Combined evaluation of Erasmus+ and predecessor programmes

Final Report-Evaluation of the Student Loan Guarantee Facility (Volume 2)

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Evaluation of the Student Loan Guarantee Facility (Volume 2)

Prepared by ICF

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1 Introduction

It was agreed with the Commission to include a specific standalone work package on the Student Loan Guarantee Facility (SLGF) as part of the mid-term evaluation of Erasmus+ and *ex post* evaluation of predecessor programmes.

The SLGF is a totally new scheme under Erasmus+ (with a maximum initial budget of about €520m), aimed at fostering higher education student degree mobility among programme countries by easing access to student loans for students enrolling in a master's programme abroad. Concretely, the EU provides a guarantee to participating banks, which should enable comparatively favourable Erasmus+ backed loans to students willing to undertake a full master's programme abroad. The EU guarantee is managed by the European Investment Fund (EIF) on behalf of the European Commission. The individual loans are granted by financial intermediaries which are selected by the EIF, and the financial intermediaries are the contact points for mobile master's students applying for a loan; they screen the loan applications, disburse the loans and collect the repayments. The maximum amounts lent are €12,000 for a one-year programme and €18,000 for a two-year programme.

The Erasmus+ Student Loan Guarantee Facility in a nutshell

- The EU acts as a guarantor against the possible default on student loans but does not provide the full capital for loans as it would be too costly from a budgetary point of view.
- The loans or deferred payment solutions are granted by selected financial intermediaries (mostly banks, student loan agencies, fintechs or universities) which benefit, free of charge, from the EU (counter-) guarantee1 and can, in return, offer more student loans at more favourable conditions.
- The maximum amounts lent are €12,000 for a one-year programme and €18,000 for a two-year programme. The application can be made in the student's country of residence or in his/her country of destination – depending on conditions set by intermediaries.
- The master's studies need to be undertaken in one of the 33 Erasmus+ programme countries. The destination country needs to be different from both the country of residence and the country where the student obtained his or her bachelor-level degree. The scheme is open to all students originally residing in one of the programme countries before moving to another programme country.
- Favourable conditions include: reduction in interest rate compared to market rates, no repayment during the period of study, a one-year grace period, one additional year of payment holiday upon request, minimum maturity of loan of six years after the end of the master's degree2.
- On a transaction-by-transaction basis, the EU guarantee rate will typically be of 90 % (maximum rate)3. The EU can cover 90 % of the losses incurred on an individual loan. The financial intermediary needs to retain in-house at least 10 % of the risk linked to an individual transaction, for alignment of interest purposes.
- There is also a guarantee cap rate related to the whole portfolio, set at a

[1] Guarantees are granted directly to the selected lending financial institution while counter-guarantees are granted to their main guarantor (commitment to share their losses).

[2] Minimum maturity of loan requirements does not appear to be in line with the annual survey of beneficiaries' results. In the 2016 edition, only one third of respondents declared that they have a loan of a duration of six years or more.

[3] EIF, Annex II to the Open Call for Expression of Interest to Select Financial Intermediaries under Erasmus+ Master'sLoan Guarantee Facility. Capped Direct Guarantee under Erasmus+ Master's Loan Guarantee Facility Indicative Term Sheet.

maximum of 18 %. It represents the limit beyond which the EU will not the cover the losses incurred by the financial intermediary – should loans representing more than 18 % of the portfolio volume (i.e. of the total amount lent) default.

- The combination of the risk-sharing at the individual level (90 % guaranteed) and at portfolio level (18 % cap rate) results in a maximum risk exposure of 16.2 % of the total loan volume. In conclusion, €1 guaranteed by the Erasmus+ programme can leverage up to €6 in student loans.
- The financial intermediaries are the contact points for mobile master's students applying for a loan; they screen the loan applications, disburse the loans and collect the repayments.
- The management of the programme has been delegated by the EC to the European Investment Fund (part of the EIB Group). The specific Delegation Agreement between the European Commission and the EIF pertaining to the Erasmus+ Student Loan Guarantee Facility was signed on 12 December 2014[4].
- The EIF published its call to financial intermediaries on 13 February 2015[5] and has, as of early 2017, selected six financial intermediaries, in Spain, France, the UK, Turkey and Luxemburg.

Bearing in mind that it was too early to answer evaluation questions related to the longer-term aspects, the main objective of the analysis on the SLGF was to draw first lessons from the first years of implementation of this programme. In particular, ICF looked at:

- the uptake of the facility;
- the attractiveness of the facility for the various stakeholders in the supply chain (financial intermediaries, students, universities, etc.);
- the communication channels used to promote the scheme and awareness-raising levels.

The analysis drew inter alia on existing evidence and surveys, such as EIF ad hoc reports, reporting from financial intermediaries and a survey of students receiving Erasmus+ master's loans. In addition, interviews with key stakeholders and surveys at student fairs were undertaken, to collect interviewees' perceptions of the programme.

Overall, the work on this work package was carried out between November 2016 and June 2017. This draft final report presents the methodology followed in this evaluation and the findings resulting from it.

2 Summary of the methodology followed

The analytical work was based on a mix of secondary and primary sources as described in the following sections.

[4] The signature was postponed as there was a need for the Framework Agreement between EIF and EC – laying down the basis of the cooperation modalities between the European Commission and the European Investment Fund with regard to the management of the EC's family of financial instruments in general – to be in place prior to negotiating the individual Delegation Agreements.

[5] Erasmus+ Master's Loan Guarantee Facility – Open Call for Expression of Interest to Select Financial Intermediaries under the Erasmus+ Master's Loan Guarantee Facility (published on 13 February 2015). Available at: http://www.eif.org/what_we_do/guarantees/erasmus+master-loan-guarantee-facility/erasmus+-lgf-call-eoi.pdf

2.1 Analysis of secondary data

The analysis of secondary data comprised reporting data from financial institutions (FIs) to the European Investment Fund (EIF), reports on the first survey of SLGF beneficiaries, and data identified through additional desk research.

2.1.1 EIF data and reporting from FI to the EIF

The data the EIF collected allowed us to assess the coverage of the scheme (e.g. number of FIs by country) as well as key indicators on relevance/targeting (e.g. take-up numbers among students, profile of those students).

The reviewed reports included the Final Recipients-Specific Operational Report and the Quarterly Operational Report for the years 2015 and 2016.

2.1.2 2015 annual survey of students receiving Erasmus+ backed loans and 2016 partial results

The report on the 2015 annual survey of beneficiaries of the Erasmus+ Student Loan Guarantee Facility, comprising both a quantitative survey and complementary qualitative interviews, provided us with insights into the (short-term) impact of the scheme for receiving students, beyond what is already available from reporting. 2016 raw quantitative results were also made available to the team.

2.1.3 Desk research and comparison of SLGF with market rates and national student lending schemes

Desk research was used to feed into all sections of the report. This allowed us to assess the market in general. Moreover, we collected information on comparator schemes (market-related and national-level student lending) in the countries in which the SLGF is available and in other programme countries in order to assess whether the SLGF indeed offers favourable conditions and to gather information on risk levels associated with certain segments of the target population (notably incoming students).

These analyses were complemented with information from interviews.

2.2 Primary data collection about the SLGF

Analysis of secondary data was complemented with the analysis of primary data collected through interviews with stakeholders and data collection at student fairs. This approach is described in detail below.

2.2.1 Stakeholder interviews

In addition to scoping interviews with the EIF and the Commission, interviews were conducted with a range of stakeholders. Table 1 summarises the profile of the interviewees targeted.

Table 1. Stakeholder interviews

Stakeholder group	Coverage
Representatives of financial institutions and guarantee institutions	4 of the main EU-level organisations, including European Savings and Retail Banking Group European Association of Guarantee Institutions European Banking Federation European Microfinance Network
Participating financial	Whole population – 6

Stakeholder group	Coverage
intermediaries	
Non-participating FIs	4
National student loan schemes	1
HEIs and their representatives	7 HEIs (mostly International offices at HEIs) and European University Association, EFMD *[HEIs were also covered via the surveys at student fairs]*
National authorities and agencies	5 *[National agencies were also covered via a survey which included some questions on the SLGF]*
Representatives of students and young people	2 of the main EU-level organisations: European Students' Union European Youth Forum
Other	National Association of Student Money Advisers Researcher
Total	33 interviews

2.2.2 ICF data collection at student fairs

To assess whether communication channels are in place and the awareness-raising level about the scheme among potential beneficiaries, i.e. (future) (mobile) master's degree students, a data collection exercise has been conducted at student fairs, especially in countries where the scheme is already in place (Spain, France and the UK). The study team targeted fairs which are dedicated to help future master's degree students to make their orientation choices. Dedicated fairs are organised each year, especially in the period December–April, when students need to start planning for the academic year ahead. Relevant fairs that took place include:

- an international Master's Study Fair in Amsterdam in December 2016[6];
- a fair in Paris in January 2017[7];
- a fair in London in January 2017[8];
- a fair in Brussels in February 2017[9];
- a fair in Madrid in March 2017[10].

This task involved a small team being physically present at the fair to observe whether there was any information about the SLGF and test the knowledge of not only future students present at booths but also of the exhibitors (higher education institutions, student support organisations' booths dedicated to mobility for incoming or outgoing students), as their awareness is a prerequisite if they are to pass on the information to

[6] http://www.master-and-more.eu/en/masters-study-fair-amsterdam/

[7] http://www.studyrama.com/salons/salon-studyrama-des-masters-1-et-2-ms-mba-de-paris-80021

[8] https://www.postgradfair.co.uk/

[9] http://www.politico.eu/event/eu-studies-fair-2017/

[10] http://www.ifema.es/forodepostgrado_01/Expositores/Presentacion/index.htm

students. This approach did not allow to extrapolate the results to the country's student population as the sample is not representative. It did, however, gather first insights into the levels of awareness among those who are particularly active at seeking information at student fairs and to assess the extent to which critical communication channels are in place within the higher education ecosystem (higher education institutions, student support organisations, organisations promoting mobility).

In total, all five fairs taken together, 119 students and 100 exhibitors were surveyed (see Annex 2 for more details on their profiles).

3 Summary of key findings

3.1 Implementation status

After some delays in kicking off the implementation and just two years in which the facility has been actively launched, take-up rates are well below initial expectations: only five financial intermediaries in four countries, one pilot scheme with a university, and 85 students supported in 2015 and 162 in 2016. In Spain, the second year of implementation of the scheme did not lead to large increases in numbers of loans granted, with 134 loans compared to 85 the first year.

3.2 Relevance

The SLGF is focused on a narrow segment (limited needs in terms of volume)

While the facility addresses a real problem – funding being a major obstacle to mobility – and while there is a case to use financial instruments to address this problem – as this is less costly from a budgetary point of view – the facility is focused on a segment, namely eligible degree-mobile master's students, which has less potential, in terms of volumes, than initially anticipated. As a reference point, the number of degree-mobile master's graduates who would be eligible for an E+ loan currently does not exceed 60,000 students a year in programme countries. Besides, data from the national level tells us that only a small portion of those who will be given a financing opportunity will make use of it (3 % or below in most countries and 5–8 % in Nordic countries) – even if the support is provided in the form of a grant and supplemented by additional specific mobility support.

In many countries national schemes address the needs of the segment

In some parts of Europe (mainly Western and Northern European countries), the portability of national schemes is well on track and positive developments have been observed over recent years. Overall the facility has an added value/a gap to fill mostly in Southern, Central and Eastern European countries, where a lot remains to be done to achieve full portability (see Figure 3). These countries with a clear or potential role for the SLGF represent a high number of graduates (up to 89% of all Master students graduate from these countries).

There is a market funding gap, but only for those who cannot provide parental guarantee

Only students who can provide parental guarantee/collateral are adequately served by the traditional banks – others are not financed at all or only on a case-by-case basis (exceptional academic results, part-time job). Other market solutions (available in certain countries only) include study funds, student union loans, peer-to-peer lending platforms and fintech companies – but these are draining limited volumes. In that context, the design of the SLGF, whereby parental guarantee cannot be required by the financial intermediary, is a welcome attempt to cover those students from less advantaged socioeconomic backgrounds.

The suitability of the SLGF to address the needs of the disadvantaged needs to be confirmed over time

However, a commonly raised concern (i.e. across literature reviewed, by interviewed students representatives and expressed by most respondents (79%[11]) to the programme agencies survey) is that loans will not be a suitable tool to support disadvantaged

[11] i.e. who estimate that the SLGF is weakly or not at all relevant to the needs of disadvantaged students).

students. Students from a socioeconomically disadvantaged background are typically more risk averse and are therefore less inclined to take up loans, especially to study abroad. To them, the risks related to (over-)indebtedness upon graduation matters more – especially since participating financial intermediaries are not implementing an income-contingent model.

First data from the beneficiary surveys (presented under effectiveness section) tend to indicate on the contrary that the SLGF is broadly as effective as the Erasmus programme in promoting the participation of students from non-academic backgrounds: 43 % of SLGF beneficiaries (mostly from Spain and mostly served by MicroBank) responding to the annual survey in 2015 or 2016 have parents not holding a university degree (as a reference point, 46 % of Erasmus students' parents do not hold a university degree, but this is not focused on Spain only).

Further data will be necessary to confirm whether the SLGF facility is effective at targeting first-generation higher education attendees. Analysis of the observed trend needs to duly take into account the specificities of the student population covered – if the share of MA students without a tertiary educational background is particularly high in countries covered, then the share of MA students without a tertiary educational background among SLGF beneficiaries should also be particularly high. For now, 62% of survey respondents in 2015 and 2016 came from Spain but no data is available on Spain on the share of MA students without a tertiary educational background (but the share in Italy is among the highest, at 70 %). The observed trend might also be due to the credit assessment procedures of MicroBank (91% of survey respondents 2015 and 2016 were served by MicroBank)– which aims at fulfiling a social mission.

3.3 Coherence

The SLGF complements the EU toolbox by focusing on the segment of degree-mobile students. This matches with the EU's target of mobile students representing 20 % of higher education students by 2020.

Synergies with national schemes, whereby the same financial intermediary implements both the national and the EU loan, have been observed only in France. Some national schemes also seem to be attracted by the EFSI for the same purposes as the SLGF – even if it has not (yet) translated itself into actual projects being financed.

3.4 Effectiveness

A scheme which fails to attract financial intermediaries in sufficient numbers – especially for the incoming student segment

The scheme has so far not been especially effective at attracting financial intermediaries that would be willing to participate. Aside from the narrow focus of the facility and the fact that national schemes already cover the gap in some markets, financial intermediaries note the riskiness of the segment despite the EU guarantee (since it is capped), especially when it comes to incoming students. Data on fraud from incoming EU students in relation to the UK national scheme indeed seem to confirms that the segment is risky (see Figure 6).

A pilot of working with universities which has limited potential of replication

The scheme has however been effective at being innovative and piloted a collaboration with a university - which fits well with the pilot nature of the scheme. In many countries however, universities would not have incentives to act as financial intermediaries, like the University of Luxemburg is doing, either because fee levels are low or because they have limited financial autonomy (see Table 4). As this model was not envisaged initially, there is limited evidence, however, on the feasibility of involving universities more broadly across Europe.

Other flaws in the design

Some specific features are also questioned. Notably, the no-payment-during-studies condition, which does not allow financial intermediaries to collect 'symbolic' (interest) repayments during the loan on an automatic basis[12], is seen as counterproductive in terms of promoting responsible lending. There are additionally further questions about the maximum loan amount, which can be too small to cover the necessary costs in some countries/programmes.

Low awareness-raising levels

In addition to these issues related to the attractiveness of the scheme per se, it is clear that a lot remains to be done to raise awareness levels all the way through the supply chain (among financial intermediaries and students, but also among the multipliers – e.g. universities). Despite their fairly international profiles, the vast majority of respondents met at student fairs (93 %) had no prior knowledge of the E+ master's degree loans and the same was the case for the exhibitors (80 %).

