WELCOME TO

E-LEARNING PLATFORM Financial Literacy Assessment Guide

Welcome to the HELB e-learning platform. Please watch the videos on the e-learning portal –OR

– review this PDF and answer a few questions about the content.

Once you’ve reviewed the content, you will be required to complete and score above a 70% on the assessment in order to advance in the loan process with HELB. Answers to the assessment included in the materials we have provided you. There is no need to look at other resources.

We strongly believe that individuals who do take out a HELB loan should not only understand

the HELB process and product but also be financially literate so that we can create a sustainable lending platform for future generations.

**Q: Who is eligible for HELB student loans?**

*A: Students enrolled in Government sponsored programs or self-sponsored programs in local*

*public universities or private chartered universities within East Africa and must be recognized by the Commission for University Education Kenya. We also fund Students in Technical and Vocational Education and Training TVET institutions who meet HELB loan eligibility criteria.*

**Q: I am 17 years old. Can I apply for a loan?**

*A: The loan award is a legally binding agreement between HELB and the applicant therefore until you attain the age of*

*18 years you cannot apply for the loan. Please note you cannot use another person’s National ID to apply for the loan because it is illegal and a criminal offense.*

**Q: Is it compulsory to apply for a HELB loan?**

*A: No. Only apply for a HELB loan if you have no other alternative for funding your university or TVET education. Only if you really need the loan.*

**Q: What is the applicable interest rate?**

*A: Current applicable interest rate is 4% per annum. The loan will start accruing interest upon disbursement to your bank account and the University.*

**Q: When do I begin repayments?**

*A: The loan shall be due for repayment upon completion of studies or when HELB recalls it.*

***Q: I applied and was awarded a loan in 1st year. Is it automatic that I will get loan in subsequent years?***

*A: You must apply and submit a loan application for every single year that you desire to be supported by HELB.*

***Q: Am I eligible for a loan in 2nd year if I did not apply in 1st year?***

*A: Yes. You may apply for a HELB loan at any stage or level of your studies.*

**Q: Am I eligible to apply for a loan in my subsequent year if I was not successful (i.e. got a 0) in the previous year/1st year and be considered?**

*A: Yes. You must apply and submit a second and subsequent application form for that year and a review/appeal form and write a letter demonstrating your need for consideration for a loan.*

**Q: What if I was awarded a loan but it is not enough, am I eligible to request for an addition?**

*A: Yes. However for you to be considered for a loan addition you must apply and submit a second and subsequent application form for that year and a review/appeal form and write a letter demonstrating your need for loan addition.*

**Q: My parent/guardian passed away recently. Can I apply for HELB loan since I never applied before?**

*A: Yes. Any student is eligible for HELB loan at any stage of their academic program.*

**Q: If I discontinue my education, will I be required to pay the amount awarded to me even if I did not complete my university education?**

*A: All students are encouraged to endeavor to successfully conclude their studies at the university. However, if this is not achieved HELB will still recover the amount outstanding at expected date of completion.*

**Q: Does HELB accept payment of the loan even though I am still a student?**

*A: Yes. You may wish to start servicing the already awarded loan if you are able to.*

**Q: I have a sibling who did not qualify for HELB loan. Can I share the amount I was awarded with him/her then we shall share repayment?**

*A: This is not possible. A HELB loan is a contract between a single student and HELB. Therefore, the person who signs the contract is the loanee who shall be expected to repay the full amount signed for when it is due.*

**Q: After completion of my studies will I be expected to repay my HELB loan immediately?**

*A: Yes. The loan is due for repayment at the completion of your studies.*

**Q: Is there a grace period?**

*A: A grace period of one fiscal year is provided. A penalty of Kshs.5,000= shall be charged for each month not paid upon expiry of the grace period.*

**Q: What if I do not get a job immediately after graduation?**

*A: HELB loan is not pegged to employment. Therefore, repayment is expected upon maturity of the loan. Come and talk to us. HELB listens!*

