



Erasmus+ Master Student Loan Guarantee Facility

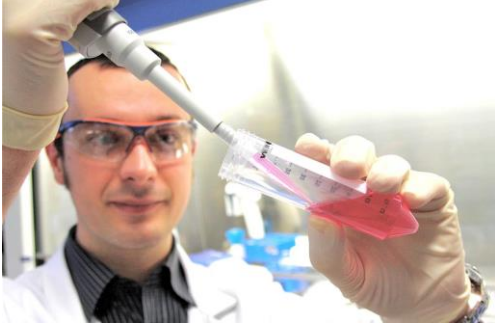

2014 – 2020

Opportunity to offer top education combined with a financial support to attract the best students...





- The Erasmus+ Master Student Loan Guarantee Facility provides a **capped portfolio guarantee** providing credit risk protection to Universities supporting **mobile master students** with innovative financing solutions (e.g. deferred payment of tuition fees/other living expenses)
- The **free-of-charge** guarantee covering the deferred payment of tuition fees/other living expenses of up to EUR 18,000 for a period of up to 15 years
- The deferred payment to each student is guaranteed by EIF at a rate of 90%
- The losses on portfolio level are capped at 18%
- This summary presentation of the facility is **for information purposes** only and **non-exhaustive**

...already in place in top European universities





University of Luxembourg is a quickly developing modern public university established in 2003 with more than 2,700 international students.



UNIVERSITÉ DU
LUXEMBOURG

Thanks to **Erasmus+**, the incoming international master students can rely on an **innovative financial solution** for their studies.



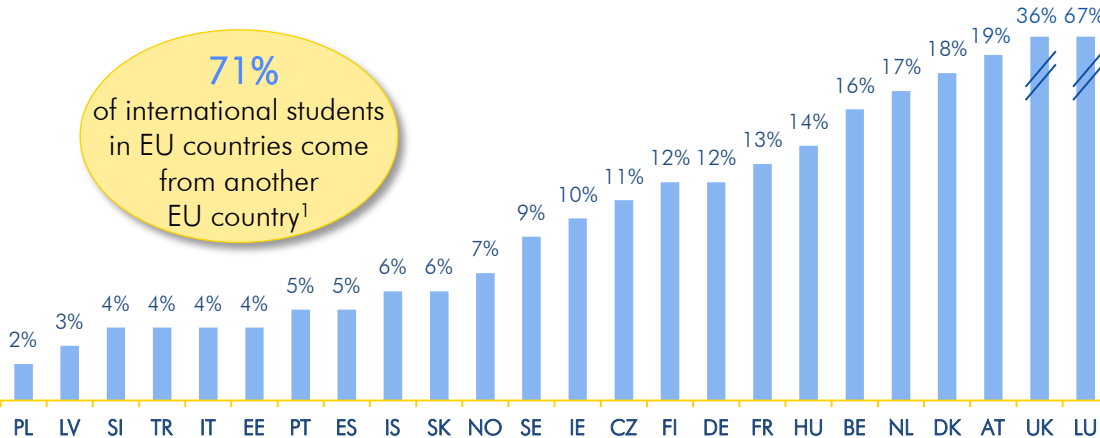
The mobile master students can apply for a **deferred payment** of the tuition fees and/or accommodation costs priced **below market rates**.

- Financial solution to attract outstanding foreign students...
- ... for universities offering deferred payments...
- ... thanks to a unique financing option
- Supported by a free-of-charge guarantee
- ... allowing for achieving a critical mass and reaching out to a wider student population resulting in easier access to higher education
- Managed by the EIF*...
- ...through a standard application and selection process

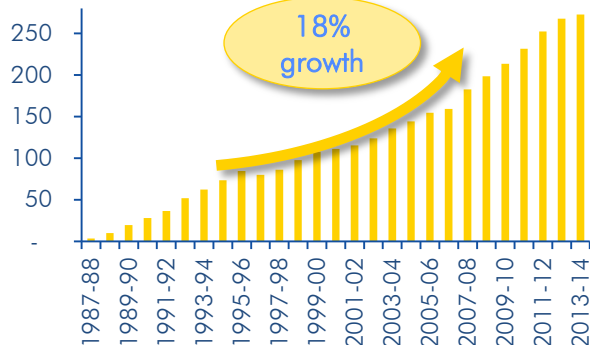
A real opportunity to attract outstanding foreign students