First final beneficiaries are generally satisfied with the loan, which has been instrumental in triggering their mobility

Close to 75 % of the first beneficiaries (n= 109) said that they would not have been able to study for their master's abroad without the E+ loan. They are also generally satisfied with the implementation of the scheme (speed of approval, interest rates offered, etc.).

3.5 EU added value

In countries covered and for the limited number of final beneficiaries concerned, the main EU added value is to lead to reduction in interest rates (compared to what the same financial intermediary normally charges, assuming it would cover that segment), the removal of the guarantor/ collateral/resource requirement or the opening of new product lines (if the segment would not have been served at all otherwise). The benefits of the EU guarantee are thus adequately passed on to students when comparing with market rates, even if some beneficiaries did complain about the interest rate levels and the comparison made with national schemes under the relevance section is less favourable.

3.6 Efficiency

The option of creating a financial instrument which has by definition a revolving character and implies a leverage effect of 6.2 minimum in the present case is cost efficient – especially compared with the alternative of directly administering the loans.

Reporting data collected under the scheme is rich and views are mixed on whether this is disproportionate for participating financial institutions (it seems easier for fintechs and smaller institutions).

[12] Banks can only give the option to students to pay 'symbolic' (interest) repayments but this cannot be a default option.

4 Main findings

4.1 Implementation status

The EIF has, as of end February 2017, selected six financial intermediaries in five countries:

- MicroBank (June 2015) for outgoing and incoming students from/into Spain;
- Banque Populaire (November 2015)/Caisse d'Epargne (April 2016) for outgoing students from France[13];
- Future Finance (October 2016) for outgoing and incoming students from/into the UK;
- Finansbank (December 2016) for outgoing students from Turkey only;
- University of Luxembourg (January 2017) for incoming students residing in other programme countries only.

Aside from the traditional set-up with pure financial intermediaries, the University of Luxemburg has been participating, since January 2017, in a pilot scheme whereby the university allows the education and housing costs of its incoming students from other programme countries only to be deferred (equivalent to a loan). [This appears to be an innovative and interesting contribution that may open interesting opportunities for other universities to attract and support incoming students.]

The total amount of guarantees signed reached €26m as of end March 2017. It represents ~6 % of the total budget of €517m initially allocated to the SLGF. This underspending reflects (at least partly) the fact that the implementation of the SLGF is still in its very early stages: the specific Delegation Agreement between the European Commission and the European Investment Fund, pertaining to the Student Loan Guarantee Facility, was signed only on 12 December 2014 and the EIF published its call to financial intermediaries on 13 February 2015. In addition to the six signed agreements, three applications did not lead to a guarantee contract. One further application is being assessed by the EIF and discussions are ongoing regarding five other potential applications.

Guarantees signed so far are expected to trigger a portfolio volume of close to €160m. The combination of the risk sharing at the individual level (90 % guaranteed) and at portfolio level (18 % cap rate) indeed results in a maximum risk exposure of 16.2 % of the total loan volume. In conclusion, the target is that with €1 guaranteed by the Erasmus+ programme, €6 in student loans are leveraged (target leverage of 6.2). The leverage could be higher in case of counter-guarantee (as counter-guarantees imply an additional layer would be taking part of the risk). However, no counter-guarantee agreements have been signed yet, although national promotional institutions would appear to be typical intermediaries for marketing a microcredit facility targeting human capital investments.

Reflecting the time needed to build up a loan portfolio, the only financial institution which reported non-anecdotal figures on its portfolio as of end 2016, namely MicroBank, had an actual portfolio volume of €2.8m, for a signed guarantee of €4.9m (219 loans). The other financial intermediaries from France and the UK had just started to grant their first loans (19 loans and 9 loans respectively).

As a result, the number of final beneficiaries is still very limited compared to the initial objective to support 200,000 students by 2020[14]. Monitoring data is mainly available

[13] The group BPCE clarifies that the scheme is not available for incoming students as neither Banque Populaire nor Caisse d'Epargne can process a loan application if the applicant has no official address in France – which in turns makes the loan product by default not suitable for incoming students in such a scenario.

from MicroBank in Spain. According to the latest Final Recipients-Specific Operational Report, MicroBank loans had in total an average value of €12,700 (€10,400 in the case of one-year programmes and €15,300 in the case of two-year ones).

MicroBank reached both incoming and outgoing students, but mostly outgoing students. This is reflected in the statistics on the country of origin of final beneficiaries – two in three of the 247 students who had benefited by end 2016 come from Spain (154). Other students come from the UK (25), France (23) Greece (8), Italy (47), Poland (7), Turkey (5) and other Erasmus+ programme countries.

Another interesting fact from the EIF Final Recipients-Specific Operational Report of end 2016 is that 24 % of the students supported by the scheme were studying Business, Administration and Law – a field of study where students are maybe more inclined to study abroad. Other well-represented fields are Social Sciences, Journalism and Information (20 %) and Engineering, Manufacturing, Construction (20 %).

The delays in kicking off the implementation and the natural slower deployment for a new instrument are not the only explanation for the low take-up by financial intermediaries and students. Other explanations include: a market size smaller than initially anticipated, mixed views about the attractiveness of the scheme among potential financial intermediaries, and limited readiness to take up loans among students. All in all, there is a shared understanding that implementation figures give an early sign that targets have been too ambitious, that the envisaged number of loans will be difficult to achieve and that the allocated budget should be recalibrated (see also EQ2 under relevance and recommendations).

4.2 Relevance

The aim of the section is to address the relevance of the facility by looking at (i) the importance of funding among the perceived obstacles to mobility; (ii) the size of the market; (iii) the funding gap; (iv) the appropriateness of the use of a financial instrument; and (v) the tailoring of the scheme for disadvantaged students.

4.2.1 EQ1: Is funding an issue which prevents students from being mobile?

While the benefits of student mobility are continuously highlighted, findings from recent research confirm that lack of financial resources is the main barrier to mobility, especially as students need to compensate for the additional costs directly linked to mobility (e.g. travel costs) and accommodate the potentially higher tuition and living costs in the destination country compared to their country of origin. Financial issues ranked first among the obstacles to credit mobility for students across Europe (especially for students from Southern and Eastern European countries), according to an analysis of the Eurostudent survey data of those who have not been enrolled abroad (yet), regardless of whether they have plans to enrol abroad or not[15]. Both countries and students themselves highlighted financial issues as the most obstructing factor to credit and degree mobility in the 2015 Bologna process implementation report[16] – a result which was already highlighted in the 2012 report (the data does not allow a distinction between the factors hindering credit mobility and those hindering degree mobility). A Eurobarometer survey also illustrated that the number of young people saying lack of

[14] Fiche on Erasmus+ master's loans. Available at: http://ec.europa.eu/education/opportunities/higher-education/doc/erasmus-plus-master-loan_en.pdf

[15] Institute for Advanced Studies (2014), Student mobility in the EHEA – Underrepresentation in student credit mobility and imbalances in degree mobility.

[16] Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report.

funding has prevented them from pursuing their desire to study abroad was three times the observed level among mobile students[17].

Notwithstanding the fact that the SLGF is an intervention which is designed to reduce one of the main obstacles to mobility and without entering into the details of the attractiveness of the scheme, the extent to which mobility will be fostered by the launch of the SLGF should not be overestimated as other factors will play a role in students' decisions to be mobile. For instance, students' personal situation ranked second among the obstacles cited by students themselves[18].

4.2.2 EQ2: Does the SLGF address a market of relevant size, commensurate with the initial objective to support 200,000 students by 2020?

The market size is not known as it would imply knowing how many more would study abroad with financing available under this format.

Setting the current scene

With some degree of uncertainty, the market size for the SLGF can be put in perspective by looking at the existing master's degree mobility. The approach taken is as follows:

- Step 1: Retrieval of the total number of mobile students from programme countries into programme countries
- Step 2: Retrieval of the total number of *degree-mobile* students from programme countries into programme countries
- Step 3: Limitation of the population to *degree-mobile master's students* only
- Step 4: Limitation of the population to *degree-mobile master's graduates* only
- Step 5: Limitation of the population to students who have not obtained their bachelor's degree in the country where their master's degree is taking place

  - *Step 1.* According to Eurostat data, the total number of mobile students from and into programme countries was about 660,000 students in 2014. This figure includes credit-mobile students, who undertake only part of their studies abroad (a semester or one year abroad).
  - *Step 2.* Of those, 495,000 were degree-mobile students according to UIS-Unesco data[19].
  - *Step 3.* Restricting these numbers to master's or equivalent level only, there are 240,000 mobile master's students a year, including 175,000 degree-mobile master's students.

Step 4. The next step of the analysis is to restrict the numbers to graduates – instead of enrolled students. Counting students would overestimate the market, as the number of students include all enrolled students, regardless of whether they are in their first or in their second year of the programme (master's courses take typically two years to complete), while students can take an Erasmus+ master's loan only once (with an amount which indeed can cover the two years). Focusing on graduates also excludes those who have dropped out/changed track before completing their studies – which is relevant as financial intermediaries tend to lend only to those having good prospects of achieving their qualification. This leaves 70,000 degree-mobile master's graduates a year over all programme countries. This represents a lower number than the more than

[17] Eurobarometer 319b (2011) for the Youth on the Move flagship initiative.

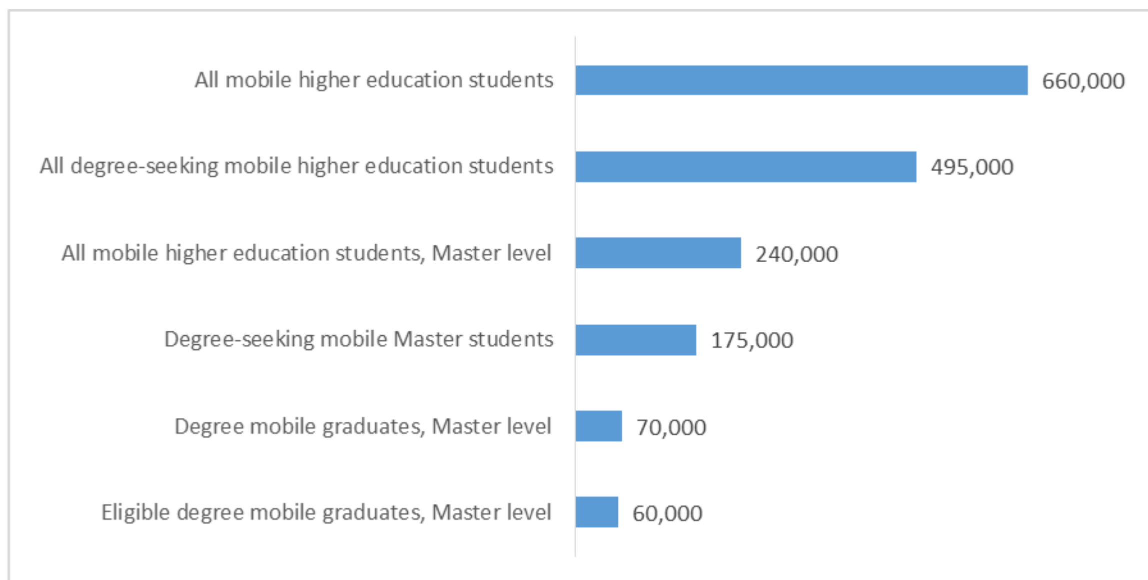
[18] Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report.

[19] It is not ideal to compare data coming from different sources. Some authors (quoted in Institute for Advanced Studies (2014), *op. cit.*) raise doubts about whether some countries obey the UIS-Unesco rule to include only degree-seeking mobile students. The difference between all degree-seeking mobile students and all mobile students is very small in some countries.

300,000 mobile master's students a year vaguely mentioned as the target group for the facility in the EC Impact assessment[20].

Step 5. Students who have obtained their bachelor's degree in the country where their master's degree is taking place are not eligible for Erasmus+ loans. The available data includes students who have graduated at the BA level from the country where they are now considered as mobile at the MA level, but does not allow us to single them out[21]. Without further evidence available at this stage, the number of eligible *degree-mobile master's graduates*, about 60,000 persons, has been calculated by applying an estimate (a priori conservative) that only 10 % of degree-mobile master's graduates had already obtained their bachelor's degree in the same country.

Figure 1. Yearly SLGF market potential within the pool of mobile students, all programme countries, 2013/14



Source:

- UIS-UNESCO, dataset education for data on degree-seeking mobile students, 2013 data
- Eurostat, educ_uoe_mobs02; for data on all mobile (master's) students, 2014 data
- Eurostat, educ_uoe_mobg02, for data on degree-mobile graduates, 2014 data

Notes:

- Data on Greece is not available
- In Eurostat data, numbers provided include incoming students from Switzerland
- For some countries on some indicators the data was missing but has been imputed based on ratios observed for other countries and other series

Step 1 to 5 gives the big picture in terms of number of students potentially concerned by the facility. It is important to set the big picture as there is some path dependency in

[20] Estimation provided in European Commission Impact Assessment SEC(2011) 1402 final. Volume 1, footnote 33 on page 64. Initially, however, the 318,000 number corresponds to the LSE projection of the number of degree-mobile master's students who would be needed to meet the 20 % target of mobile students by 2020. The LSE study warned that 'if that target is too ambitious, our estimates are correspondingly too large'. See EC (2009), *Feasibility study on student lending*. Ref: EAC/47/2009. A report by LSE Enterprise Ltd to DG EAC; page 57 and preceding ones.

[21] On the contrary, Eurostat specifies that the mobility status is defined by the country where the upper secondary diploma was obtained and therefore the status of the mobile student is maintained throughout the whole education at tertiary level (i.e. students who entered at bachelor's level are still considered as mobile at the master's level). Source: Eurostat (2015), *Methodological manual on learning mobility in tertiary education*. Available at: http://ec.europa.eu/eurostat/cache/metadata/Annexes/educ_uoe_enr_esms_an3.pdf

terms of the number of mobile students observed – even though over the recent years, in Europe, higher education degree mobility has been increasing at a higher pace than higher education enrolment as per UIS data, with a 3.3 % compound annual growth rate over 2006–2014 v a rate of 2.6 % for overall higher education enrolment for the countries where no data is missing for any of the time series[22].

However, at the end of step 5, the exact potential is not known as it would imply knowing (i) how many more students would go on mobility now that this new funding option is available (the rationale for the facility to support new mobility) and (ii) how many of those who would have been mobile anyway will use that option now it is available (as a replacement for more expensive sources of finance, for instance).

Estimating new mobility triggered by the SLGF and its take-up rate

Some scoping of these two segments using data on actual use of national portable schemes is presented in the following paragraphs:

(i) How many more students would go on mobility now that this new funding option is available. It is to be expected that only a small portion of those given a financing opportunity will make use of it. This is counterintuitive if looking at the prevalence of financing issues among quoted obstacles to mobility and at the apparent readiness to take up a loan. For instance, looking at recent survey results (the ESN Survey 2016[23] queried 24,532 credit-mobile students), it seems pursuing a master's degree abroad raises a lot of interest among respondents (the idea that mobility triggers more mobility) and a loan is seen as a suitable option to finance it: from the 70 % of respondents interested in a master's programme abroad, 37 % would consider taking out a loan in light of the financial issues they expect to face. Results from previous studies, however, demonstrated that even in those countries where national schemes are portable and offered in the form of grants, the share of students actually going to study for a degree abroad tended to remain small[24]. With the exception of Luxembourg (a small country where higher education opportunities are limited), the proportion of grant recipients that decided to be degree-mobile was at 3 % or below in seven countries (in the Netherlands, Ireland, Finland, Denmark, Germany, Belgium and Austria) and slightly higher in Sweden (5 %) and Norway (8 %).