**Q: If I get a job after graduation, what should I do to start repayment?**

*A: Inform HELB of your employment status and provide details of your employer and HELB shall facilitate repayment by check-off system. You may also inform your employer of your loan status and they will contact us for repayment.*

**Q: How will I benefit from prompt repayment?**

*A: You will avoid attracting penalties and paying much more in the end. You will also build a*

*good credit history for yourself. This will improve your credit score and positively impact your future borrowing power. You will also be eligible for a Post-Graduate loan from HELB if you are servicing your under-graduate loan.*

**Q: What are the repercussions of defaulting on my HELB loan?**

*A: 1) You will be charged penalties at the rate of Kshs. 5, 000.00 for every month defaulted, 2) You will additionally be listed as a defaulter with the Credit Reference Bureau (CRB). You will therefore not access loan facilities with any financial institution in Kenya. Additionally, you will not access employment opportunities in the government and major private and publicly listed companies AND 3) Your guarantors will be also be pursued and forced to service the HELB loan*

**Q: What is the Credit Reference Bureau?**

*A: A credit reference bureau is a company licensed by central bank of Kenya to collect, store and collate credit information on individuals and companies from different sources and provide the information in form of a credit report upon the request of a lender. The lenders then advance or decline loan applications based on the reports. Reports from CRBs are also required by employers when vetting the integrity of prospective job applicants.*

**Q: What if I migrate to a foreign county after my studies, can I service the loan?**

*A: Yes, HELB has numerous payment options that facilitate receipt of payments from beneficiaries in the diaspora. These can be accessed from the HELB website* [*www.helb.co.ke.*](http://www.helb.co.ke)

**Q: What if I move to a foreign country after my first degree for a job or a postgraduate course?**

*A: It is advisable to visit the HELB offices for advice on a payment plan while outside the county. You may also get in touch with HELB through any of the contacts on* [*www.helb.co.ke.*](http://www.helb.co.ke)

**Q: What if one defaults while outside the country?**

*A: HELB has enrolled the services of international debt collectors who are assisting in tracking down defaulters in the diaspora.*

**INTEREST**

*INTEREST is most commonly the price paid for the use of borrowed money or money earned by deposited funds.*

**LENDER**

*A LENDER is any institution or individual who loans a borrower money. You may look to Friends or Family Members, Educational Institutions or Banks for money.*

**PRINCIPAL**

*PRINCIPAL is the amount of money you borrow from a lender. A LENDER will charge you fee on the PRINCIPAL you have borrowed. The fee is often given as an annual percentage you have to pay on the principal borrowed. The fee can be fixed or variable.*

**FIXED & VARIABLE INTEREST RATES**

*A FIXED INTEREST RATE does not fluctuate during the period of the loan. This allows the borrower to predict their future payments. By contrast, VARIABLE INTEREST RATE can fluctuate over time depending on market conditions. EXAMPLE: If lender charges you a fixed annual interest rate of 7.5%, and you borrow KSH*

*100,000, the annual fee you will have to pay is KSH 7,500.*

**WHY ARE LENDERS COMPENSATED?**

*WHY ARE LENDERS COMPENSATED? Interest is the compensation to the lender, for a) risk of principal loss (in other words, you never returning the money); and b) forgoing other investments that could have been made with the money.*

**SAVINGS**

*SAVINGS in the most basic terms is income not spent.*

**INCOME**

*INCOME is the money we obtain or earn. For instance, you might work as an accountant, the money you are paid is your income.*

**TWO TYPES OF EXPENSES**

*FIXED EXPENSES: those that paid regularly (i.e. rent, car payments, student loans)*

*FLEXIBLE EXPENSES: those that can be adjusted or eliminated (food costs, movie tickets, gas, entertainment, cell phone bills)*