High share of International Master Students in Erasmus+ programme countries¹

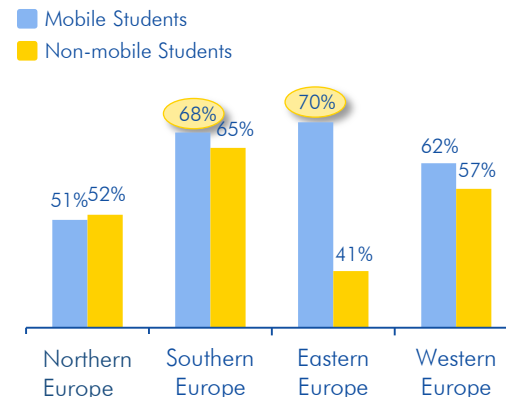
71%
of international students
in EU countries come
from another
EU country¹



Growing Erasmus student mobility²



Alumni in a management position 5Y-10Y after graduation³



- ✓ Growth trend in student mobility
- ✓ Unexplored market niche: many students are not able to finance their studies abroad, in spite of an outstanding academic performance
- ✓ Substantial numbers of potential international students

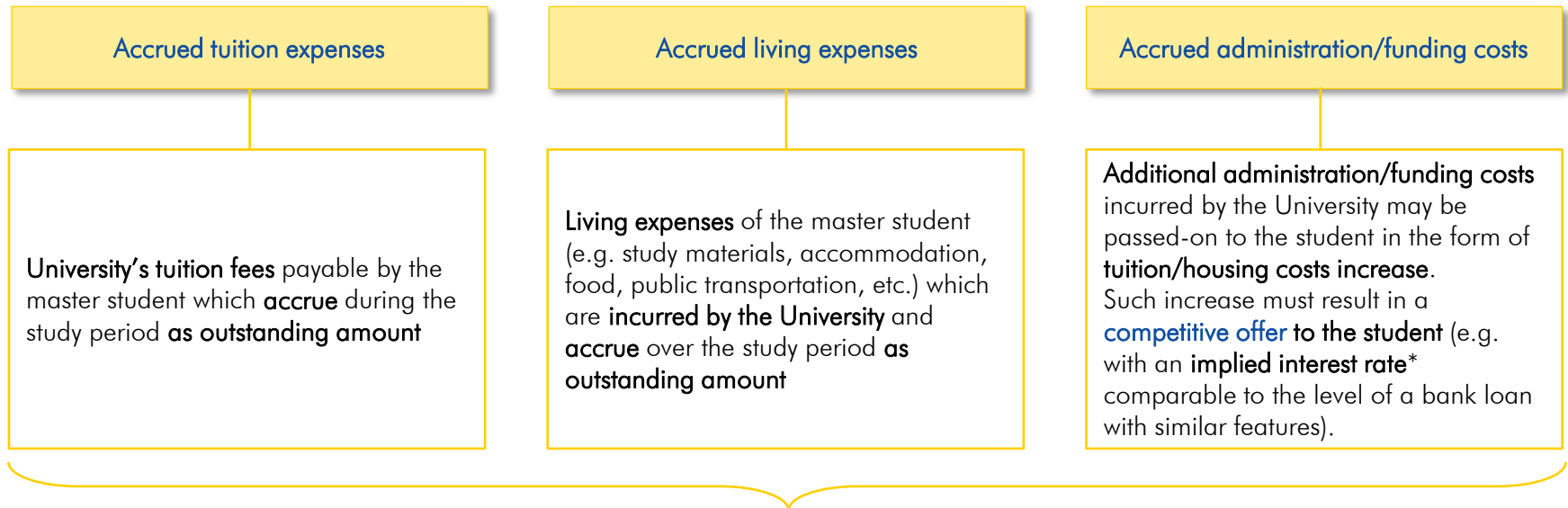
¹ OECD (2015), Education at a Glance 2015: OECD Indicators, OECD Publishing. <http://dx.doi.org/10.1787/eag-2015-en>

² European Commission (2015), Erasmus: Facts, Figures & Trends, DG Education and Culture. http://ec.europa.eu/education/library/statistics/erasmus-plus-facts-figures_en.pdf

³ European Commission (2016), The Erasmus Impact Study Regional Analysis, Publications Office of the EU. http://ec.europa.eu/education/library/study/2014/erasmus-impact_en.pdf

... for universities offering deferred payments...