- These low figures include countries where the portability of the scheme is supplemented by specific additional support for mobility: Finland and Sweden, where the size and coverage of the support scheme is among the highest in Europe and where mobile students have, in addition, the option to take out loans that are higher than standard loans to cover differences in costs where needed[25], and Germany, where the 25 % of students who are eligible for standard BAföG need-based support are also eligible for additional mobility support to cover travel expenses, study fees and living costs.
- In this context, it is not very conservative to consider that a flat rate of 0.5 % of all students graduating from a master's programme would have taken up an Erasmus+ loan (given that take-up of a loan can naturally be expected to be much lower than take-up of a grant). It represents about 8,500 potential

[22] This excludes Finland, Germany, Greece, Iceland, Latvia, Luxembourg, Netherlands, Poland and Spain.

[23] 'How international-friendly are our universities?' – ESN Survey 2016: https://esn.org/esnsurvey/2016

[24] Queenie K. H. Lam, Danja Oste with Irina Ferencz and Bernd Wächter (2014), *Portable state grants and loans*. ACA Papers on International Cooperation in Education.

[25] Eurydice (2016), Mobility scoreboard reports.

borrowers per year from all programme countries (new mobile master's students)[26].

(ii) How many of those who would have been mobile anyway will use that option now it is available. A certain proportion of students will be mobile in any case – with or without public support from Erasmus+ – but might make use of the opportunity which is given to complement existing sources of finance or replace the more expensive ones. The current situation tends to illustrate that only a relatively small share of mobile students are publically supported, meaning that the rest of the mobile student population do find alternatives: a Eurobarometer study[27] (not restricted to degree mobility or even higher education) found that only 23 % of mobile respondents had been financially supported (from national or European sources) and data on countries where the public funding is available only for those in need further shows that the share of supported mobile students among all degree-mobile students does not go beyond 10 %[28]. While the SLGF is a scheme which is open to all, financing is not an issue for part of the mobile students and the fact that it is a loan will make it less attractive for a certain proportion of the eligible target group. If we consider that 5 % of the current eligible degree-mobile master's students would apply for an Erasmus master's loan as it becomes available, this would give 3,000 potential borrowers a year (from the current pool of mobile students – in addition to the new mobile master's students).

In total, according to our estimates, new mobile students and new users of the E+ master's loans could represent 11,500 borrowers a year.

4.2.3 EQ3: To what extent is the SLGF additional to interventions at national level?

The rationale for an EU intervention in this field, put forward in the feasibility study, was that many of the national schemes are not portable and thus do not support mobile students and encourage further mobility[29]. Before analysing the extent to which the national schemes are indeed portable, it can be highlighted here that the lack of portability of the national schemes is not regarded as a valid reason for an EU action by all stakeholders – with student representatives instead calling for the implementation by Member States of their commitment made under the Bologna process[30] to make their national schemes portable.

Turning now to the actual portability of grant and loan schemes at the national level, Figure 2 shows that out of the EHEA countries, 20 countries have portable national schemes that are also available for outgoing students who pursue a full degree in another country. Among them, 10 countries have fully portable schemes and 10 of them have put in place some additional requirements to be met for studying abroad (e.g. limitations in terms of countries of destination or restrictions in terms of the amount of time which can be spent abroad). Other countries do not guarantee portability at all or do it for credit mobility only.

[26] Based on Eurostat data, there are about 1.7 million master's graduates a year in programme countries (excluding Turkey).

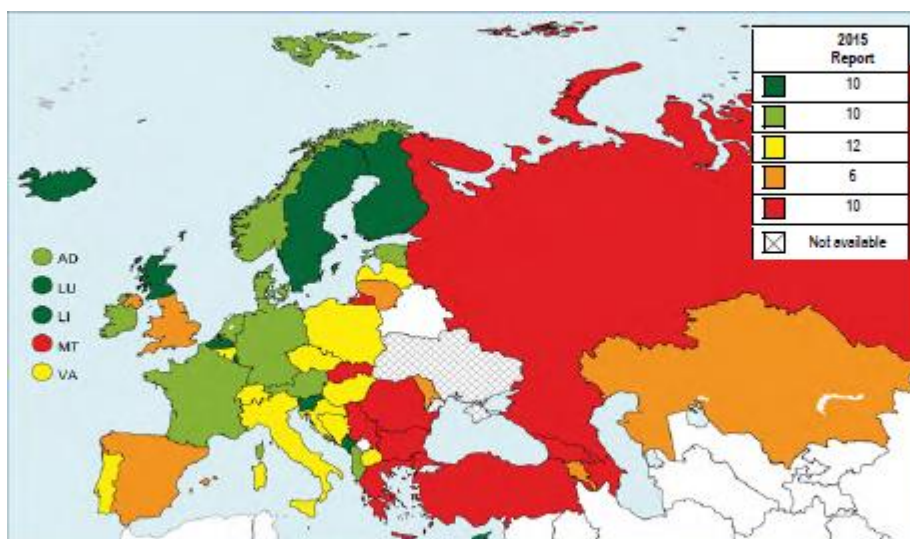
[27] Eurobarometer 319b (2011) for the Youth on the Move flagship initiative.

[28] Queenie K. H. Lam, Danja Oste with Irina Ferencz and Bernd Wächter (2014), *op. cit*., p. 66.

[29] EC (2009), *Feasibility study on student lending*. Ref: EAC/47/2009. A report by LSE Enterprise Ltd to DG EAC.

[30] See: 'We recognise that mobility of students and staff among all participating countries remains one of the key objectives of the Bologna Process. Aware of the many remaining challenges to be overcome, we reconfirm our commitment to facilitate the portability of grants and loans where appropriate through joint action, with a view to making mobility within the EHEA a reality. We shall intensify our efforts to lift obstacles to mobility by facilitating the delivery of visa and work permits and by encouraging participation in mobility programmes. We urge institutions and students to make full use of mobility programmes, advocating full recognition of study periods abroad within such programmes' (Bergen Communiqué, May 2005).

Figure 2. Portability of national schemes



Scorecard categories

- **Full portability** across the EHEA of all available national student support measures – grants and/or loans – for credit and degree mobility. Equivalent requirements for public grants and/or loans if students study in the home country or abroad.
- **Portability** of all available national student support measures – grants and/or loans – for credit and degree mobility, **but with some restrictions** related to geography (country limitations), and/or types of programme, and/or field of study or time.
- **Credit mobility** only, without restrictions
- **Credit mobility** but with some restrictions related to geography (country limitations), and/or types of programme, and/or field of study or time.
- **No portability**: public grants and/or loans are only provided if students study in the home country or in exceptional cases (no equivalent programme is available in the home country).

Source: Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report

Thus, the SLGF would address a market gap rather in Southern European and Central and Eastern European countries, while being less relevant in Northern and Western Europe. It should be noted, though, that the national support schemes are in general not providing for the additional costs related to a study period abroad.

Although varied, the modalities of the national schemes are in general favourable to students. The following paragraphs summarise key information on modalities of the national schemes in a sample of countries (see Table 14).

Incoming students from EU countries typically have unrestricted access to national student loan schemes of the host countries in the case of tuition fees loans/grants, as the principle of non-discrimination, guaranteed under Article 56 TFEU, applies. Maintenance grants and loans are, however, excluded from the scope of the principle of equal treatment[31] and a few countries do indeed impose residency requirements over a longer period of time for loan applicants (e.g. the Netherlands, Finland)

The maximum total amount which can be borrowed ranges from €8,000 in Hungary to €85,000 in the Netherlands. Other schemes offer a monthly transfer for as long as the debtors' studies may take (Finland, Sweden). As is the case for other national grant/loan schemes (where portable), the maximum amount under the SLGF is said to fall short of the needs of students – especially for studying in countries where tuition fees are high. Therefore in some cases the Erasmus+ master's loans could complement national grants or loans, where these are portable but insufficient to cover the mobility costs.

[31] See Directive 2004/38/EC.

The majority of national loans feature no or very low interest rates. For instance, in the Finnish national loan scheme, which is comparable to the design of the SLGF (commercial banks receive a guarantee from the Finnish state, covering the loans they provide to eligible students), the interest rate varies between banks, but usually does not exceed 1 % per annum. Of the selection of countries examined, only Denmark, Hungary and in certain cases, Italy, offer student loans with interest rates over 1 % per annum under their national schemes. In contrast, under the SLGF only the Caisse d'Epargne in France has an interest rate of 0.9 % per annum[32]. Annual interest rates of the other banks currently participating in the SLGF go up to 7.5 % in the UK, or to 21.27 % p.a. in Turkey.

In terms of grace periods, the national student loan schemes vary substantially. From commencing immediately after graduation in Hungary, to six months in Sweden and Finland, they can be as high as two or five years (Netherlands and Germany respectively). On average, national loan schemes allow for a grace period between one and two years, as is the case for Denmark, Italy and the Netherlands. This is much in line with the grace period of one year, typically offered through the SLGF.

However, not all national loan schemes rely on such grace periods. In the UK, debtors are allowed to postpone repayment until they reach a certain income threshold (this was also the case for Spain when the scheme was still running). For the case of national student loans in the UK, debtors need to start repaying their loans only once their annual salary arrives at £21,000, but this feature is intrinsically linked to the fact that these loans are not portable for studying in another programme country (its management implies that the loan registry is linked to national tax and social security registries).

A feature that sets apart certain national student loans from the SLGF is the possibility of partially erasing the loan when meeting certain preconditions. In Germany, students' debt is capped at €10,000 – if the borrowed sum exceeds this amount it is awarded as a grant. If a debtor manages to repay the remaining amount shortly after graduation, up to 50 % of it can be erased. In similar fashion, students in the Netherlands have their entire student debt converted into a grant if they finish their studies within 10 years.

4.2.4 EQ4: To what extent does there remain a financing gap to cover, taking into account the action undertaken at the national level?

Beyond the detailed comparison of conditions between EU v national schemes in a sample of countries, systematic review of whether there is a financing gap to cover for the SLGF has been undertaken for all programme countries, from an outgoing perspective. The output of this exercise is Figure 3 (see also Table 15 for the full details), where the countries are classified in three categories (No gap to fill/Gap to some extent/Gap), based on the portability of their schemes and the characteristics of their grant and loan schemes in terms of amounts offered and coverage. Overall, about 50% of progamme countries' Master students graduate from countries with a clear gap (90% from countries with a clear or potential gap).

Countries where there is no gap to fill (representing 11% of Master graduates)

- These include mostly the Nordic countries whose loan schemes are offering generous amounts to a large share of the student population. More precisely, the amounts start from €400 a month or €7,500 a year in all countries and are complemented by grants to 50–90 % of the student population in all cases except in Iceland (no grant) and the Netherlands (lower coverage).
- Liechtenstein and Luxembourg are also in the group where no gap is to be filled despite the fact that there is no information about the coverage of the portable loan scheme, since these countries, due to their small size and limited

[32] https://www.caisse-epargne.fr/particuliers/emprunter/produit-pret-erasmus-plus

provision of programmes for some fields of study, already have an outgoing degree mobility rate of 82 % and 67 % respectively[33].

-

- *Countries where there is a gap to fill to some extent (representing 38% of graduates)*
  - *Countries with limitative restrictions regarding loan scheme portability or eligibility.* Germany and France are two large countries with a portable national scheme supporting a reasonable fraction of the disadvantaged population: in Germany, this represents 25 % of the student population via a mix of loans and grants, and in France, 36 % of the population via grants. There is, however, some room for the SLGF to play a role as the loan scheme in France is not portable and only the BAföG scheme is portable in the case of Germany (and not the scheme by the National Promotional Bank (KfW)).

Cyprus is also included here because eligibility for the loans is not accessible to students who cannot provide guarantees, although the outgoing degree mobility rate is already high, at 51 %.

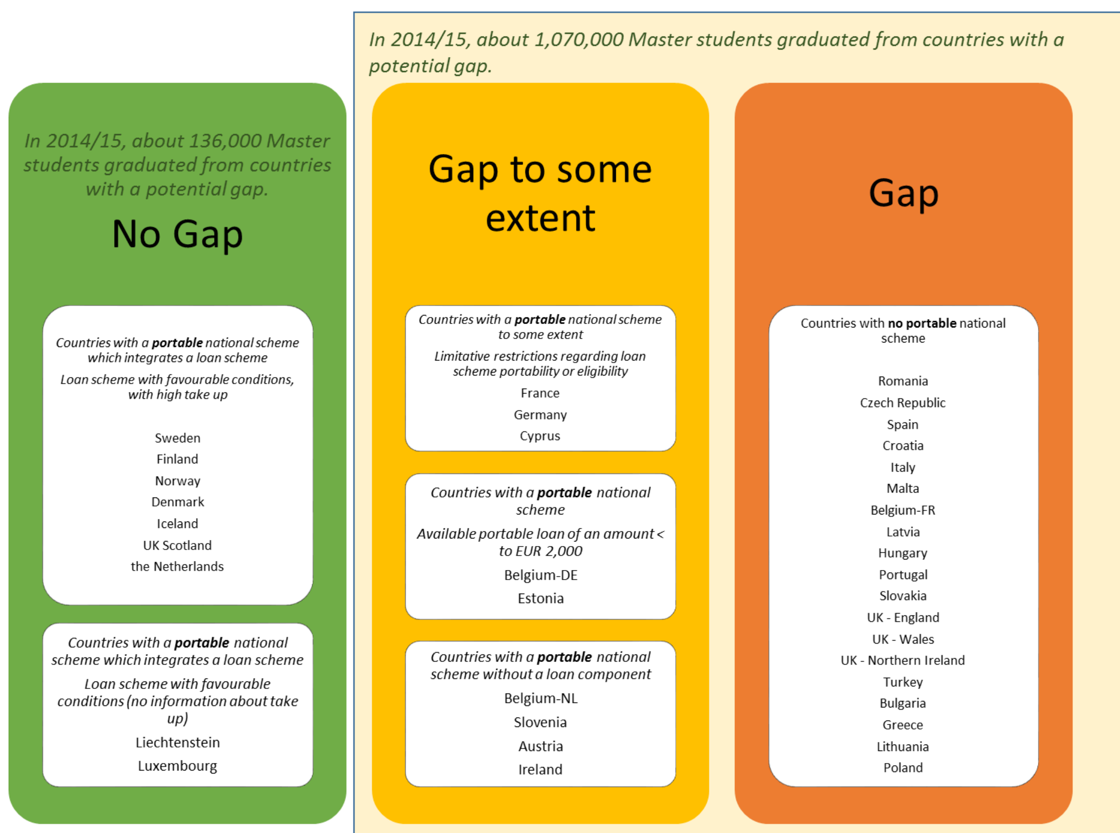
  - *Countries with a portable national scheme, which offer loans of an amount inferior to €2,000.* Here the amounts, even complemented by grants, might be of an insufficient size to cover all mobility costs at least for some destinations. This concerns Belgium-DE and Estonia.
  - *Countries with a portable national scheme without a loan component.* In this case, no loan scheme exists and similarly to the case of Belgium-DE and Estonia, the grants provided do not cover the whole student population and would not be sufficient in any case to finance all tuition and living costs associated with mobility. This group includes Belgium-NL, Slovenia, Austria and Ireland.

-

- All remaining 17 countries have no *portable* national scheme and therefore there is a gap to cover by the SLGF *(representing 51% of graduates).*
  - This includes:
- Central and Eastern countries (Romania, Czech Republic, Slovakia, Croatia, Latvia, Hungary, Lithuania, Poland, Bulgaria), Southern countries (Spain, Italy, Portugal, Malta, Greece), Belgium-FR, the parts of the United Kingdom other than Scotland, and Turkey.

[33] Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report.