*FORMULA: SAVINGS = INCOME less (FIXED EXPENSES + VARIABLE EXPENSES)*

**REASONS TO SAVE**

*1) For an Emergency: It is important to have an additional savings set aside to cover unexpected expenses. This could cover an unexpected car repair, a sudden job loss, or unexpected medical emergency. It is suggested that you have about six months of your expenses.*

*2) For Your Education: Education is viewed as a pathway to get ahead in life. However, pursuing higher education can be costly.*

*3) For Your Retirement: Another important reason to save money is your retirement. The sooner you start saving for retirement, the less you will have to save in the future.*

*4) For a House, Car, A Wedding or other Luxury Items*

**BANK**

*A BANK is a financial institution and middle-man that accepts deposits and then lends those to other customers. It is the connection between customers that have extra money and those that require more money. All banks are required to obtain a special license to operate and most are required to hold a minimum amount of cash.*

**CENTRAL BANK OF KENYA (CBK)**

*The CENTRAL BANK OF KENYA has the responsibility of formulating monetary policy, promoting price stability, issuing currency and performing any other functions conferred on it by an Act of Parliament.*

*Below are some of the selected roles the CBK undertakes to ensure a stable financial system:*

*· Acts as a banker and adviser to the Government.*

*· Manages interest rates in the country.*

*· Regulates the issue of currency notes and coins.*

*· Formulate and implement foreign exchange policy.*

*· Reviews and develops appropriate laws, regulations and guidelines that govern the players in the banking sector.*

*· Facilitates the introduction of initiatives that promote enhanced financial inclusion. FINANCIAL INCLUSION is the delivery of financial services at affordable costs to sections of the population*

*who are not traditionally served by the financial system.*

**KENYA DEPOSIT INSURANCE CORPORATION (KDIC)**

*KENYA DEPOSIT INSURANCE CORPORATION (KDIC), known formerly as the Deposit protection Fund Board, is responsible for carrying out regular checks on banks to detect risks and to prevent financial institution collapses and loss of customer deposits.*

*It’s very rare for a financial institution to collapse, but the KDIC has created a system that follows international best practices to ensure the customer and investor are protected.*

*Currently the deposit insurance coverage is UP TO 100,000 KES, but there are plans to increase this figure. It’s always wise to understand how much of your money is insured in the event a financial institution does collapse.*

**TIPS ON SELECTING A BANK**

*1) Find out the number of locations in your area, both for branches and automated teller machines (ATMs), as well as their business hours.*

*2) Courtesy and customer service reputation. It might be helpful to ask family or friends about their experiences at a particular bank.*

*3) Whether you’re a student or employee, ensure they have the right account for you.*

*4) Watch out for hidden fees and promotional rates that expire.*

*5) Check to see if a cheque book is provided at no cost and whether there’s a limit to the number of free cheque transactions allowed.*

*6) Does it offer phone banking, online banking and online bill pay. If so, what are the additional fees associated with the options.*

**POTENTIAL HIDDEN FEES**

*A HIDDEN FEE is an expense not normally included in the price of the service.*

*1) Early account closure fee. Many banks require you to have your account open for a certain period of time before closing it.*

*2) Monthly or annual maintenance fee: A number of banks charge monthly or annual maintenance fees for certain accounts.*

*3) Minimum balance fee. Some banks charge a monthly fee for customers with low account balances.*

*4) Returned deposit fee. If you deposit a check that bounces, your bank could charge a fee. A “bounced check” is short for a check that cannot be processed because the account holder has insufficient funds.*

*5) Lost debit card fee: If you lose your debit card, it’ll cost you.*

*6) Paper statement fee: If you haven’t switched to online banking, you may be charged extra for receiving a paper statement.*

*7) Overdraft fee: Occurs when money is withdrawn from a bank account and the available balance goes below zero.*

**DEBT**

*DEBT is an amount of money borrowed by one party, a debtor, from another, a creditor. For an individual, they may borrow to finance education, a car, a home; for a business, they may seek to borrow funds to expand their operations.*

