

Credit facilities to finance your university education

By Billy Rwothungeyo

Peter Okello, almost missed semester examinations at one of Uganda's universities because he had not cleared tuition. His father, a teacher, had not been paid for several months due to an anomaly arising from a validation exercise.

"The little farm produce we had, only covered half of my fees. So, we decided to get a loan from a bank to pay up the rest of the fees, otherwise I was not going to sit my final examinations," he recalls.

However, Okello could as well have gone for a Students Loan Scheme, which is available to all students who have excelled in their Senior six examinations. One must be studying a science-related course and admitted to one of the chartered universities in the country.

University education can be costly if you are a privately-sponsored student, like the majority of the students in Uganda are. This is the case in other parts of the world. In the recent past, students in South Africa took to the streets venting their anger against proposed plans to increase tuition fees in universities.

In the US, the excessive cost of college was high on the agenda of presidential hopeful Bernie Sanders during last

year's campaigns.

Only a few hundreds are supported by the loan scheme from the Higher Education Students' Financing Board in Uganda. So what are the credit facilities to finance your university education?

FINANCIAL PRODUCTS

Several financial institutions in Uganda provide tailor-made products for university fees.

At one of the commercial banks one can access School fees loans facilities both as an individual or as a group. The minimum loan amount is sh100,000, while the maximum one can get is sh5m.

In some banks, one can borrow up to a maximum of sh15m to finance university education, except that one must have an admission letter and their parent must be a client of the bank.

Other financial institutions, however, do not have loan facilities exclusively for school fees, but rather products such as personal and salary loans, which one can use to pay tuition.

The loans are not limited to the purpose of paying tuition fees; one can use these loans to buy scholastic materials and gadgets such as scholastic materials and laptops, recommended for today's university student should ideally own.



A bank official should clearly explain key features of a loan to a client

WHAT TO KNOW ABOUT LOANS

Before getting a loan from a financial institution, one should know the rights and obligations of a borrower.

One should know that the financial institution is supposed to clearly explain to them the key features of the education loan or any other loan that they are about to take.

If one does not like the terms of the loan repayment, they have the right to return the loan within 10 working days, according to the Bank of Uganda Financial Consumer Protection Guidelines.

"A consumer may, within 10 working

days after signing a contract to purchase a financial product or service, revoke or terminate the contract for provision of a financial product or service entered into with a financial services provider by written notice delivered to the financial services provider," the guidelines say.

"Before one signs any loan forms with a bank, they should be sure that they have understood all the terms of repayment. One should avoid rushing because of desperation," warns a banker at one of the financial institutions in Kampala.

FIVE FACTORS TO NOTE BEFORE TAKING A LOAN

1 LOAN TERMS

The charges and fees applicable.

2 INTEREST

Applicable interest rate and the basis and frequency of interest payments and whether the it is fixed or variable.

3 INTEREST INDEX

The index to which the interest rate is pegged and when and how the interest rate will change. The method of interest calculation (e.g. flat or declining balance).

4 CREDIT TOTAL COST

This is the sum of all interest payments, fees and charges on the loan contract including insurance fees, loan processing fees and collateral registration fees.

5 CHARGES

The charges for and consequences of early repayment of the loan. The typical charges and consequences if you delay repayment of the loan or default.

See related story on students loan scheme on Page 42-43