Figure 3. Classification of countries based on the extent to which there is portability of national grants or loans and a gap for the SLGF to fill concerning degree mobility



Source: ICF's own analysis based on:

- Eurydice – Facts and Figures (2016), National Student Fee and Support Systems in European Higher Education 2016/17
- Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report

4.2.5 EQ5: Is the identified market served by private players?

The 2009 feasibility study commissioned by the EC[34] and the subsequent impact assessment concluded that there is a financing gap for mobile master's students, for two main reasons:

- national loan schemes are not portable and/or not well tailored to the needs of mobile students – at least in some countries (see above);
- private lenders are meeting the demand of that segment only to a limited extent.

In theory, mobile master's students should represent an attractive market segment for private lenders in the sense that they represent a well-educated and highly motivated population that will reap the benefits of mobility and benefit from rather good employment prospects upon graduation.

Taking stock of the analyses undertaken or commissioned by the EIF and ICF desk review/mystery shopping exercise on private lenders' involvement in this segment, different types of funding solutions are available to students. However, many solutions

[34] EC (2009), *Feasibility study on student lending*. Ref: EAC/47/2009. A report by LSE Enterprise Ltd to DG EAC.

have their shortcomings when it comes to financing degree-mobile students. These limitations include the following:

- Many traditional banks do offer specific students loans –rather than generic consumer/ personal loans to which students can apply- however, these are sometimes not portable and can instead require that students are enrolled in their home countries. Incoming students can also be excluded from the scope because of residency/citizenship requirements.
- Although many banks do base their decision only on an analysis of the student creditworthiness, and many traditional banks still require parental guarantees and would not lend without having a personal relationship with the parents of the borrower or without any collateral. This has been confirmed in one interview with a non-participating bank which highlights that the fact that the SLGF excludes the possibility for the bank to require parental guarantees is the only reason why they do not want to participate in the scheme (the EU guarantee being capped).
- Some banks have income requirements of various size in place, meaning only students working part-time can receive funding. This is potentially a major obstacle for mobile students, since working abroad is even more difficult.
- Especially in countries where collateral/parental guarantee play less of a role, banks' decisions are typically made based on an analysis of creditworthiness and in these conditions, it can be expected that only the brightest students/students in certain fields will obtain financing, which is at odds with the principle of universal access underpinning the Erasmus+ programme[35].
- Other solutions – but these are draining limited volumes – include study funds with repayments expressed as a share of future income, student union loans (allocated based on needs), peer-to-peer lending platforms (which offer interest rates which are often higher than traditional banks) and fintech companies.

In fine, in all the 10 countries reviewed, the private offer was assessed as not suitable/sufficient for the students targeted by the SLGF (see Table 2)

Table 2. Availability of private funding by country

	Suitability for outgoing students	Suitability for incoming students	Detailed comments
Sweden	No – limited private offer	No – limited private offer	Swedish public financial aid system is generous for both incoming and outgoing students, limiting the need for a private offer.
Estonia	No – no private offer	No – no private offer	Banks do not typically offer student loans outside of the national scheme. Requesting collateral/parental guarantee is also standard practice.
Hungary	No – no offer for outgoing students	No	Banks do not offer student loans outside of the national student loan scheme (which is not available to outgoing

[35] Under the SLGF, financial intermediaries need to keep the scheme open to all a priori but their final decision on whether or not to grant the loan is still based on a risk-based approach and the factors they will take into account to analyse risk will vary from one intermediary to another but could incorporate aspects linked to previous academic performance/field of study.

			students).
Italy	No – no offer for outgoing students	Not really a private offer but loans offered in partnership with the regional agencies/ universities	Banks do provide some loans, but mostly in partnership with the regional agencies for students' economic support. This is done without requesting collateral/parental guarantee. Loans are granted based on needs and merit. Students however typically need to be enrolled at universities in the Italian region in question[36].
United Kingdom	No – no offer for outgoing students	No – residency and resource requirement not suitable to trigger new mobility	Graduation from a UK university is typically required. Loans are granted if the borrower can provide collateral or has revenue streams (which for students translates into a working part-time requirement).
Germany	No – no offer for outgoing students except study funds	No – residency requirement not suitable to trigger new mobility	Requests of collateral are not typical in Germany – rather solvency ratings and creditworthiness analyses are given weight. However, traditional banks usually require an enrolment at a German university. Study funds do provide some portable options. However, this would be available only for studies at certain partner universities/for certain fields.
Belgium, France, Greece, Czech Republic	No – collateral/parental guarantee requirement	No – collateral/ parental guarantee requirement (plus residency requirement in many cases)	Requesting collateral/parental guarantee is standard practice.

Source: ICF analysis based on banks' websites and written/oral enquiries made in national languages

In terms of attractiveness for the students, the solutions from financial intermediaries are very diverse.

The interest rates for student loans vary depending on the country, the LIBOR/EURIBOR interest rates and the applicant's creditworthiness. Some banks work with fixed interest rates (the same for all borrowers), while others add percentage points to the six-month LIBOR/EURIBOR (+1 p.p. or +10 p.p.)

Maximum loan sizes also vary widely (from €5–10,000 to €40–60,000, with many loans falling in the €15–25,000 bracket; the loan can also be lower and/or limited by – a share of – the amount of the tuition fee).

[36] See as an example: https://www.er-go.it/fileadmin/user_upload/mvm/BANDI_2015_2016/bando_prestiti_inglese_2015-2016.pdf

4.2.6 EQ6: Is the use of a financial instrument appropriate?

Financial instruments are highlighted as a way of creating a multiplier effect for the EU budget[37], thanks to their leveraging of investment. In exchange for risk coverage, debt financial instruments indeed require financial intermediaries to provide (more) lending to final beneficiaries. Under such a scheme, the EU acts as a guarantor against the possible default on student loans but does not provide the full capital for loans – this is less costly from a budgetary point of view.

Financial instruments have long been used to support specific policy objectives in a focused manner, including now to give incentives to financial intermediaries to lend to mobile students.

The Commission considers financial instruments particularly suitable for addressing sub-optimal investment situations in a wide range of policy areas whenever activities or operations are potentially capable of being financially viable, but are not yet attracting funding from market sources that is either adequate or available on reasonable terms. Investment in human capital is specifically mentioned as one area where financial instruments could play a role[38].

Another advantage of financial instruments is that they can have an important signalling effect on the wider market, helping to demonstrate the viability and attractiveness of a particular segment which in turn can attract a more sustainable and longer-term engagement from the private sector.

This increased use of financial instruments to implement the EU budget is not seen as a positive development by all stakeholders in the field of education. Rather than a rational decision to optimise the use of the EU budget, some stakeholders highlighted during interviews that they consider this shift a political choice. Representatives of students and of some HEIs in particular did not favour this option on the ground that grants should preferably be used, especially for students from more modest economic backgrounds (see below for the discussion on the relevance of the instrument for disadvantaged students). Both student representatives and universities expressed concerns related to a possible replacement of grants by loans in the future, despite the fact that currently the budgetary allocation to the SLGF has been made of extra resources – and has not diverted resources from other budgetary lines.

4.2.7 EQ7: To what extent is the design of the facility tailored to the needs of disadvantaged students who traditionally do not engage in transnational activities?

The question of whether giving assistance in the form of a loan, will, per se, favour students from more modest socioeconomic backgrounds, even if those loans are granted under favourable terms and without collateral, is a controversial one. Arguments are centred upon two issues, namely participation and risks of over-indebtedness/financial burden.

Participation. Firstly, students from more modest socioeconomic backgrounds are less inclined to take up loans, compared to students from middle-class families. This higher debt aversion among students from lower social classes has been confirmed by several studies from the US[39] – a country where student loans are more widespread than in Europe. These studies found that young adults whose parents come from the lower-middle income bracket ($40,000 to $59,999) and from the higher-middle income bracket

[37] See European Commission (2011), A framework for the next generation of innovative financial instruments – The EU debt and equity platforms, COM(2011) 662, 19.10.2011.

[38] European Commission (2011), COM(2011) 662, *op. cit.*, p. 5.

[39] Jason N. Houle (2014), 'Disparities in Debt: Parents' Socioeconomic Resources and Young Adult Student Loan Debt', *Sociology of Education*, 2014.

($60,000 to $99,000) reported respectively 60 % more and 30 % more student debt than did young adults from the lowest income category. Further to this, the likelihood not to pursue with higher education because of this fear of debt is higher among students from more modest economic backgrounds[40]. The main reasons why these students tend to avoid debt are as follows[41]: (i) parental influence (their parents themselves avoid borrowing money and they have been told that this is the right thing to do), (ii) fear of economic burden (they prefer not to take loans because it would bring too much pressure to work more hours and influence their study and career choices), (iii) underestimation of the value of higher education (they do not think taking loans for higher education is a worthwhile investment – except maybe in some fields of study with higher potential in the job market), and (iv) lack of information and understanding about the loan system. Non-borrowers from more modest socioeconomic backgrounds mentioned scholarships and grants as their most desirable types of support to receive for higher education.

The SLGF addresses that participation issue as follows: Financial intermediaries implementing the Erasmus+ backed loans cannot request any collateral or parental guarantee from the applicants. The expectation is that this element of the design will free up debt financing for students who would not have been in a position to mobilise this parental guarantee, i.e. students from more disadvantaged socioeconomic backgrounds. The first analyses of the profiles of those taking up Erasmus+ loans, which tend to indicate that the design of the SLGF effectively targets disadvantaged students (first-generation tertiary students) almost as much as other mobility programmes, will need to be confirmed with more data (see also Section 4.4).

Risks of over-indebtedness or financial burden. Secondly, student loan debt may allow students from more modest socioeconomic backgrounds to enrol in higher education but, unlike grants, it will also lower their disposable income after graduation, hinder their capacity to accumulate wealth upon entry into the workforce and may affect their study and career choices. The risks related to the over-indebtedness of graduates are of particular concern in the current economic context where higher education graduates may not find immediately well-paid and permanent job positions. In addition, unlike some national schemes, the Erasmus+ loans do not come with debt forgiveness programmes or income-based repayments.

In order to mitigate the financial burden, the route chosen by the SLGF has been to set a maximum amount of the loan at a reasonably low level to minimise the risk of creating excessive debt (€12,000 for a one-year master and €18,000 for a two-year master), while still making a realistic contribution to the cost of studying and living abroad. This is in line with the amounts offered at the national level in countries such as France, Liechtenstein and Norway and above the amounts offered in, for instance, Luxembourg (see Table 1 in Annex 13). This may indicate that the ceilings strike this balance relatively well. That said, the first survey of E+ loan beneficiaries shows that about 40–50 % of the respondents would have liked to lend out more than the maximum amounts guaranteed (especially among students from less well-off backgrounds).

The preferred model in the 2009 feasibility study was to set up a system whereby the lowest earners benefit from income-contingent repayments which would safeguard them against their inability to repay, and make it less risky for them to take up a loan. This approach was, however, not implemented as it was perceived as too prescriptive, administratively demanding and therefore not attractive for the chosen model whereby financial intermediaries do retain a substantial share of the risk at the portfolio level. The

[40] Callender, C., and Jackson, J. (2005), 'Does the fear of debt deter students from higher education?', *Journal of Social Policy*, Vol. 34, No 4, pp. 509–540.

[41] Xue, Mo and Chao, Xia (2015), 'Non-Borrowing Students' Perceptions of Student Loans and Strategies of Paying for College', *Journal of Student Financial Aid*, Vol. 45, No 2, Article 3. Available at: http://publications.nasfaa.org/jsfa/vol45/iss2/3

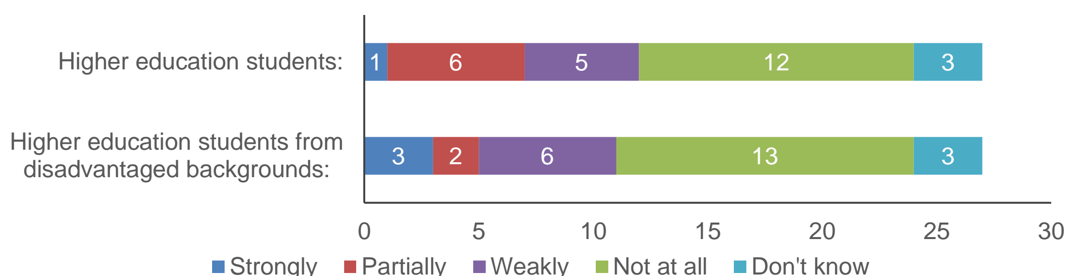
financial intermediaries participating in the SLGF remain free to implement an income-contingent model but this feature has not yet been implemented by financial intermediaries.

Views of the national agencies on the relevance of the SLGF, including for disadvantaged students

The ICF survey on national agencies confirms perceived issues regarding the relevance of the SLGF. As illustrated in Figure 4, about half of the respondents did not find the SLGF relevant at all to address the needs of students, whether disadvantaged or not. A further fifth of the respondents found the relevance of the facility to be weak for both groups of students.

Positive views were even less often expressed in relation to disadvantaged students, supporting the notion that the facility is not suitable for the needs of disadvantaged individuals. These views do not appear entirely supported by the (limited) evidence available so far.

Figure 4. To what extent is the Student Loan Guarantee Facility (E+ master's loans) relevant to current and emerging needs of:



Source: ICF survey on national agencies. Respondents (n= 27)

4.3 Coherence

The internal and external coherence of the scheme will be addressed under this section.

4.3.1 EQ1: Internal coherence: To what extent is the SLGF complementary t other financial support offered for mobility?

A first tool for degree mobility

The SLGF provides support to degree-mobile students – a type of mobility which had not been previously promoted by the EU (even if the freedom to be degree-mobile has long been guaranteed by the inherent rights of EU citizenship). In that sense, the SLGF is complementary to the Erasmus+ grants which are available only for credit mobility: it can incentivise new students to be mobile or can be a follow-up support for those who had benefited from an Erasmus grant – in case their first stay convinced them to study abroad for a full degree. A survey of first beneficiaries indicates that 45–48 % of respondents reported previous experience with the Erasmus mobility programme and 52–55 % did not (n= 113[42]).

Among the students the ICF team met at the student fairs who had not applied for an Erasmus grant – despite being aware of them and having the desire to study abroad – some had acted thus especially because they wanted to take a full programme abroad and were therefore not eligible for Erasmus grants. With the launch of the SLGF, the needs of those students can potentially be covered as well.

[42] n= 44 for 2015 and n= 69 for 2016

The SLGF is different from the rest of the E+ programme, as it is a financial instrument

The student mobility part of the Erasmus+ programme is traditionally implemented via grants which are distributed to all eligible students as long as there is budget available. This is different from the processes through which banks' decisions are made, which reflect a risk-based approach. Within financial institutions, analyses of creditworthiness try to capture the future affordability of a loan. In the absence of any parental guarantee or collateral, the main aspect which will matter is employability and expected wage, which in turn can be linked to previous academic performance, field of study or name of the HE institution. This risk-based approach also translated into a different pricing strategy for different profiles of borrowers (i.e. different interest rates). The risk-based approach is an inherent characteristic of any financial instrument and is not something which can be altered – the only leverage which can be put in place consists in requesting to keep the scheme open to all a priori (which is already the case now). Bank practices based on risk-based approaches should not by definition be described as at odds with the non-discrimination principles of the Erasmus+ programme, as this would mean bank practices are discriminatory in general, which is not the case as long as disparities in access/pricing are simply due to differences in creditworthiness and not to factors such as race, ethnic origin, sex or religion.

To conclude, the SLGF is fully coherent with the principles of the E+ programme. It is, however, a different type of instrument (compared to grants) and the loans' eligibility criteria should not be misinterpreted – their fulfilment does not mean a loan will actually be granted and the EC should be clearer about that in their communication material (e.g. the E+ master's loan factsheet[43] mentions the principle of non-discrimination but it does not mention that the decision lies in the hands of the financial institution).

4.3.2 EQ2: External coherence: To what extent does the SLGF exploit synergies with other programmes at the national level? Does it overlap with other EU programmes?