**GOOD DEBT**

*GOOD DEBT is an investment that will grow in value or generate long-term income. A perfect example of a good debt is taking out student loans to pay for a college education. It’s an investment in your future!*

**BAD DEBT**

*BAD DEBT is debt incurred when purchasing items that quickly lose their value, do not generate long-term income and typically carry high interest rates.*

**IMPORTANT POINTS TO CONSIDER BEFORE TAKING OUT A LOAN**

*1) Before taking out a loan, you may consider dipping into an emergency savings fund, reach out to friends or family or ask your employer for a salary advance!*

*2) Only borrow as much you can afford to repay, regardless of what the lender offers. Make sure your loan repayment fits within your budget.*

*3) If you have existing debts, can you manage additional obligations simultaneously? Remember, you should never borrow to pay off an existing loan!*

*4) Can you delay the purchase or not make it at all.*

**CREDIT SCORE**

*A CREDIT SCORE is a rating computed by credit reference bureaus based on information available on your credit report. A credit report is a report detailing a person's financial history specifically related to their ability to repay borrowed money. Individuals with good credit scores have frequently paid bills, made timely repayments on previous loans, and lack defaults on current outstanding loans.*

**HIGH VS. LOW CREDIT SCORES**

*A HIGH CREDIT SCORE may help you attain more favorable loan terms such as reduced interest rates, flexibility in the length of your repayment and required tangible collateral, and faster feedback on loan requests.*

*On the other hand, individuals with LOW CREDIT SCORES have frequently made late payments, filed for bankruptcy, overburdened themselves with debt, been accused of fraud and/or experienced a foreclosure. If you do have a low credit score, you can still repair it! Settling your outstanding balances and regularly paying your remaining loan obligations can get you back on track to obtaining a good credit score.*

**CREDIT INFORMATION SHARING**

*CREDIT INFORMATION SHARING is a process through which lenders exchange consumer information, specifically related to a consumer’s borrowing history. This exchange is facilitated through Credit Reference Bureaus.*

**CREDIT REFERENCE BUREAUS**

*CREDIT REFERENCE BUREAUS pool together the information of consumers in the form of credit reports which even you have access!*

**SHARING BORROWING HISTORY OF CONSUMERS CAN RESULT IN THE FOLLOWING:**

*1) A decrease in bad debts and defaults*

*2) Reduces over indebtedness*

*3) Consumers become wise in managing debt because now there are consequences!*

*4) More consumers are able to access affordable credit!*

*5) Rewards good borrowing behavior. Consumers with healthy credit scores are able to access loans with more favorable terms*

*6) Lending decisions are made faster because more information is available*

**CREDIT INFORMATION SHARING AND CONSUMER RIGHTS**

*Remember, consumers have rights!*

*1) To know what information the lenders have submitted to the credit bureau regarding you*

*2) To receive a copy of your credit report within 5 days of your request*

*3) To a free copy of your credit report at least once per year. You can request a copy through a credit reference bureau and its licensed agents*

*4) To correct and/or remove any errors in your report*

*5) Furthermore, a credit bureau cannot give your information to a lender unless reasons for release are legal and reports obtained by lenders are to remain confidential*

**MANAGING YOUR DEBT OBLIGATIONS**

*Here are some tips to help you avoid and/or repay your debt!*

*1) Rank your debts in the order that you want to pay them off. Your list should include the minimum payment amount, the interest rate and how much you owe.*

*2) Create a budget and stick to it. A clear budget will prevent you from spending thoughtlessly, buying on impulse, and help you decide how much extra money you have a month to pay towards your debt.*

*3) Maintain clear financial records and a regular payment schedule.*

*4) After you’ve paid off your debt, begin to put the extra money you have into savings.*

*5) Maintain insurance coverage. Insurance is a must in order to avoid financial trouble.*

*6) Pay taxes correctly and on time. Unpaid tax debt can cause financial trouble.*

