

**GUIDELINES FOR HIGHER
EDUCATION FINANCING SCHEME (HEFS)**

OBJECTIVE

1. The objective is to provide term loans to needy and meritorious students through formal banking channel for pursuing further/higher/professional studies within the country or abroad in different disciplines in order to promote and enhance the level of higher education in the country.

SCOPE OF THE SCHEME

2. All commercial banks (including branches of foreign banks) and Development Financial Institutions (DFIs) interested in providing these loans for promoting education should develop the scheme after getting it approved from their respective boards of directors or competent authority (in the case of foreign bank branches). The loans can be extended to Pakistani citizens residing in any area of Pakistan including the Federal Capital territory, Federal/Provincial Administered Tribal Areas and Azad Jammu & Kashmir.

AREA OF STUDY

3. The loan can be extended for pursuing studies for graduation, post graduation and Ph.D courses within the country or abroad. The loans for study abroad may, however, preferably be given for job oriented, professional and technical courses.

4. Loan can also be provided for obtaining diploma in any technical and professional disciplines duly recognized by the respective Provincial High Secondary Board(s)/ Technical Board(s).

ELIGIBILITY CRITERIA FOR STUDENTS

5. Generally the student meeting the following criteria shall be eligible for loan from banks/DFIs.

- (a) Be a Pakistani national.
- (b) Has got atleast 50% marks in the last public examination.
- (c) Must have a valid admission in an educational/technical/professional institution.
- (d) No default is appearing in CIB of SBP.
- (e) Should have been in the following age bracket.
 - i) For graduation Not exceeding 25 years.
 - ii) For post graduation Not exceeding 35 years
 - iii) For Ph.D Not exceeding 40 years
 - iv) For Diploma Not exceeding 35 years

Exceptions to the general criteria can be made by the individual banks, in their discretion.

ELIGIBLE SUBJECTS AND EDUCATIONAL INSTITUTIONS

6. The banks/DFIs are free to determine/select the eligible subjects and educational institutions under this scheme, both within the country and abroad. The banks/DFIs shall devise a well defined criteria in this regard, duly approved by their board of directors/competent authority. Efforts should, however, be made to provide maximum coverage both in various disciplines and educational institutions for the convenience of the students and promotion of education.

MAXIMUM AMOUNT OF LOAN

7. The amount of loan to a student for the entire duration of study may cover cost of tuition fee, books, boarding and other allied expenses as under:-

- i) Clean limit upto Rs.300,000 for any course leading to Graduation/diploma, M.B.B.S, Engineering, Post Graduation/Ph.D courses.
- ii) The banks may, however, at their own discretion, fix limit(s) as they deem fit for different level of education and heads of expenditure matching with the cost of degree requirements over and above the limit at (i) above.

DEBT/EQUITY RATIO/PRICING

8 The banks/DFIs shall decide the debt/equity ratio and pricing of loans for education purposes, under this scheme, as per their own credit policies duly approved by their Board of Directors.

PROCEDURE FOR DISBURSEMENT OF LOAN

9. The amount of loan for tuition fee and boarding shall be disbursed directly to the respective educational institution. For other expenses, banks may devise their own policies to ensure that the loan amount is not mis-used. The disbursement of loan can be made in tranches keeping in view the schedule of fee payment of the educational institution.

SECURITY FOR THE LOAN

10. The loan under this scheme shall be approved in the name of the "Student" (Principal Debtor) and all documentation shall be executed by both the student and parent(s)/guardian/third party, as the case may be.

11. Loans upto Rs 300,000/- can be granted on surety / undertaking /guarantee of the parent(s)/guardian/third party (i.e. without collateral), at the discretion of the bank/DFI.

12. Loans above Rs 300,000/- shall, however, be secured through other/suitable collateral, including assignment of future income of the student, as may be mutually agreed between the bank and the borrower/student.

13. The banks/DFI shall execute appropriate legal documentation keeping in view the risk profile of the borrower and the loan terms and conditions.

APPROVAL/DISBURSEMENT PROCEDURE

14. Each bank/DFI shall designate branches/offices across the country to facilitate the eligible students in getting loans under this scheme. The branches, so designated, may be publicized through newspaper & banks/DFIs web-site

15. The bank/DFI shall delegate appropriate approval powers to the concerned branches/offices for expeditious approval/disbursement of loan to facilitate the students to avail the facility from their nearer place of domicile/study.

REPAYMENT OF LOAN

16. The maximum repayment period of the loan can be upto 7 years after the date of completion of study. In case any student is unable to complete his/her study within the scheduled/prescribed period of study, the bank/DFI, at their discretion, can extend the completion period of study for a maximum period of 2 years, either on existing or on revised terms and conditions.

17. Neither any penalty on early repayment of loan nor any recurring service charges of whatsoever nature shall be levied on loans granted under the scheme. The repayment of loan can be made in such installments as the bank/DFI may consider appropriate.

18. The banks/DFIs shall devise a comprehensive loan recovery policy for loans under this scheme. The banks/DFIs should also effectively follow up with the educational institutions in order to obtain progress report, at regular intervals, in order to ascertain the status of completion of study.

19. In case of drop out due to unsatisfactory academic performance or otherwise or commission of an act of moral turpitude or crime, the loan will become repayable immediately. The loan will also become repayable immediately if, at any stage, any mis-representation or concealment of facts in the application is detected.

PROVISIONING REQUIREMENT

20. The term loans under this scheme shall be governed by the Prudential Regulations for Consumer Financing. The provisioning will, therefore, be done as per the requirements given in the said regulations. The provisioning requirement would apply once the loan becomes payable.

GENERAL

21. The banks/DFIs shall devise simple “Procedures” and Forms” to facilitate expeditious processing/approval/disbursement of loan.

