulsory to produce collateral security or third-party guarantee for education loans; and
- (d) whether rejection of loan application, if any, shall be done with the concurrence of the next higher authority and conveyed to the student stating reason for rejection and if so, the number of education loans rejected by public sector banks during the last three years?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(**SH. PANKAJ CHAUDHARY**)

(a) to (c) All Scheduled Commercial Banks (SCBs) have been advised by Reserve Bank of India *vide* circular RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001 to adopt Model Education Loan Scheme (MELS), formulated by Indian Banks' Association (IBA). The Scheme has since been revised by IBA from time to time and its latest revision is MELS, 2022. The key features of the scheme are as under:

- The scheme provides need-based education loan.
- No collateral security/third-party guarantee is required for loans amount up to Rs. 7.50 lakhs (in case of loans that are eligible for CSIS and/or Credit Guarantee coverage extended under the 'Credit Guarantee Fund Scheme for Education Loan' (CGFSEL).
- No Margin for loans up to Rs. 4 lakhs.
- Moratorium period is allowed upto study period plus one year in all cases.
- Repayment period (after moratorium) is available upto 15 years for all loans.

Additionally, RBI has advised all Scheduled Commercial Banks that banks must not, mandatorily, obtain collateral security in the case of educational loans upto 4 lakh, irrespective of student is eligible for CSIS and/or CGFSEL.

Public Sector Banks (PSBs) also provide collateral free loans beyond Rs.7.50 lakhs, on case to case basis as per their Board approved policies.

(d) As informed by IBA, as per Model Education Loan Scheme, rejection of loan application, if any, shall be done with the concurrence of the next higher authority and conveyed to the student stating reason for rejection. Further, the data on number of education loans rejected by PSBs is not maintained centrally.

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