**CONSUMER FRAUD**

*CONSUMER FRAUD is generally defined as any instance in which an individual suffers a financial or other personal loss as a direct result of deceptive or intentionally misleading business practices. Think of it as buying a new car and coming to realize that the car dealer sold you a used car. Even the most savvy consumer can fall victim to fraud.*

**IDENTITY THEFT**

*One of the most prevalent forms of consumer fraud is IDENTITY THEFT. This occurs when personal information is used by an individual who is not authorized to possess or use the information. Examples include the illegal acquisition of a credit card or bank account number.*

**WHAT IS INSURANCE?**

*Insurance is paying in advance for protection from unexpected or accidental loss or damage of an asset or a death or injury of a person. In short, you are setting up a contract to help reduce the financial impact and to protect yourself from some type of loss.*

**INSURANCE FRAUD**

*Insurance fraud is an attempt to exploit an insurance contract. Insurance is meant to protect against risks. It isn't meant to be a tool to enrich the insured! Remember, all insurance consumers pay the price for insurance fraud. From a buyer’s perspective, or policy holder’s perspective, fraud includes exaggerating claims, falsifying medical history,*

*death or kidnapping, murder and much more.*

**INSURANCE PREMIUM**

*A premium is a fee that an individual/organization pays to an insurance company for protection from risks detailed in his insurance policy. Insurance payments can be made in person or through your mobile phone.*

**INSURANCE CLAIM**

*A claim is a request for compensation an individual/organization sends to an insurance company when it suffers a loss.*

**EXCESS**

*An excess is the amount of expenses that an individual/organization must pay out of pocket before an insurance company pays for any expenses.*

**MEDICAL INSURANCE**

*Medical insurance is insurance against the risk of incurring medical expenses among individuals. The way medical insurance works is you go to the hospital which is approved by your insurance company. Provide your medical insurance information to the hospital. The hospital will typically bill your insurance company directly. Insurance company will pay up to the policy limit. Anything above the policy limit will be met by the policy holder. It is advisable to purchase both private insurance which tends to be more comprehensive, and obtain coverage from the government insurance program, the National Hospital Insurance Fund (NHIF).*

*NATIONAL HOSPITAL INSURANCE FUND (NHIF)*

*NHIF’s core mandate is to provide medical insurance cover to all its members and their declared dependents. For more information on NHIF, visit* [*www.nhif.or.ke*](http://www.nhif.or.ke)

**EDUCATION INSURANCE**

*Education Insurance assists parents to meet the costs of education through primary, secondary and on to higher learning depending on the type of policy purchased. The policy is typically arranged early in the child’s life and is programmed to mature at the time the child is joining school. Buying education policies early in the child’s life, will result in paying lower premiums. In the event of the untimely death of a parent or guardian who bough the policy, all premium payments will stop. However, the policy will continue and the sum assured will be paid at the time a child is joining school! This guarantees the child’s education in the absence of the parent or guardian.*

**SIX PRINCIPLES OF INSURANCE**

*It’s critical for individuals to understand the six principles of insurance. Remember, when you do report a loss, the insurer will examine your compliance with the six principles before they decide to pay for the loss.*

*(1) Insurable Interest. You can't insure something unless you have a vested interest in it. Typically, insurable interest is established by ownership, possession, or direct relationship. For example, people have insurable interests in their own homes and vehicles, but not in their neighbors' homes and vehicles, and certainly not those of strangers.*

*(2) Indemnity. The insurer's job is to pay you enough to compensate, that is to “indemnify” you for your loss -- but no more. For example, if your house suffers 500,000 KSH of damage, the insurer will indemnify you up to that amount so that you're in exactly the same position as you were pre-damage.*

*(3) Utmost Good Faith. The insurance industry operates by the principle of "utmost good faith.“ When you take out a policy, you have an obligation to be truthful with your agent about the value of what you're insuring and the risks of losing or damaging it. On the other hand, the agent has an obligation to tell you any restrictions or rules that might reduce the value of your coverage.*