Synergies with national schemes, whereby the same financial intermediary implements both the national and the EU scheme, can for now be observed only in the case of France. Efforts have been made by the EIF to exploit those synergies. In the very early days, participants in the market testing included Oseo from France, KfW from Germany, DIAKHITEL from Hungary, and the Student Loans Company from the UK.

It seems that national loan schemes also seek EU support in the context of the EFSI – and not necessarily as part of the SLGF. For instance, KfW was in discussion with the Commission and EIB with regard to the extension of its national student loan scheme to all EU citizens through additional commitments of around €450m – in the context of the EFSI[44]. The SLGF and the EFSI do not have at all the same scope, although some of their objectives would converge (see Box 1.1). For now, no project on student lending which could have been covered under the SLGF has been financed by the EFSI. There has, however, been some initial interest raised and since education is among the priority themes of EFSI, it should not be ruled out that this could happen in the future. For the national level, EFSI funding has the advantage of being more visible, more 'in vogue' (it provides a sort of label to the project). It is also less narrow than the SLGF and would enable projects with wider scope to be carried out (e.g. addressed at the BA or national level).

Box 1.1 The European Fund for Strategic Investment (EFSI)

[43] Available here: http://ec.europa.eu/programmes/erasmus-plus/library/erasmus-master-loans-information_en

[44] See http://ec.europa.eu/dgs/education_culture/repository/education/events/2015/docs/kfw-financing-education_en.pdf

The European Fund for Strategic Investment was approved in June 2015[45], for an initial period of three years. The EFSI works by pooling funding from the EU's budget with funding from the EIB and contributions from national investment banks. The instrument serves as creditor protection or a guarantee to support long-term investments. By targeting strategic and economically viable projects, the EFSI aims at stimulating economic growth and creating jobs and sustained benefits for the EU.

There are no geographic or sector quotas and cross-border projects are also within its scope. Projects are considered based on their individual merits. Sectors of key importance where the EIB has already a proven capacity are particularly relevant. This includes:

- strategic infrastructure including digital, transport and energy;

- education, research, development and innovation;

- expansion of renewable energy and resource efficiency;

- support for smaller businesses and midcap companies.

4.4 Effectiveness

There are five strands of analysis to answering the question on effectiveness:

- the attractiveness of the scheme for financial institutions;
- the attractiveness of the E+ master's loan for students;
- the short-term impacts of the Erasmus+ backed loan on final beneficiaries;
- the geographical coverage of the scheme and the take-up numbers, including by students from non-academic backgrounds;
- the visibility of the scheme and awareness-raising levels.

4.4.1 EQ1: Is the scheme attractive enough for financial institutions?

So far, most of the participating financial intermediaries have specific profiles:

MicroBank, a social bank specialised in microcredits;

Future Finance, a fintech/non-bank student lender; and

Banque Populaire/Caisse d'Epargne, a French commercial bank implementing the newly launched national scheme of student loans.

The interest from large mainstream banks has been limited and first findings from the study team regarding the attractiveness of the scheme are broadly in line with the conclusions of the EIF: the scope of the facility is too narrow to allow most intermediaries to reach sufficient volumes and give them the necessary incentives to adapt their IT system to launch the product ; the segment especially of incoming students is still perceived as risky and some features of the scheme are inflexible and not appropriate (notably the no-payment-during-the-study-period rule).

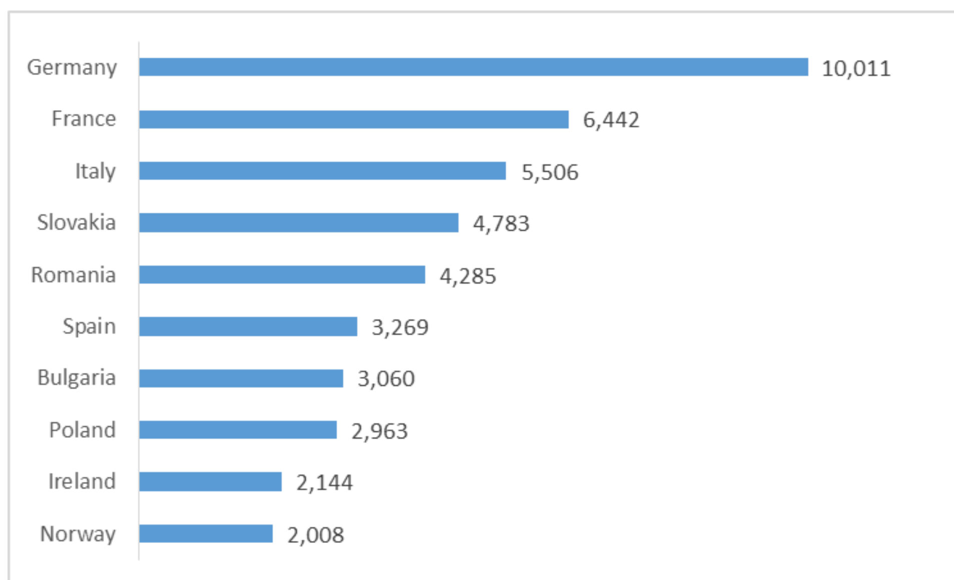
Narrow focus of the facility. The target population is quite narrowly defined and excludes all mobile students at other educational levels or on credit mobility. For financial intermediaries, especially those based in some countries with a student population of a

[45] Completion of the formal establishment of EFSI occurred in July:

http://www.eib.org/infocentre/press/releases/all/2015/2015-175-eib-approves-eur-10-billion-of-new-eib-loans-and-launches-european-fund-for-strategic-investments-with-european-commission.htm

smaller size, the small market size was a limiting factor and a reason not to pursue the application, despite the initial interest in the facility. Based on first estimates, the current annual number of outgoing degree-mobile MA graduates is above 2,000 in only 10 programme countries, among them Norway, which already has a fully-fledged portable national scheme and Germany, France and Ireland, which are partly there.

Figure 5. Estimate on total number of outgoing degree-mobile MA graduates by country, going to programme countries, 2014



Source: ICF estimates based on UIS and Eurostat data. The number of all mobile higher education students/degree-mobile graduates from a given country (outgoing perspective) was not available from Eurostat. It has been estimated based upon the share the country represents within all degree-seeking mobile higher education students.

The small size of the market makes the potentially necessary adjustments to the IT system (e.g. those necessary to allow borrowers to take payment holidays) disproportionately costly. The fixed and regulated loan features are difficult to implement for the intermediaries, especially financial institutions, most often requiring relevant changes in the IT systems, and usually deemed too costly in view of the small portfolio sizes and in light of small loans being cost efficient only if fully standardised and easy to process.

The second table in Annex 15 provides a more detailed overview by country.

A segment perceived as risky, in particular when it comes to incoming students and with the complication of the no-payment-during-the-study-period rule.

With the guarantee rate from the EIF being capped, credit risk mitigation is not equivalent compared to asking for a full parental guarantee.

Master's students should in general represent an attractive market segment for private lenders but there is a need to factor in several aspects. Completion rates vary across Europe, where data is available from 65 % to 95 % depending on the country and the programme, and average time to degree also exceeds the average duration of the programme in many cases[46]. Prospects for insertion of graduates also play a role here.

[46] European Commission (2015), *Dropout and Completion in Higher Education in Europe*. Available at: http://ec.europa.eu/dgs/education_culture/repository/education/library/study/2015/dropout-completion-he_en.pdf

The likely default rate should therefore not be underestimated. In France, where a national scheme with similar architecture to the SLGF has been in place since 2008, the limits on Maximum Portfolio Volume seem to have been revised downwards (lower actual leverage, fewer new loans granted) as from 2013 or 2014, after five or six years of operation when the first wave of loans became due. The fact that the scheme is generally oversubscribed (loans sold out within a few weeks) tends to confirm that these evolutions are not due to demand-side explanations (actual default rates remain confidential).

Table 3. General data on the French national loan scheme

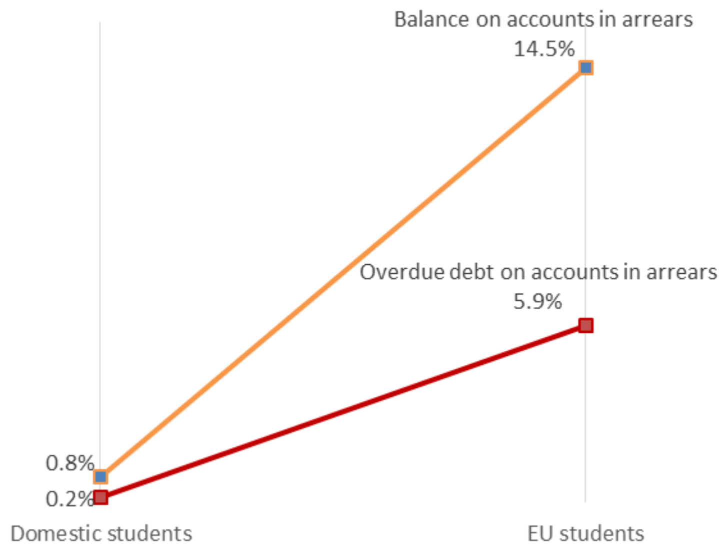
Year (end of)	Contribution made available to sign guarantees (€ million - total since inception) (a)	Actual amount of underlying financing transactions (€ million - total since inception) (b)	Actual leverage (a/b)	Number of loans granted (total since inception)	Annual number of loans granted
2008	5	m	m	2,408	2,408
2009	10	53	5	6,600	4,192
2010	10	m	m	10,987	4,387
2011	10	210	21	26,277	15,290
2012	11	346	31	43,250	16,973
2013	13	m	m	m	2,473 (est)
2014	15	396	26	48,196	2,473 (est)
2015	17	430	25	51,543	3,347

Source: Projet de loi de finances, various years (e.g. available at http://www.senat.fr/rap/l16-140-325/l16-140-3258.html#fn28 for 2015)

The perceived riskiness increases for incoming students. The first participating financial intermediaries from Spain and the United Kingdom do cover incoming students as well as outgoing students. This is, however, not the case in Turkey, where the financial intermediary ruled out that segment for risk-management reasons since it is perceived as too difficult to pursue debtors from foreign countries.

Data on fraud from incoming EU students in relation to the UK national scheme does seem to confirm that the segment is risky: the data from the Student Loans Company in England shows that up to £65.2m is owed by those who are in arrears or failing to provide information about their employment status at the end of 2015/16 (since incoming EU students have been entitled to the scheme – out of a total of 125,500 non-UK EU borrowers). This sum represents 14 % of the balance liable for repayment (the amount actually overdue on those accounts which are in arrears is lower and represents 6 % of the balance liable for repayment). Still, in comparison, only 0.8 % of the domestic students' balance which is liable for repayment is on accounts in arrears (0.2 % in arrears and overdue), as illustrated in Figure 6.

Figure 6. Status of balance liable for repayment, for England-domiciled students and non-UK EU-domiciled students



Source: ICF based on Student Loans Company student loans in England: financial year 2015/16. Available at: http://www.slc.co.uk/official-statistics/full-catalogue-of-official-statistics/student-loans-debt-and-repayment.aspx

First data on cases of default in the SLGF seem indeed to confirm a higher fraud risk among incoming students (with only a handful of cases from Spain to date, but all concerning incoming students).

Further to this, the fact that Erasmus+ loans imply there is no mandatory payment during the study period, plus a one-year grace period after the study, increases the perceived riskiness of the portfolio. Traditional student lending bank products typically imply mandatory small payments during the study period with a view to reducing non-payment and making student more responsible re their debt from day one.

A scheme which has a complex design – difficult to convey to commercial staff

The geographic eligibility rules, which need to be cumulated (MA in a programme country other than the country of residence and other than the country where the BA was obtained), are restrictive (see relevance section) given the aim to enable mobility. They are also difficult for commercial staff to understand, as reported by one participant financial intermediary.

The same financial intermediary also regretted that the design of the scheme is complex in the sense that it combines a cap rate at the transaction level and a cap rate at the portfolio level. Working with a portfolio-level cap rate (and a limited portfolio size), or a cap rate at the transaction level (again associated with a limited portfolio size), would make it easier for bank staff to assess the level of risk they are taking while still meeting alignment of interest objectives.

Furthermore (and relating this time to inflexibility rather than complexity), the grace period should be included by default, but if it is not needed by the beneficiary it should be possible to repay earlier.

A pilot of working with universities which has uncertain but potentially limited potential for replication

The role of financial intermediary is typically played by a financial institution, but, the legal basis being flexible enough, an academic institution can also act as a financial intermediary by providing mobile master's students with deferred payment solutions

(tuition fees and potentially living costs). Since January 2017, there is one such pilot example from Luxemburg[47].

There are several drivers which could push universities to consider participanting in the SLGF. Notably, offering mobile master's students with deferred payment solutions could be seen as an element of their internationalisation strategy, helping them to attract students from abroad and thereby making their classrooms more diverse. Also, from an economic point of view, universities would have more incentives to engage in the scheme in case their students are required to pay high tuition fees and/ or in case student living costs are high (for instance with regards to accomodation, services provided by the university).

However since universities would need to retain some of the risks despite the EU guarantee, there is a need to understand whether universities would be able to take financial risks to assess the potential for replication. Now, mapping all 28 legal frameworks to determine whether or not universities in other countries could implement the SLGF goes well beyond the scope of this assignment and the issue deserves further exploration.

Our initial assessment, however, is that becoming a financial intermediary is not straightforward for universities as it would depend inter alia on how universities are financed in each country and whether they are actually able to take financial risks (.

In the absence of other sources, average fee levels and the extent to which universities are autonomous from a financial point of view[48], which capture issues around financial management, new public management and levels of autonomy/ modernity, provide some indication of potential for replication. The current assessment[49] is that in some countries it will be feasible to replicate the Luxemburg experience but not in others. In many countries, universities would not have incentives to act as a financial intermediary like the University of Luxemburg is doing either because fee levels are low or because they have limited financial autonomy (both factors often go hand in hand – see Table 4).

[47] http://www.eif.org/what_we_do/guarantees/news/2017/erasmus+_unilu.htm

[48] http://www.university-autonomy.eu/dimensions/financial/

[49] Feasibility relates to a point in time, and things can evolve in the future (a future also shaped by EU programmes and actions).

Table 4. Level of fees and financial autonomy

Tuition fees range for national/EU students at Master's level [Min- Most common - Max fee in parenthesis]	Financial autonomy High (>1500)	Medium (300-1500)	Low (<300)
Universities are free to set the level of tuition fees	Ireland [€ 4,000 - € 6,000 - € 30,000] Latvia [€ 1,080 - € 2,000 - € 12,800] Lithuania [€ 2,265 - € 12,604] UK [€ 4,839]	Luxembourg [€ 400 - € 800 - € 18,000] Serbia [€ 500 - € 2,500] Portugal [€ 656 - € 1,063 - € 6,233]	
Universities and an external authority cooperate in setting the level of tuition fees/ Universities can set the level of tuition fees under a ceiling set by an external authority/ Only an external authority is allowed to set the level of tuition fees	The Netherlands [€ 1,984] Hungary [€ 971 - € 2,589 - € 10,681] Spain [€ 1,298 - € 1,991 - € 3,211]	Iceland [€ 569 - € 6,042] Italy [€ 198 - € 1,262 - € 2,086]	Croatia [€ 0 - € 1,002] Belgium [€ 105 - € 890] France [€ 184 - € 256]
There are no tuition fees			Austria [€ 0 - € 0 - € 727] Denmark [€ 0] Estonia [€ 0 - € 7,200] Finland [€ 0] Germany [€ 0] Norway [€ 0] Poland [€ 0] Slovakia [€ 0 - € 3,080] Sweden [€ 0]

Source: ICF analysis based on:

http://www.university-autonomy.eu/dimensions/financial/
Eurydice – Facts and Figures (2016), National Student Fee and Support Systems in European Higher Education 2016/17

4.4.2 EQ2: Is the scheme attractive enough to students?

Some countries have no tradition of student loans. Although young people met at fairs and final beneficiaries do express positive views about the SLGF, student representatives are generally opposed to the scheme[50]. The concerns they raise are also factors which might explain low take-up rates among students (which might persist over time): these are linked to unemployment and low earnings of young graduates (in turn associated with brain drain issues).