An innovative way to attract outstanding foreign students by making use of a tailored 90% free-of-charge guarantee provided by EIF covering the deferred payment of, for instance:



To be settled over time by the student in accordance with a (monthly) repayment plan after the grace period

By giving students the flexibility to pay for their studies when they have income, Universities can offer a unique financing solution better tailored to the needs of students, bypassing traditional finance providers and going beyond their traditional role

* The aggregate amount of the instalments to be repaid by the Final Recipient will exceed the aggregate amount of tuition and/or student accommodation costs deferred by a EUR amount. Such EUR amount equals the aggregate interest amounts which would be due under an annuity plan with a principal amount corresponding to the aggregate amount of tuition and/or student accommodation costs. The interest rate used to calculate such annuity repayment plan being the "Implied Interest Rate".

... thanks to a unique financing option



Application for a
Master programme
from a **mobile
international
student***



Erasmus+ Financing

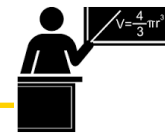
Amount:

- max. **€ 12k** for 1-year study
- max. **€ 18k** for longer study

Repayment Period: **min. 6 years** after graduation

Collateral: **personal guarantee only**

Costs: **competitive**



Academic year(s)

Grace period:

- **no repayments**



Master
programme
graduation

No **payments** for
min. **12 months**
after graduation



Repayment plan



(Optional) **Repayment Holiday****
of **up to 12 months** may be
requested.



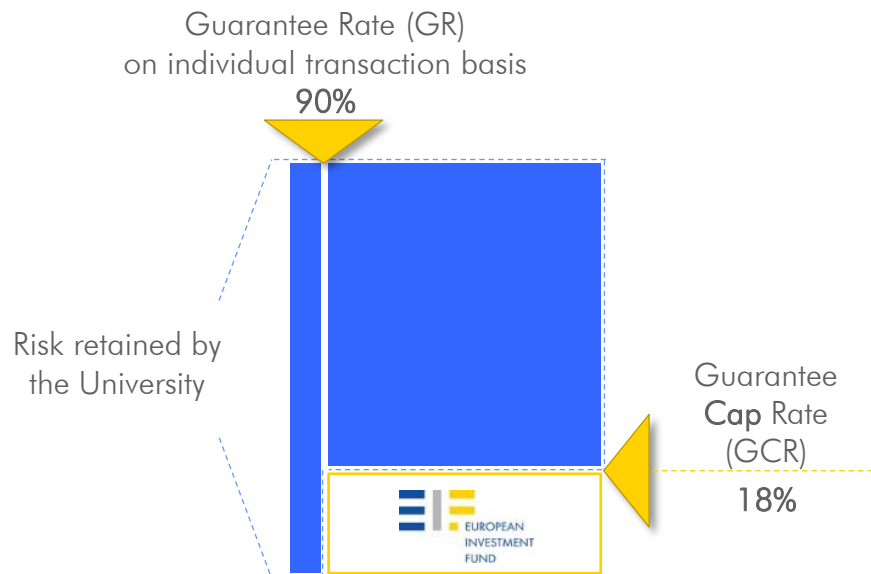
Full repayment:
**No penalties for early total
or partial repayment**

* The Student needs to be resident in a Programme Country and move to another Programme Country. Programme Countries: EU-28, Norway, Iceland, Liechtenstein, Turkey, FYROM. The Student needs to demonstrate that the Country of destination is neither his/her Country of residency nor the Country where he/she completed his/her Bachelor.

** During the Repayment Holiday the Final Recipient is entitled to stop the payment.

Supported by a free-of-charge guarantee

University's Portfolio of New Deferred Payment Options

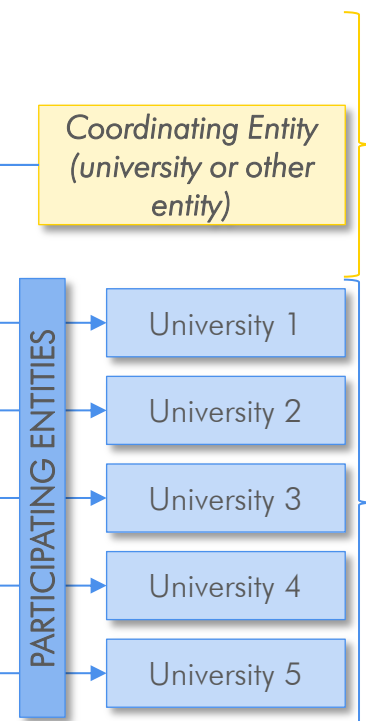


Example:

- A University creates a portfolio of new eligible deferred payment options of EUR 10m
- Maximum amount payable under Guarantee Calls (Cap Amount) on a portfolio basis:
 $\text{EUR } 10\text{m} * 90\% \text{ GR} * 18\% \text{ GCR} = \text{EUR } 1.62\text{m}$
- For each defaulted transaction with outstanding amount of EUR 10k, EIF would cover the loss at a 90% rate (EUR 9k) until the Cap Amount is reached
- EIF will cover losses also related to death and permanent disability of the student
- Loss Recoveries (e.g. late repayments) are shared between the University and EIF in the proportion: 10% : 90%

... allowing for achieving a critical mass and reaching out to a wider student population resulting in easier access to higher education

Operational aspects of a joint transaction with more than 1 University

Structure	Role	Additionality and budget management
	<ul style="list-style-type: none"> ▪ Coordination of reporting to EIF ▪ Contact point for EIF ▪ Management of the budget of the umbrella structure <ul style="list-style-type: none"> ▪ Reporting to EIF ▪ Providing master students with deferred payment options 	<ul style="list-style-type: none"> ▪ The programme encourages groups of Universities to apply together and join their efforts to reach out to a meaningful number of master students ▪ The participating Universities preserve their autonomy, as the target volumes and cap amount would be set at the level of each university ▪ The structure allows for budget flexibility with the Coordinating Entity able to re-allocate non-utilised amounts and to manage a buffer budget amount reserved for faster utilising Universities

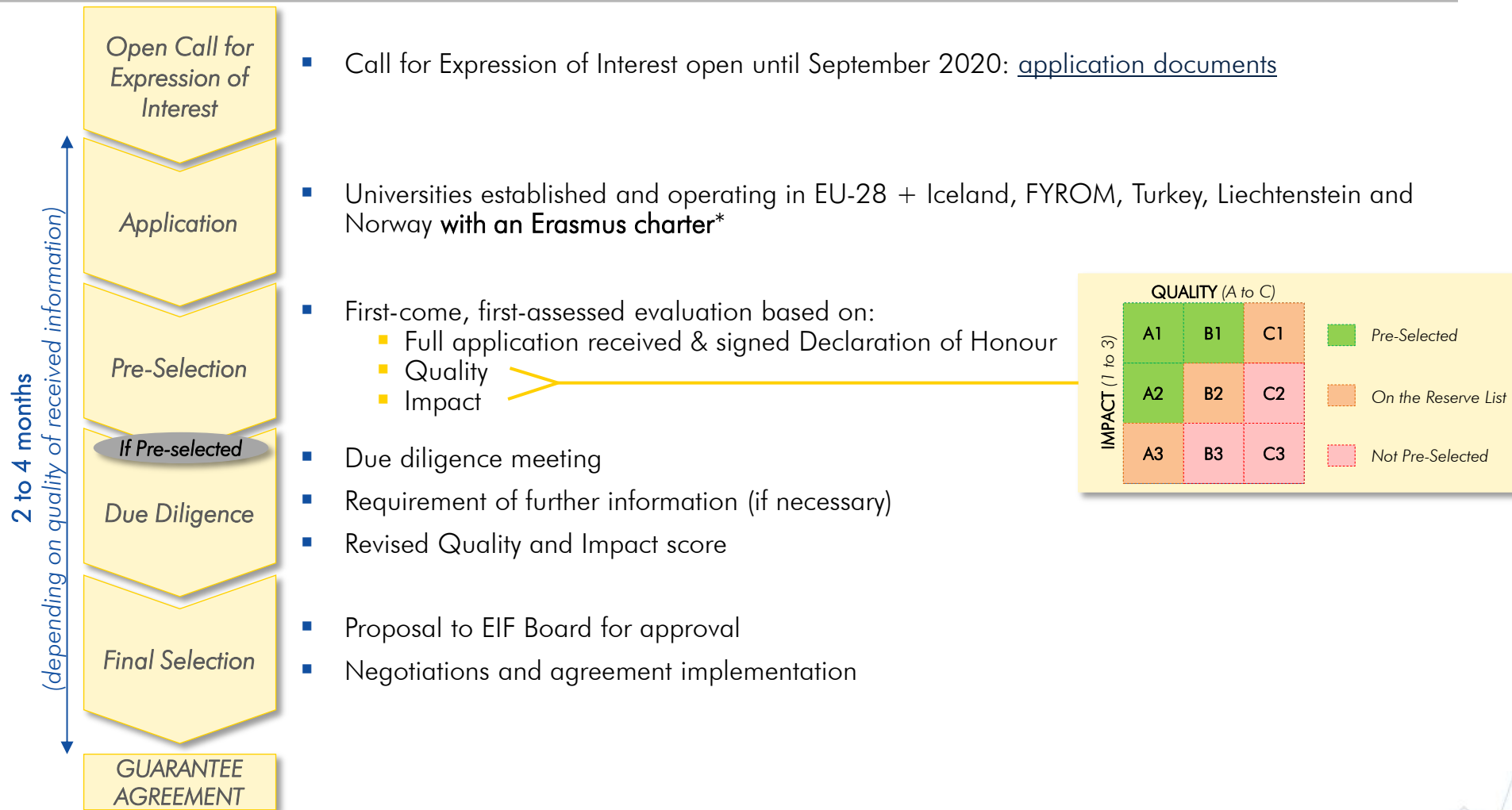
- ✓ Increasing the number of foreign students
- ✓ Fostering international cooperation between universities
- ✓ Wider geographical coverage
- ✓ Wider educational offer for master students

