

JUST MONEY

Your guide to student loans

We all want to further our education but we can't always afford it. A student loan is a convenient way of financing your studies once you have decided what you want to study and where.

What is a student loan?

A student loan is constituted of financing that you apply for through a financial or educational institution for the payment of your tuition and/or schooling related expenses.

Student loans will generally cover the cost of tuition, books and accommodation, with the exception of if you are still living at home with your parents. Full-time students will only be required to repay their loan once they have completed their qualification, whereas part-time students will have to start paying back immediately.

Getting finance through a specialised education finance institution is your best option as these institutions offer study loans tailored specifically to people with full-time jobs, applying either for their own personal part-time studies or for the studies of a dependant or relative.

The easiest way to manage your loan repayments is through a salary deduction facility. These salary deductions are not only restricted to yourself, you can also use them to support your children as they embark on their tertiary education.

Some institutions also offer fixed repayment options over a six to 22 month period. In order to qualify for the salary deduction facility, you need to be in fulltime employment and your employer needs to have an agreement in place with your finance provider.

In terms of fixed interest, you should check with the finance provider whether this is something that your selected provider offers.

An affordability test is done for all loan applications. You can apply for a study loan, as long as the instalments do not exceed more than 25% (based on a one year loan) of your basic salary. The loan will be granted in line with what you can comfortably afford to pay back.

Depending on which financial provider you elect to have your loan with, the amount might be paid directly to the institution of study which means your admin is reduced.

Your quick start checklist:

Please make sure you have the following ready when you submit your application, in order to make the application go smoothly:

- Latest original pay slip or a certified copy
- A certified copy of your South African identity document
- Your laptop or study fee quote (if applicable) or statement from the educational institution.
- This is only needed if you are going to need a laptop for study-specific reasons.
- Latest month's bank statement to prove that you are an account holder and in permanent employment
- Three months bank statements if you are self employed

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Taking a student loan is one of the most affordable ways to study – if you get a personal loan, for instance, you will be paying more in interest rates and charges. But make sure to do your homework and work out all the costs involved before signing on the dotted line. Make sure, too, that you or your guardian will be able to make the monthly repayments.