**SIX PRINCIPLES OF INSURANCE (CONTINUED)**

*(4) Subrogation. Subrogation says when you accept an insurance settlement, the insurer gets your right to sue the third party. That prevents you collecting twice for the same damage and gives the insurer a way to recoup its losses. For example, if a third party damages your property, for instance, crashing into your car, and you collect from your insurer, your insurer can then sue the other driver.*

*(5) Proximate Cause. Proximate cause is concerned with how the loss or damage actually occurred. For example, if your home is damaged due to flooding, however, your homeowners insurance protects against fire damage but not flooding; therefore the proximate cause of damage was flooding and your insurer will refuse to pay!*

*(6) Contribution. The contribution principle states that if you can hold more than one insurer liable for your losses, they have to share the loss. If you take out two polices on your car, you CANNOT collect from both insurers. By taking out two policies, the individual’s intention is receive more compensation! The principle of contribution requires that the two or more insurers would SHARE the actual value of the loss.*

**WHY SHOULD I INVEST?**

*There are only two ways to make money: by working and/or by having your money work for you. By investing your money, you are getting your money to generate more money by earning interest on what you put away or by buying and selling assets that increase in value.*

**ASSET CLASSES**

*There are many ways to invest! You can put your money into stocks, bonds, commodities, such as precious metals, oil and agriculture, collectibles, such as art, coins and stamps, real estate, or even start a business. We’ll call these general categories “asset classes.” An asset class is a group of investments that have similar characteristics and are subject to similar market forces, laws and regulations. The three main asset classes are typically stocks, bonds and cash equivalents.*

**PORTFOLIO**

*The collection of an individual’s financial assets is referred to as his/her portfolio.*

**STOCKS (ALSO REFERRED TO AS EQUITIES OR SHARES)**

*A stock, also called equities or shares, is a share in the ownership in a company. When you buy a share, you become an investor and thereby an owner of a piece of the company’s profit or loss. Depending on the Company, it may have thousands or even millions of shares. Companies often sell shares to raise money from members of the public to expand its business. Shares are traded on a stock exchange or market. It serves as the link between buyers and sellers.*

*Kenya has its own stock exchange, the Nairobi Securities Exchange (NSE for short). After you purchase shares, the price can fluctuate - if the demand for the share increases, the price of the share increases; and if the demand decreases, the price of the share decreases.*

**HOW TO PICK THE RIGHT STOCKS**

*Tips on selecting individual stocks*

*1) Avoid the hype! Look at the company’s performance!*

*2) Buy what you know. You know why you choose to buy your favorite brands. This may help you better understand a company’s performance.*

**HOW TO PICK THE RIGHT STOCKS (CONTINUED)**

*3) Consider price and valuation. Investment professionals often look for stocks that are "cheap“ or "undervalued." Generally, this is measured by the stock's price-to-earnings ratio, or P/E ratio. A P/E ratio is the company's current share price compared to its earnings per share.*

*a. A company that's expected to grow rapidly will be more expensive than an established company that's growing more slowly*

*b. Compare a company's P/E to other companies in the same industry to see if it's cheaper or more expensive than its competitors.*

*c. Cheap isn't always good, and expensive isn't always bad. A stock may be cheap because its business is slowing. And a stock may be expensive because it's expected to grow rapidly.*

*4) Evaluate financial health. Analyze a company’s turnover (also referred to as a company’s sales or revenue) and profitability.*

*5) Find a dividend. A dividend, a cash payout to shareholders is a sign of a company in good financial health.*

*6) Ensure the company abides by local rules, regulations and laws and is respectful to its shareholders.*

**WHAT NOT TO DO WHEN BUYING A STOCK**

*1) Don't buy on price alone. Don't assume a stock is a bargain just because its price has dipped 10%.*

*2) Don't forget to sell. Having a plan for selling will help you avoid selling out of panic over a short-term move in the market.*