Lack of a borrowing culture to finance investment in education in some countries

The borrowing culture for investment into education varies significantly across Europe – from the UK, where more than 90 % of students take out public loans, to France or Italy, where the proportions are below 1 % for public loans (and not much higher should private loans be included). This could lead to low numbers of students applying for SLGF loans in those countries with no tradition of student loans – regardless of the characteristics of the scheme and its attractiveness. Students might be more trusting of loans or deferred payment provided through universities, but there is currently insufficient evidence nor opportunity to support such a tendency.

Table 5. Borrowing culture among students in tertiary education

	Proportion of students who have a public loan (in %), ISCED levels 6–8, (2013/14)	Note
United Kingdom	92	4
Norway	68	4

[50] See notably ESU 2012, *Non-paper on the Erasmus Loan Guarantee Facility for Master Students*. Available at https://www.esu-online.org/wp-content/uploads/2016/07/ESU-Non-paper-Loan-Guarantee-Facility.pdf

Sweden	52	4
Denmark	35	4
Netherlands	33	5
Turkey	32	
Finland	22	2
Hungary	17	5
Estonia	11	2
Belgium (FR)	9	1
Italy	0.3	2
France	0.1	2

Source and notes:

OECD, Education at a glance, 2016, Table B5.4

(1) All students in bachelor’s, master’s, doctoral or equivalent programmes

(2) Private loan guaranteed by the state rather than public loan

(3) Reference year 2012/13

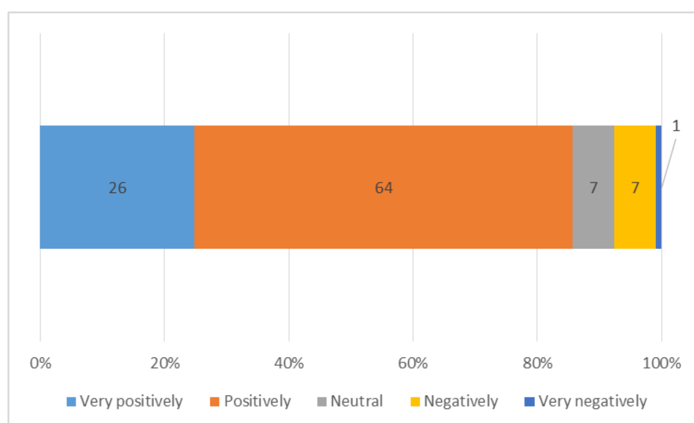
(4) Reference year 2014/15

(5) Reference year 2010/11

A scheme generally well perceived by the student audience, multipliers and the actual borrowers

After being presented with basic information on the Erasmus+ loans, students met at the student fairs commonly perceived the scheme positively or very positively (see Figure 7). Only 8 out of 107 individuals had a negative perception of the loan facility, with one student issuing a very negative opinion (fear that the SLGF budget would crowd out budgets for grants).

Figure 7. How do you perceive this new EU initiative?



Source: ICF student fair survey, n= 107, 2 answered ‘Don’t know’

Moreover, about half of the exhibitors who were aware of the SLGF indicated that they are currently distributing information about the scheme to students and reported that the SLGF is positively received by their students – even if, as reported by some exhibitors, students naturally are rather looking for grants first.

Those who were unaware of the scheme have also been asked whether they would promote the Erasmus+ master's degree loans in the future after a short introduction. Exhibitors commonly answered with yes. Only four individuals denied any intention to promote the loans, mostly because they do not perceive it as their mandate to promote the SLGF.

Among actual borrowers, who have more direct knowledge of and experience with the scheme, the perception is similarly positive, with 70–78 % of respondents to the survey being moderately to very satisfied with the terms of the loans (in 2015 and 2016 respectively). Nevertheless, around 16–11 % of respondents are dissatisfied with the terms of the loan (for reasons related to the maximum loan size or level of interest rate). The remaining 14–11 % are neither satisfied nor unsatisfied.

The maximum amount for the loan (€18,000 for a two-year programme) is not sufficient in some contexts

Pursuing a master's programme can be costly for students, even where tuition fees are low. Even if the loan does not need to cover all expenses, the Erasmus+ loan might not be enough to cover a sufficiently large share of expenses. In six countries where data is available, the total cost of a master's programme is estimated to be above €25,000.

Table 6. Estimated cost of a two-year master's programme

Country	Total fees – 24 months	Total expenses – 24 months
NO	€ 1,672.32	€ 47,921.04
IE	€ 6,744.00	€ 33,984.00
SE	€ 856.08	€ 32,514.00
DK	€ 1,068.48	€ 30,722.88
FI	n.d	€ 29,232.00
NL	€ 4,114.08	€ 27,863.76
AT	€ 360.00	€ 24,696.00
MT	€ 2,760.00	€ 23,856.00
DE	n.d	€ 23,448.00
IT	€ 2,599.20	€ 19,598.40
FR		€ 19,032.00
EE	€ 720.00	€ 19,008.00
SI	€ 391.68	€ 16,908.72
LV	€ 1,484.40	€ 15,417.36
CZ	€ 903.12	€ 13,686.24
LT	€ 875.76	€ 11,969.52
SK	€ 439.20	€ 11,421.60
HR	€ 1,583.28	€ 11,277.84
HU	€ 347.52	€ 9,874.56
PL	€ 462.00	€ 9,542.64
RO	€ 387.60	€ 5,654.40

Source: Eurostudent, derived from monthly data

Among the 2015 respondents to the annual survey, 55 % indicated that they would have taken a higher loan amount if it had been permitted. 40 % made this observation in 2016.

Fear of debt burden linked to labour market uncertainty

Despite the maximum loan amount currently being limited – at too low a level for some – there are fears of debt burden linked to the current context marked by an unfavourable economic environment, especially for young people. These fears were notably expressed by student associations.

Youth unemployment among tertiary graduates is indeed still high in 2016 (7.8 % across the EU but as high as 29.6 % in Greece or 15–17 % in Spain and Italy). Under such conditions, financing studies via a loan might appear a risky bet – especially when the loan is a mortgage-type loan (not an income-contingent loan and the standard offered grace period is one year and renewable once), which might not be enough to cover the risks of unemployment upon graduation.

Table 7. Unemployment rates of tertiary education graduates, from 20 to 34 years, ISCED levels 5–8 (only those not in education and training)

	2010	2011	2012	2013	2014	2015	2016
European Union (28 countries)	8.3	8.5	9.3	9.8	9.6	8.8	7.8
Greece	19.4	27.2	32.5	35.4	34.3	32.5	29.6
Italy	12.6	12.1	13.8	16.7	19.5	17.7	17.1
Turkey	13.9	13.3	12.5	12.7	14.2	14.8	16.4
Cyprus	9.7	12.1	14.6	20.3	19.8	17.2	15.8
Spain	13.9	15.3	18.7	18.9	19.4	18.8	15.3
Croatia	15.4	18.8	21.3	20.9	17.6	16.6	14.4
Portugal	10.5	13.9	19.3	19.4	15.3	14.4	13.4
Slovenia	9.2	8.9	12.6	11.7	12.6	10.2	11.6
France	7.1	7.4	7.8	9.7	10.9	10.5	10.4
Denmark	9.0	9.1	9.0	8.2	8.0	8.9	8.8

Source: Eurostat [edat_lfse_25]

Despite the fact that Eurostat data[51] confirms that the earnings of tertiary graduates are higher than those of lower-qualified employees, it is also true that high salaries do not always come immediately after graduation even for those finding a job. Data from the UK shows that it takes time for graduates to have above-threshold earnings. By April 2016, among the repayment cohort which had become liable to repay in April 2010 (i.e. who had ended courses in 2009), the share of those with no live employment was at 8.6 % and the share of those earning below the threshold (i.e. below £17,775) was still at 18 %

[51] ilc_di08. In 2015, the median income of employees with tertiary education background amounted to €22,850, whereas the median income was approximately €15,849 for employees with upper secondary education and around €12,822 for those with lower secondary education.

(while the median income for tertiary graduates aged 18 to 64 was £23,658). Those proportions were higher for more recent graduates.

Table 8. Status of Student Loans Company borrowers, as of April 2016

Repayment cohort	No live employment	Below earnings threshold in the last tax year	Above earnings threshold in the last tax year	Other cases
2010	8.6 %	18.0 %	58.4 %	15.1 %
2011	8.9 %	20.3 %	58.2 %	12.7 %
2012	9.5 %	22.8 %	56.8 %	11.0 %
2013	10.2 %	25.3 %	55.1 %	9.4 %
2014	10.9 %	29.8 %	49.6 %	9.8 %

Source: ICF analysis based on Student Loans Company data, Table 3A, 2015/16

Notes:

Data on those working in the UK and overseas grouped together

Full-time students become due to repay their loans from the April after they leave their course

Information about threshold. There are two different repayment plan types, Plan 1 and Plan 2. The repayment threshold for Plan 1 is £17,775 and for Plan 2 the threshold is £21,000. Plan 2 applies to loans for courses starting from 1 September 2012. Most borrowers in this table will therefore have a Plan 1 type of repayment plan. Plan 2 borrowers can be included in repayment cohort 2014 or at the margin in repayment cohort 2013 (for those who would have dropped out of their course in 2012 immediately after taking the Plan 2 loan).

Other cases include those where the loan has been fully repaid or the loan has been cancelled, those with no information on earnings, and those with other statuses not requiring payment.

It is possible to look at the debt–service ratio of SLGF borrowers (see Table 9) – with the caveats that the data is more reliable in the case of Spain, as the numbers of granted loans are very low in France and the United Kingdom, and that the median income of tertiary graduates indicates the income of those in the age tranche 18–64 (not that of young graduates, meaning that the debt–service ratio of young graduates may well be higher in reality). With the information currently available, one can conclude that *on average* debt-to-service ratios are safely below the recommended threshold of around 30 % if earning directly the median income upon graduation. This does not preclude that a substantial share of borrowers could have higher ratios – should they be unemployed or earn less (18 % to 30 % of UK young HE graduates – not necessarily holding a master's – earn less than 75 % of the median income in the few years following graduation).

This also hides the fact that an incoming student from countries with lower salary levels would have a higher debt–service ratio if returning to his/her country of origin upon graduation. Student associations fear that this factor will encourage brain drain. With our example of the typical MicroBank's monthly repayment, a borrower from countries with lower salary levels would indeed need to dedicate 25 % to 68 % of his/her income to debt service – should he/she earn the median income for tertiary graduates in his/her country of origin (the rate varies across countries, from 25 % in Estonia to 68 % in Romania).

That being said, *ex ante*, most respondents to the 2015 annual survey were confident about their ability to repay. The first follow-up interviews with six 2015 beneficiaries (one year after obtaining their master's) suggest their choice to take a loan has paid off and has thus far resulted in their quickly obtaining a gratifying job (or traineeship).

Table 9. Loan characteristics and average monthly repayments, as a share of median income of tertiary graduates

	Average size of Final Recipients Transactions (€) (1)	Average interest rate (%) (1)	Average duration (years) (2)	Monthly repayments (€)	As a share of median equivalised net income of tertiary graduates aged 18–65 in the country where the loan was granted (%) (3)
ES (n= 219)	12,700	5.2	5	240	15
FR (n= 19)	9,485	1.1	5	165	7
UK (n= 9)	9,800	6.5	5	190	8

Source:

(1) Student Loan Guarantee Facility – Quarterly Operational Report – Q4 2016

(2) Annual survey of beneficiaries – calculated on the 2016 69 borrowers, primarily from MicroBank

(3) Eurostat, ilc_di08

Beyond labour market issues, fears also stem from the fact that some students will drop out from their studies, take longer than expected to graduate or decide to pursue further study. No specific provisions are integrated for them in the scheme.

4.4.3 EQ3: What are the short-term impacts of the Erasmus+ backed loan on final beneficiaries?

It is premature to assess the longer-term impacts of the E+ loans. One can mention only the short-term impacts – in terms of making the mobility period and/or master's programme happen – as per the views of the limited number of final beneficiaries who have been surveyed and interviewed in 2015.

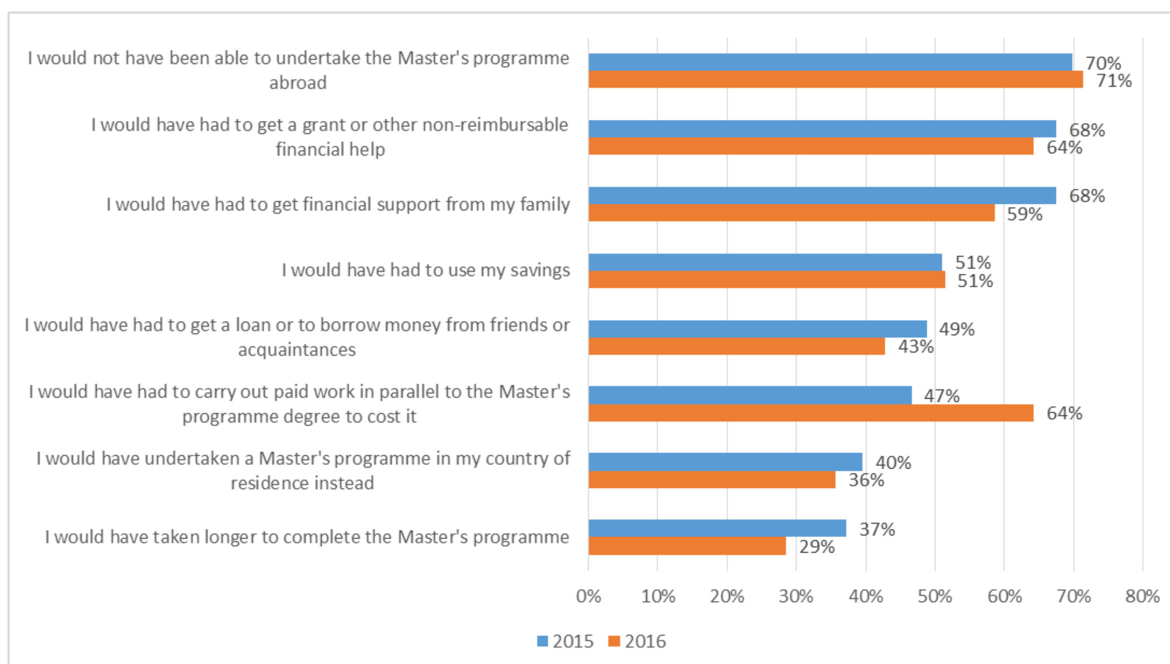
The Erasmus + master's loan has been instrumental in allowing students to undertake their master's programme abroad in 70 % of cases, as estimated by borrowers themselves in the 2015 annual survey of beneficiaries, and this proportion even reaches 77 % in the survey of 2016 beneficiaries.

Despite the high number of those thinking that they would not have been able to undertake their master's programme abroad without the E+ master's loan, only 35–40 % of respondents agreed they would take a master's in their country of residence. This suggests that the remaining ones (about 30–35 %) would not have undertaken a master's programme at all. This also seems to indicate that the plan to study abroad came first (it did not come with learning that E+ loans were available) – otherwise respondents would certainly have been more likely to change their plans back to studying at home.

Working or taking longer to graduate were seen as alternatives for only part of the sample. When prompted about alternative sources of funding, family and grants come first. This does not, however, preclude that the funding would have been available. Other alternatives were assessed as less likely including the use of savings, borrowing from friends or acquaintances.

