



FAQS: INTEREST APPLICATION ON HELSB STUDENT LOANS

1. What is the interest rate on HELSB student loans?

From September 2018 to December 2023, the interest rate on HELSB student loans was set at 15%. Starting January 2024, the interest rate was reduced to 10% following a government directive.

2. How is interest applied to my student loan?

Interest is applied through an amortization process, where each monthly payment is divided into two parts: interest and principal. Initially, a larger portion of your payment goes towards interest, but over time, more of it goes towards reducing the principal balance.

3. Why does more of my initial payments go towards interest?

This is a common characteristic of amortized loans. In the early stages, the outstanding loan balance is higher, so a larger portion of each payment goes towards interest. As the principal decreases, the interest portion of your payment reduces, and more goes towards the principal.

4. Can I reduce the amount of interest I pay over the loan term?

Yes, there are several ways to reduce the total interest paid:

Early Repayment: If you repay your loan before or during the grace period, you won't accrue any interest.

Part Payments: Making additional payments on top of your regular monthly payments will reduce the principal faster, thereby reducing the total interest.

Lump Sum Payment: Paying off your loan in a lump sum eliminates future interest charges.

Increasing Monthly Payments: By paying more than the minimum required, you can reduce the loan tenure and total interest.

5. What is the grace period, and how does it affect my interest?

The grace period is the time after graduation before regular loan repayments begin. If you repay your loan during this period, no interest is charged. Once the grace period ends, interest begins to accrue based on the remaining principal balance.

6. What is the loan tenure, and can it be changed?

The loan tenure is the period over which you are expected to repay the loan, with a maximum of 10 years (120 months). While you cannot extend the loan tenure, you can reduce it by making larger monthly payments, which will also reduce the total interest paid.

7. How does the reduction of the interest rate from 15% to 10% affect me?

The reduction in interest rate lowers the total cost of your loan and decreases your monthly repayment amounts. For example, a loan of ZMW 100,000 over 10 years at 15% interest would have cost ZMW 193,601.95. With the new 10% interest rate, the total cost is reduced to ZMW 158,580.88, saving you ZMW 35,021.15.

8. Why is my loan repayment amount different from other graduates?

Differences in loan repayment amounts can be due to variations in the loan principal, interest rate at the time of disbursement, and chosen loan tenure. Graduates who took out loans when the interest rate was 15% may have higher repayments compared to those benefiting from the new 10% rate.

9. Can I repay my loan early, and will there be any penalties?

Yes, you can repay your loan early without any penalties. In fact, early repayment reduces the total interest paid since interest is only applied to the outstanding principal balance.

10. What should I do if I have concerns about my loan repayment?

If you have any concerns or questions regarding your loan repayment, you are encouraged to contact HELSB directly. We offer personalized consultations to help you understand your repayment options and how to manage your loan effectively.

11. Why did HELSB choose an amortization method for loan repayments?

The amortization method is a standard practice for loans as it provides a clear structure for repayment, ensuring that both the principal and interest are gradually paid off over the loan term. It helps in managing the borrower's cash flow by keeping monthly payments consistent.

12. What is an amortization schedule, and how can I access mine?

An amortization schedule is a detailed breakdown of each monthly payment, showing how much goes towards interest and how much goes towards reducing the principal. HELSB provides all borrowers with an amortization schedule to help them understand the progression of their loan. You can request a copy from HELSB at any time.

13. What if I face financial difficulties and cannot make my monthly payments?

If you encounter financial difficulties, it is important to contact HELSB as soon as possible. While the loan tenure cannot be extended, we can discuss your situation and explore potential solutions that might help you manage your repayments better.

14. Is it fair that earlier borrowers paid more interest than those benefiting from the reduced rate?

The interest rate applied to your loan is based on the rate in effect at the time your loan was disbursed. While changes in interest rates over time can lead to differences in the total cost of loans, these adjustments reflect economic conditions and government policy changes. HELSB continually seeks to ensure that loan terms are as fair and manageable as possible.