Managed by the EIF...

- Portfolio guarantee by **EIF (AAA-rated IFI)**
- **Standard** application process
- **Free-of-charge** guarantee
- **90% guarantee rate** of each loan/deferred payment
- **18% cap rate** on portfolio level
- Supporting a **new**, **competitive** and **unique** product offering
- **Full delegation** to University of granting the deferrals, monitoring, etc.
- **Guarantee payment on first demand** covering also cases of death and permanent disability

- ✓ **Credibility and accountability**
- ✓ **Clear rules**
- ✓ **0% charges**
- ✓ **Risk mitigation**
- ✓ **Competitive advantage**
- ✓ **Partnership**
- ✓ **Reliability**

...through a standard application and selection process




*List of eligible universities - as per the definition above – made public and published online: https://eacea.ec.europa.eu/erasmus-plus/funding/erasmus-charter-for-higher-education-2014-2020_en

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Appendix

Eligibility Criteria

Focus on Student Criteria

Student Criteria

- **Mobility Criterion:** students resident of a Programme Country* about to undertake a Master's level higher education (as per Bologna definition) in a Programme Country other than (i) their country of residence before starting the Master programme and (ii) the country in which the student obtained the qualification granting access to the Master's programme
- **EU support:** Students must not already be in receipt of a EU backed student financing for the same purpose (declaration of honour from the student)
- **Documents:** students would typically supply the finance provider with the following:
 - Copy of the passport or National ID/ Fiscal Number, etc.
 - Certificate of place of permanent residence (i.e. normally the 'home' country)
 - Master programme admission documents
- **Location of finance provider:** students may choose Universities in any country where the financing scheme operates (e.g. in their country of residence or the country of the master studies)

Financing Product Criteria

* Programme Countries under Erasmus+ are currently: EU 28, Iceland, FYROM, Turkey, Liechtenstein and Norway

Eligibility Criteria

Focus on Financing Product Criteria

Student Criteria

- New financing granted to eligible students
- No collateral (other than personal guarantee of the student)
- Permitted purpose of the financing: tuition fees and/or cost of living
- Maximum principal amount: EUR 12,000 for 1-year studies and EUR 18,000 for studies longer than 1 year
- Minimum maturity: 6 years
- Maximum guarantee maturity: 15 years (financing maturity can be longer)
- No prepayment fee
- Write off in case of death or permanent disability of student (covered under guarantee)
- Financing currency: all eligible
- Competitive pricing by reference to alternative finance solutions (if any)
- **Repayment:**
 - **During the study period:** No repayment and
 - **After the study period:** Grace period for a minimum of 12 months
 - **Regular repayments:** after the Grace Period following the Annuity plan
 - **Hardship clause** (e.g. in case of job loss): Payment holiday period of up to 12 months which can be requested once during the repayment period

Financing Product Criteria

- **Losses covered by the Guarantee:** amounts outstanding under the deferred payment option, but excluding any default interest, fees and/or other costs and expenses following a default, acceleration or restructuring (if applicable)
- **Recoveries:** The EIF ranks *pari passu* with the University (recovery and foreclosure costs incurred during the course of the work-out process can be deducted from the recovery received, if any)
- **Default** occurs when (i) student has failed to meet any payment obligation under the relevant financing which has continued for at least **90 consecutive calendar days** or (ii) the University **considers** at any time (acting reasonably in accordance with its internal procedures) that a student is **unlikely to meet his/her payment obligations** under such financing.
- **Payments** from EIF to the University:
 - Financial Intermediaries will report Payment Demands **quarterly** during the month following every calendar quarter together with the reporting of the portfolio
 - EIF shall make guarantee payments under the Guarantee within 60 calendar days after the Guarantee Call