Compared to 2015 beneficiaries, 2016 beneficiaries, still predominantly from Spain (51 %) but also from the UK and France, were less likely to envisage family as the key alternative support and more likely to say they would have worked alongside their studies, probably reflecting countries' cultural differences.

Figure 8. Likelihood of different alternatives if had not been granted an E+ loan



Source: 2015 annual survey on Erasmus+ master's scheme beneficiaries (n= 44); 2016 annual survey on Erasmus+ master's scheme beneficiaries (n= 65);

Question 32: Do you strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the following statements?

The graph displays the share of respondents who agree + strongly agree

The first follow-up interviews[52] with beneficiaries of 2015 show that 'students have indeed been successful in finding employment and training opportunities. Four of the six followed-up beneficiaries had found employment, and the remaining two were undertaking an internship as part of their second year of studies … These follow-up interviews indicate a positive relationship between the use of the loan for the completion of a master's degree abroad and the subsequent finding of employment and training opportunities.'

4.4.4 EQ4: Does the scheme make it possible to target students from different countries, profiles and backgrounds?

Does the scheme allow for balanced access for students across the programme countries?

Two years after the call being published, the take-up of financial intermediaries does not yet allow for a balanced coverage of the programme countries. The scheme is available only for outgoing and incoming students from/into Spain and the UK as well as for outgoing students from France and Turkey. It is also becoming available for incoming students enrolling at the University of Luxembourg. Even with two financial intermediaries accepting incoming students, over 20 programme countries are involved in sending students under the SLGF scheme. The financial intermediairies currently

[52] Ecorys (2017), Evaluation and support activities on the Erasmus+ Master Loan Scheme – Year 2, Section 3.3.11 Employment attainment (draft version).

participating cover 22 % of mobility flows from an outgoing perspective[53] (it is countries with large student populations which are covered) and 28 % of mobility flows from an incoming perspective[54] (thanks to the coverage of the UK). However, the coverage is not balanced as it does not make it possible to cover all possible mobility flows from one programme country to another.

Targeting – To what extent do disadvantaged groups participate in the programme?

The statistics on educational background of the parents of supported students will give some indication of whether the scheme works at easing the mobility of students from less advantaged backgrounds. In 2016, 37.5% of beneficiaries responding to the annual survey had none of their parents completing tertiary education, which is lower than in 2015, when that proportion was at 52.2%. Overall on the 113 responding beneficiaries over 2015 and 2016, the weighted average is 43.2%. This is a priori slightly less favourable but broadly in line with the profile of Erasmus students, who have a non-academic background slightly less often than non-mobile peers (46 % v 62 %). It does, however, need to be interpreted with care as the sample size is still very small and indeed survey results varied a lot from one year to another[55].

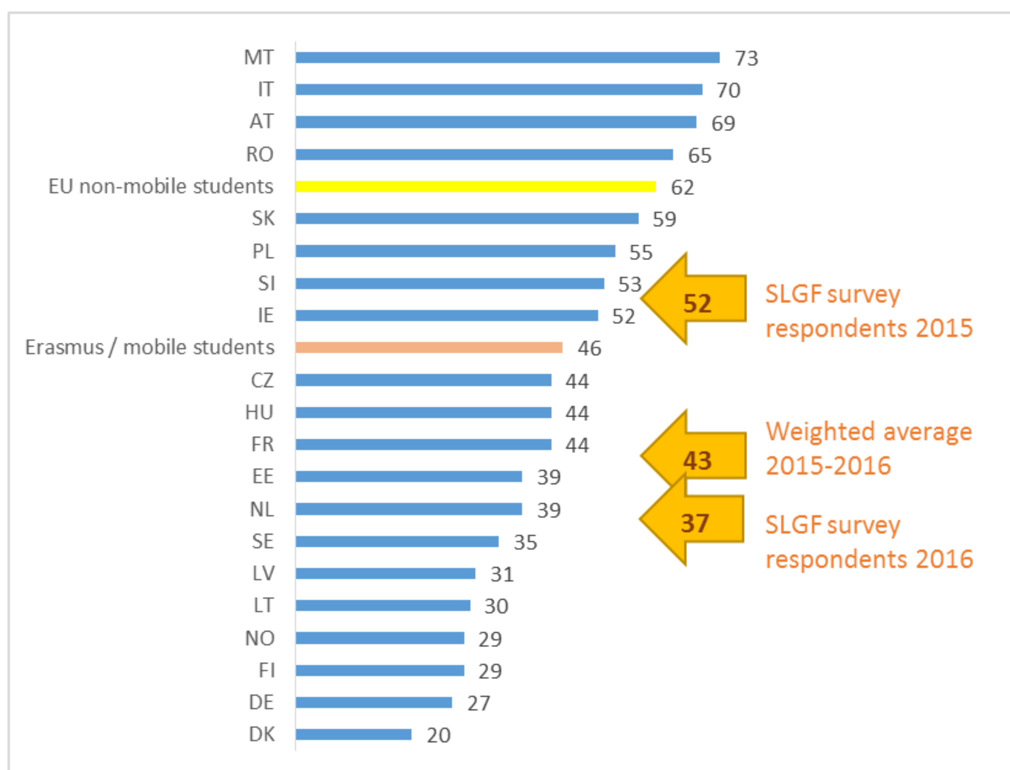
Further data will be necessary to confirm whether the SLGF facility is effective at targeting first-generation higher education attendees. Analysis of the observed trend needs to duly take into account the specificities of the student population covered – if the share of MA students without a tertiary educational background is particularly high in countries covered, then the share of MA students without a tertiary educational background among SLGF beneficiaries should also be particularly high. For now, 62% of survey respondents in 2015 and 2016 came from Spain but no data is available on Spain on the share of MA students without a tertiary educational background (but the share in Italy is among the highest, at 70 %). The observed trend might also be due to the credit assessment procedures of MicroBank (91% of survey respondents 2015 and 2016 were served by MicroBank)– which aims at fulfiling a social mission.

[53] Number of outgoing degree-seeking mobile higher education students from Spain, France, the United Kingdom and Turkey [98,000 students] as a share of outgoing degree-seeking mobile higher education students from all programme countries [495,000] (UIS data 2013) – see also Annex 4 on 'Market potential by country'.

[54] Number of incoming degree-seeking mobile higher education students from Spain, France, the United Kingdom and Turkey [140,000] as a share of incoming degree-seeking mobile higher education students from all programme countries [443,000] (UIS data 2013) – see also Annex 4 on 'Market potential by country'.

[55] The evaluation team recommends that standard reporting on the SLGF (in the Final Recipients-Specific Operational Report) reports on the education of both parents (instead of the education of the mother and of the father separately) – in order to have the indicator of interest on the whole population.

Figure 9. Share of students without tertiary educational background



Note and sources:

Country-level data presents the share of MA students without tertiary educational background without differentiating between mobile and non-mobile students. Source: Eurostudent

Data on Erasmus/mobile students and non-mobile students are not specific to MA level (all higher education students). Source: European Commission (2014), The Erasmus Impact Study: Effects of mobility on the skills and employability of students and the internationalisation of higher education institutions, http://ec.europa.eu/education/library/study/2014/erasmus-impact-summary_en.pdf

4.4.5 EQ5: Are the efforts which are being made to increase the visibility of the scheme sufficient to ensure awareness among financial institutions, HEIs and students?

High awareness levels are a prerequisite for take-up of any new financial instrument. EIF efforts to raise the awareness of financial institutions have been intense, as have been the efforts of the first participating banks, but, after two years of implementation, much remains to be done.

Intense promotion efforts by the EIF

The EIF indicated it undertook a very extensive promotion exercise, reaching out to more than a hundred financial intermediaries in all 28 countries. It contacted financial intermediaries directly as well as through associations: via regular channels, specific technical and high-level workshops, and promotion to financial intermediaries where the EIF has a stake. The market testing exercise undertaken prior to the launch of the facility was also part of the communication efforts. The extent of this outreach effort was confirmed by the audience as part of this evaluation exercise: banks indicating that they have already shared their reasons for not participating in the EIF, associations confirming that the EIF had delivered, or was going to deliver, presentations at one of their events, etc.

Nevertheless, the fact that the SLGF is the first education mandate of the EIF certainly implies that additional time will be required for outreach efforts to pay off: the contacts

the EIF has within banks and associations are usually contacts of persons specialised in SME finance, which means the message needs extra time to reach the right person. Looking at the profile of participating banks, the EIF went well beyond its usual clients (which shows the high commitment of the EIF to its first education mandate).

Beyond financial intermediaries, the EIF also targeted its communication efforts towards the 28 E+ national agencies (via conference calls), associations of universities and universities directly.

Difficulties for financial intermediaries to adjust their communication towards this niche of outgoing/incoming students

As the first financial intermediary, MicroBank played an important role in developing the communication strategy[56]. However, for MicroBank it has reportedly not been easy to develop this communication framework and the feeling is that all lenders would have benefited from having some general communication lines provided centrally and that the Commission and/or national agencies would have been better equipped for this task.

The following are some lessons that emerged:

- The focus of the facility being a niche market, it is difficult to design a communication campaign to address this niche without spending a substantial amount of money. Online channels (social networks – Facebook, Twitter; Google ads; banners on education websites; ads in online newspapers) have been the more cost-effective channels – in general these are cheaper and fit better with the target in comparison to the other communication channels used in former campaigns (advertising on music radio stations; press conferences; external advertising – advertising panels on metros and railways, in canteens, etc.).
- The first MicroBank campaign entitled 'We are all Erasmus' did not deliver a clear message to the target as the Erasmus brand is associated with grants, not loans.

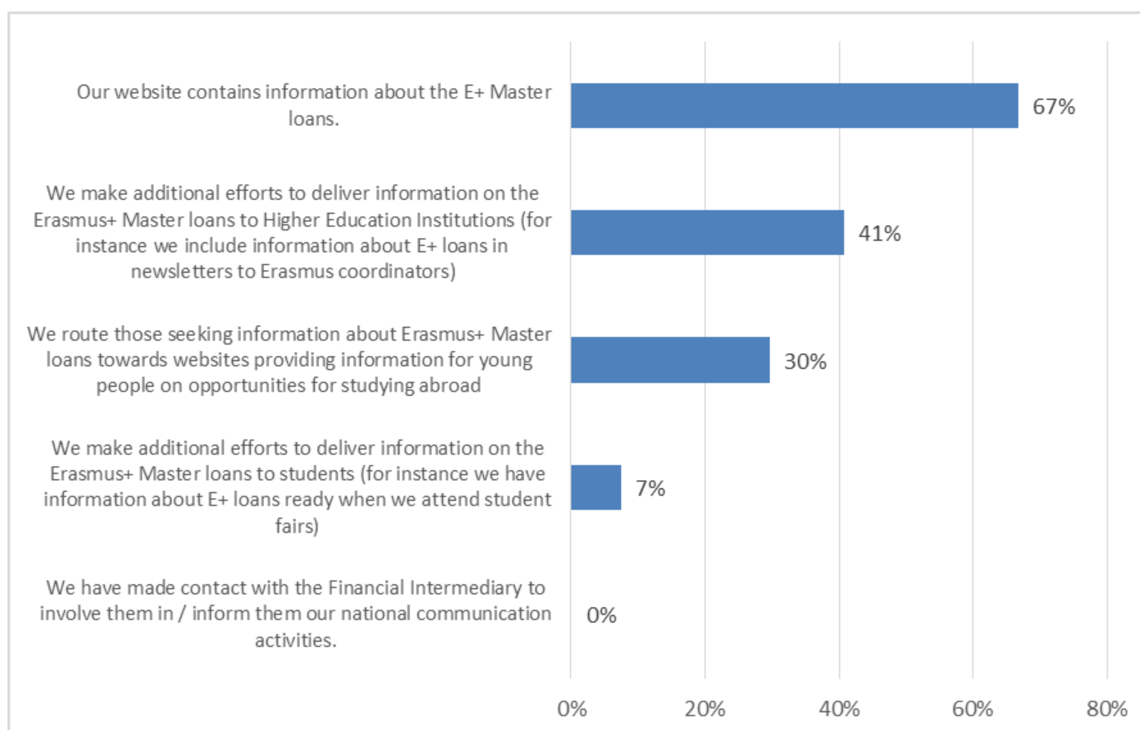
Efforts made by national agencies

As shown in Figure 10, two thirds of the surveyed NAs indicated that they already present information on the SLGF on their website. Targeted efforts have been less common among the respondents. While 41 % of the respondents actively approached higher education institutions, only 7 % made similar efforts to reach out to students.

In most cases, NAs make information on the SLGF available to students through online channels (their own websites or third-party websites) rather than via direct channels. Five of those NAs making no effort beyond putting the information online said they plan to do more once the scheme is available in their countries.

[56] https://www.youtube.com/watch?v=l9D1AeiJnm8&feature=youtu.be

Figure 10. The Student Loan Guarantee Facility (E+ master's loans) has been newly introduced under Erasmus+. To which extent does your agency communicate about this novelty?



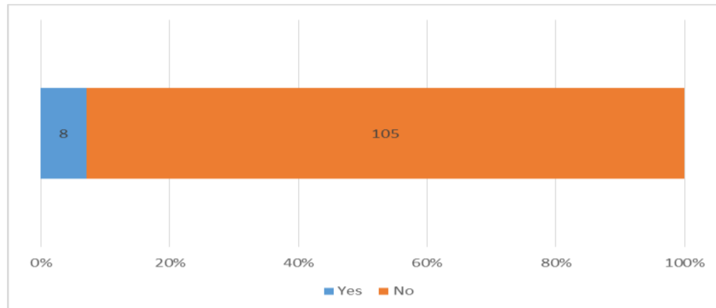
Source: ICF survey on national agencies. Respondents (n= 27)

Low awareness levels among potential beneficiaries and exhibitors at student fair

The results of this section are based on the data collection exercise conducted at student fairs. The aim was to gauge the awareness-raising levels about the scheme among potential beneficiaries, i.e. (future) (mobile) master's degree students, and multipliers, i.e. HEIs and consultancy organisations that provide information on postgrad opportunities and also funding. The data collection has been carried out at five fairs, namely the Postgraduate Study Fair in London (January 2017), the Master's and More Fair in Amsterdam (December 2016), the EU Studies Fair in Brussels (February 2017), the International Higher Education and Training Fair in Madrid (March 2017) and the International Master's & MBA Fair in Paris (January 2017).

Box 1.2 Data collection at student fairs

Table 10. Are you aware of the Erasmus+ master's degree loans?



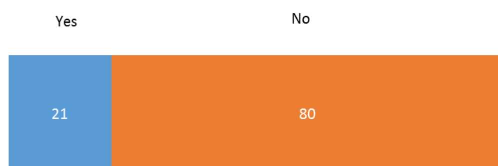
Source: ICF student fair survey, n= 113

Awareness levels of students. Despite their profiles (see 0), the vast majority of respondents (93 %) had no prior knowledge of the E+ master's degree loans. Among the few who were aware of the scheme (eight individuals, all but one of whom were encountered at the Amsterdam master's student fair), only two individuals felt they had a good understanding of the loan scheme.

Awareness levels of exhibitors. Fewer than a third of the interviewed exhibitors were aware of the Erasmus+ master's degree loans. As shown in Table 8, only 21 had previous knowledge about the scheme, in contrast to 80 individuals who indicated they had never heard of it before.

Those aware have mainly been informed about the SLGF by their colleagues. Few exhibitors received information on the launch of the programme directly from European institutions or their respective national agency. Interestingly, of the few exhibitors that said they knew about the E+ master's degree loans, two thirds would still need more information or do not feel sufficiently knowledgeable about the scheme. Only three exhibitors indicated having a good understanding while not needing any additional information about the scheme.

Figure 11. Are you aware of the Erasmus+ master's degree loans?



