



Student Loans 101

June 2, 2009

It's that time of year again. Students are graduating from secondary and tertiary level institutions and parents are facing the inevitable question of how to fund university or college costs. Most, if not all persons, will wait until the last minute to start the process to secure these funds. Unfortunately, this procrastination results in students not receiving the funds in time and sometimes having to go off to school without the required funds or not going at all. It is with this in mind that this week we will provide you with some basic and valuable information that you need to secure a student loan either for yourself or your child.

Policy Guidelines

All financial institutions have guidelines on how they will disburse a student loan. If prospective students want to benefit from special concessionary rates, some financial institutions require that the course of study being pursued be part of the Government of Saint Lucia's priority list for manpower training which can be obtained from the Ministry of Education and from financial institutions which provide funding. Another guideline is that the institution attended must be accredited. Accreditation is the granting of approval to an institution of learning by an official review board after the school has met specific requirements. It means that upon graduation, the degree holder's qualifications would be accepted internationally.

Eligibility

Most financial institutions would require that the prospective student be at least eighteen years old and be a resident of Saint Lucia for at least one year.

Security/Collateral

Like with any other loan, financial institutions require some form of security or collateral as surety to back student loans. Below is a list of the types of security that would normally be accepted:

- **Mortgage (hypothecary obligation)** - taken on land or house and land.
- **Second and subsequent mortgages**- taken on property that is already mortgaged and has sufficient value to support additional mortgages.
- **Cash**- customers can use cash or fixed deposits as security on loans.
- **Life Insurance**-the cash surrender value of an insurance policy can be used as security.
- **Guarantors**-the number of guarantors varies depending on the financial institution and the amount borrowed. Guarantors however, should be resident nationals of Saint Lucia; credit worthy or of good financial standing; have a net worth of at least double the guaranteed amount of the loan and with a steady income.

It is important to note that the process for applying for a student loan is very involved and may require some time. Mortgage documents take time to process and insurance applications take time to be approved. Financial institutions however, require that all security documents be in place before any monies are disbursed. The onus is therefore on applicants to give themselves enough time so that the loan will be approved and ready by the start of school. Start the application process early by identifying your guarantors, ensure that you have adequate life insurance and ensure that any property that you intend to use is unencumbered, that is, it is not presently being used to secure another loan.

One should also visit a financial institution in advance to find out what are the exact requirements (as it may vary from institution to institution), thus eliminating any uncertainty. The financial institution may also be able to provide valuable advice. Should you require further information, call the Student Loan Department at Bank of Saint Lucia at 456-6000 or visit us at www.bankofsaintlucia.com.