Source: ICF student fair survey, n= 101

4.5 EU added value

4.5.1 EQ1: In the countries where the scheme is available, are the benefits of the EU guarantee passed on to students?

Regarding interest rates currently applied by financial intermediaries, those vary greatly – from 0.9 % in France to 7.5 % in the UK and 20 % in Turkey, reflecting notably the differences in market conditions at country level (see third column of Table 11).

Table 11. E+ master's loan interest rate v general consumer credit interest rate, 2016

Financial institution	Average interest rate applied as part of SLGF, as of December 2016	Interest and main condition if not under SLGF	Consumer credit interest rate, December 2016
MicroBank (Spain)	5.2 % (+ opening fee 1 %)	Average interest rate for family loans of 9.5 % (+ opening fee + study fee) (NB: no need for a guarantor) Typically would not lend to incoming students on degree mobility	Loans for consumption; (percentages per annum, rates on new business) 2016–12, by duration 1Y < x ≤ 5Y: 8.45 % x > 5Y: 8.04 %
Banque Populaire (France)	1.2 %	Same average interest rate for non E+ loans But need of a guarantor in many cases	3.85 %
Caisse d'Epargne (France)	0.9 %		
Future Finance (United Kingdom)	7.5 %	Future Finance average rates: 11.2 % (vary between 6 %–19.9 %) + need of a guarantor	5.21 %
Finansbank (Turkey)	19–21 %	Typically would not lend to students on degree mobility	14.05 %
University of Luxemburg	n/a		

Sources and notes:

(1) Average interest rate applied:

Source: EIF Final Recipients-Operational Report 2016; Except for Finansbank: Interview with Finansbank

(2) Consumer credit interest rate, 2016–12:

Source: *http://www.theglobaleconomy.com/data_consumer_credit_interest_rate/*

Note average interest rate on consumer loan products provided by commercial banks. These are loans provided by commercial banks to households and individuals for the purchase of goods and services, excluding real estate.

Except for Spain: ECB euro area statistics (available here and here)

The extent to which interest rates are reduced as a result of the EU guarantee is not straightforward to indicate. In some cases, this is not a matter of interest rates – the intermediary would simply not offer any loan to the target group without the facility (Spain for incoming students, Turkey) or at least not without a guarantor (UK, France to some extent).

In addition to opening new product lines for a new target group (mobile students without a guarantor), favourable differences in interest rates are also noticeable when comparable products from the same institution are available in Spain and the United Kingdom. This is not currently the case in France as the intermediary indicated they have a pricing strategy which means student products are all priced very advantageously (i.e. below 1–2 % in the current interest rate environment – although this could change in another context).

On top of the features/provisions coming from the programme, the intermediaries do not offer any major additional feature/advantage compared to the EIF standard minimum terms. For instance, repayments are not income-contingent and slippages in the graduation date are expected to be absorbed by standard provisions (one-year grace period and the option to request another one-year payment holiday).

4.6 Efficiency

4.6.1 EQ1: Is the use of a financial instrument cost efficient?

The 'revolving' character of financial instruments means that if default rates are below expected ceilings and the EU guarantee is not drawn upon, the funds can be reused for the instrument or flow back to the general budget, which positively impacts the overall cost efficiency of the intervention.

4.6.2 EQ2: Are the broad management arrangements of the Erasmus+ master's Loan Guarantee Facility cost efficient?

In the design phase of the SLGF, the Commission had originally been put forward as the central body that would manage the scheme directly. This was one of the specific recommendations of the LSE feasibility study[57]. The Commission has, however, not gone down this route on the basis that[58] (i) providing the full capital for loans would be too costly from a budgetary point of view, (ii) administering loans and collecting repayments has proven quite burdensome (lesson learnt from the scheme offering direct loans under the European Coal and Steel Community, which still creates administrative challenges).

Instead, the scheme to finance degree-mobile master students takes the form of a loan guarantee scheme, meaning that the EU acts as a guarantor against the possible default on student loans but loans are actually granted by selected financial intermediaries (mostly banks or student loan agencies), which benefit, free of charge, from the EU (counter-) guarantee[59] and can, in return, offer more student loans at more favourable conditions. The financial intermediaries are the contact points for mobile master's students applying for a loan; they screen the loan applications, disburse the loans and collect the repayments.

On a transaction-by-transaction basis, the EU guarantee rate will typically be 90 % (maximum rate)[60]: the EU can cover 90 % of the losses incurred on an individual loan. The financial intermediary needs to retain in-house at least 10 % of the risk linked to an individual transaction, for alignment of interest purposes. The EU indeed wants to ensure the financial intermediary undertakes a fully-fledged creditworthiness analysis and does not lower its lending standards to an unsustainable level for the borrowing students. There is also a guarantee cap rate related to the whole portfolio, set at a maximum of

[57] EC (2009), *Feasibility study on student lending*. Ref: EAC/47/2009. A report by LSE Enterprise Ltd to DG EAC

[58] See European Commission Impact Assessment SEC(2011) 1402 final.

[59] Guarantees are granted directly to the selected lending financial institution while counter-guarantees are granted to their main guarantor (commitment to share their losses).

[60] EIF, Annex II to the Open Call for Expression of Interest to Select Financial Intermediaries under Erasmus+ Master's Loan Guarantee Facility. Capped Direct Guarantee under Erasmus+ Master's Loan Guarantee Facility Indicative Term Sheet.

18 %. It represents the limit beyond which the EU will not the cover the losses incurred by the financial intermediary – should loans representing more than 18 % of the portfolio volume (i.e. of the total amount lent) default.

By definition, this option thus will imply a leverage effect of 6.2 minimum[61]. The leverage can be higher in case of counter-guarantee (with an additional layer taking part of the risk).

The management of the programme has been handed out by the EC to the EIF, which means that the EIF, acting on the EC's behalf, is in charge of selecting the financial intermediaries and providing the guarantees – in exchange for fees paid by the EC.

The specific Delegation Agreement between the European Commission and the European Investment Fund, pertaining to the Student Loan Guarantee Facility, was signed on 12 December 2014[62] and the EIF published its call to financial intermediaries on 13 February 2015[63].

Figure 12 illustrates the management arrangements of the Erasmus+ Master's Loan Guarantee Facility described above (in the case of an EU guarantee and of an EU counter-guarantee[64]). The SLGF modalities largely follow those of the successful COSME programme, providing loan guarantees for SMEs (also implemented by the EIF).

The EIF

The EIF was set up in 1994. Its shareholders are the European Investment Bank (EIB), the European Union, represented by the European Commission, and a wide range of public and private financial institutions.

The EIF is a market-orientated institution pursuing EU policy objectives, using either its own resources or those provided by third parties, notably the EC.

Its focus so far has been on working with financial intermediaries to improve SME financing through the provision of guarantees and equity operations.

With the Erasmus+ Master's Loan Guarantee Facility, the EIF has received its first mandate in the field of education.

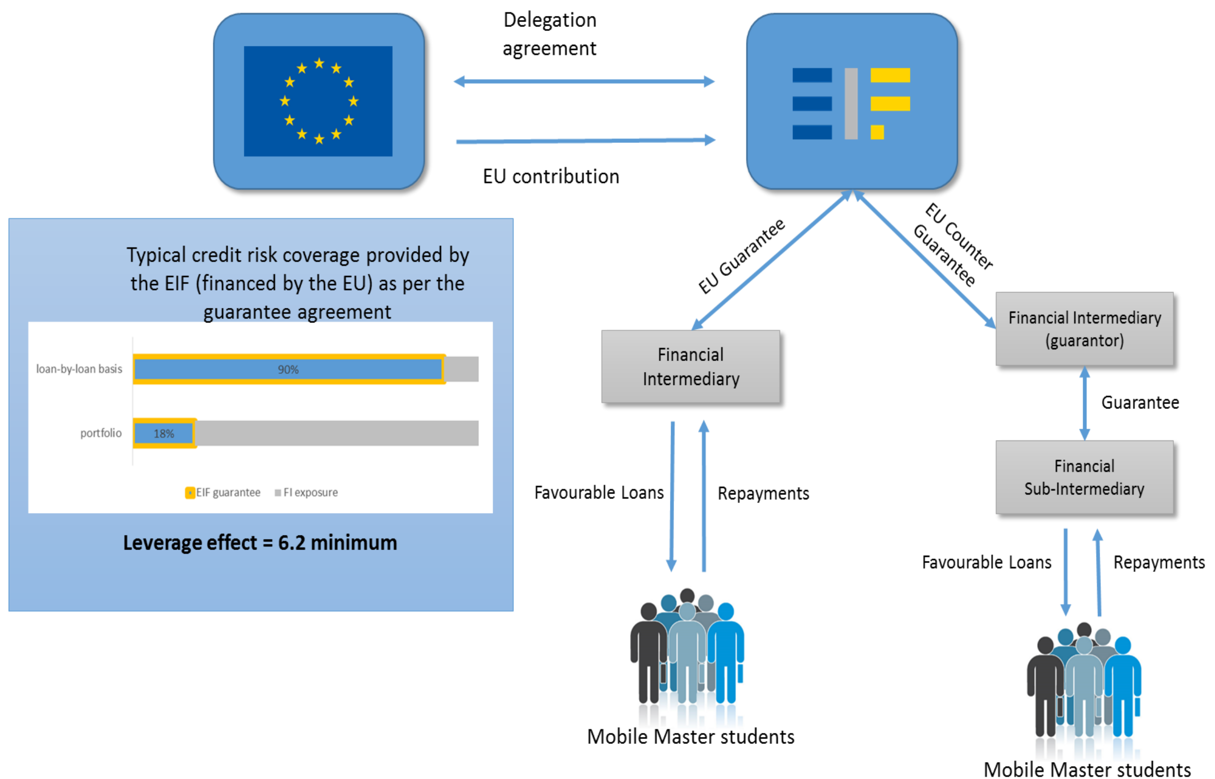
[61] Amount guaranteed/Amount granted, or (amount granted * 0.9 * 0.18)/amount granted = 6.17

[62] The signature was postponed as there was a need for the Framework Agreement – laying down the basis of the cooperation modalities between the European Commission and the European Investment Fund with regard to the management of financial instruments in general – to be in place prior to negotiating the individual Delegation Agreements.

[63] Erasmus+ Master's Loan Guarantee Facility, Open Call for Expression of Interest to Select Financial Intermediaries under the Erasmus+ Master's Loan Guarantee Facility (published on 13 February 2015). Available at: http://www.eif.org/what_we_do/guarantees/erasmus+master-loan-guarantee-facility/erasmus+-lgf-call-eoi.pdf

[64] No counter-guarantee agreement has yet been signed.

Figure 12. Overview of the management of the Erasmus+ Master's Loan Guarantee Facility



Source: ICF representation based on EC and EIF documentation

The model whereby the scheme is not administered centrally has not been questioned as part of this mid-term evaluation.

Several questions related to broad management arrangements have, however, been raised at the margins.

One was related to tasking the EIF with the responsibility of making an open call to financial intermediaries – as opposed to making specific efforts to recruit national loan scheme managers in the first instance.

The other was linked to the complexity of the two layers of cap rates – one at the transaction level and one at the portfolio level – see also Section 4.4.

The question of whether the amount of fees paid by the EC to the EIF to manage the scheme is in line with the cost of external management of other programmes would require further exploration. The arrangements between the EIF and the EC specify that initial fees are fixed (start-up fees for the years 2014 and 2015) and then the amount of fees depends on activity levels (e.g. number of financial intermediaries to monitor, new signatures made, new countries covered). Fees are capped – i.e. they cannot go above a certain percentage of the EU contribution committed. In the case of the SLGF, given that activity levels are below expectations, the share of fixed fees within total fees paid so far will be higher than expected. That said, given that as of 2016 fees paid are based only on activity, the low levels of activity are likely to impact the EIF (recognising that a certain share of its costs are fixed) more than the EC external management costs.

4.6.3 EQ3: Is the process of selecting financial intermediaries efficient?

None of the participating financial intermediaries has reported difficulties or suggestions for improvement with regards to the application or selection process. The process is described as work-intensive but the reasons for having to go through this challenging process are well understood and allow to benefit from EIF credibility, so this is seen as

useful. Future Finance, a non-bank lender, as well as the University of Luxemburg, both managed to complete the process – illustrating that the EIF has managed to guarantee a certain level of flexibility and adaptability in its processes. For easier reference, the selection process is summarised in Box 1.3.

Box 1.3 Selection processes of financial intermediaries

The EIF uses a number of criteria to select the financial intermediaries[65].

- Formal criteria which all need to be met and verifying that the financial intermediary is authorised to give out loans (in the case of an EU guarantee) or to issue guarantees (in the case of an EU counter-guarantee) in one of the Erasmus+ programme countries, and that it complies with key EU consumer law.
- Application-based criteria from which a score is derived at the discretion of the EIF. These include:
  - quality-related elements: ability to comply with the contractual elements in the (counter-)guarantee agreements, assessment of the terms under which the Erasmus+ master's loans will be provided (reduction in interest rates, inclusion of other favourable terms), ability to grant the loans at the foreseen scale (including consideration of experience implementing schemes of international financial institutions); and
  - a consideration of the impact of the application: expected number of mobile master's students supported and corresponding volumes lent, geographical distribution criteria (impact of the application on the geographical distribution of the overall aggregate portfolio of Erasmus+ backed loans – with a view to ensuring a wide geographical coverage of the Erasmus+ Master's Loan Guarantee Facility).

Applications are reviewed on a rolling basis throughout the lifetime of the programme and the 'first come, first served' principle applies. Pre-selected applicants go through a due diligence process before the actual (Counter-) Agreement can be signed.

4.6.4 EQ4: Is the reporting process efficient?

Rich reporting data available

The EIF secured that the selected financial intermediaries will report on their activities on a quarterly basis, in a standardised format[66]. The information to be included concerns both the loan recipient and the transaction itself[67].

The reporting sheet contains several dimensions[68]:

[65] Erasmus+ Master's Loan Guarantee Facility, Open Call For Expression Of Interest, *op. cit.*

[66] EIF, Annex II to the Open Call for Expression of Interest Indicative Term Sheet, *op. cit.*

[67] More specific reporting requirements may be laid down in the (counter-) guarantee agreements.

[68] (*) some of the fields in the reporting sheet will be filled in subject to consent by the student. These are marked by a star here. Other fields are mandatory. Each final recipient and each transaction has its own ID code field.

information about the final recipient, including country of residence, gender*, year of birth* and educational background of the parents*, and contact details* (phone and email);

information about studies, including name of institution and its country of establishment, field of study*, term of master's programme, country of previous qualification;

information about new transactions, including currency, principal amount, maturity, grace period, signature date, first disbursement date, type of interest rate;

reporting on ongoing transactions, including cumulative disbursements and applicable interest rate;

reporting on expired transactions including final repayment date;

reporting on cancelled transactions including reasons for cancellation;

reporting on any modification made to the terms of an existing transaction.

The wealth of the information contained in the reporting from the financial intermediaries is very useful for analytical purposes. The only scope for improvement in that regard was found to be reporting on education levels of both parents – to make sure there is information on the category 'none of the parents completed higher education' in Final Recipient specific operational reports[69]. This should be easy to implement as it is not about collecting additional data – it is merely a presentation issue, linked to the way the data is aggregated. The possibility of collecting and using data on rejected applicants for impact evaluation purposes was also assessed but this, however, seems to lead nowhere (see item below).

Limited potential however to use reporting data for impact evaluation using Quasi-Experimental-Design

The possibility of analysing data on rejected applicants – to better evaluate the impacts of the facility (on mobility levels, employability, satisfaction with one's job) via a Quasi-Experimental-Design was also assessed. One limitation is that none of the participating financial intermediaries except Future Finance, which is a fintech, keeps data on rejected applicants. For traditional banks, the IT system typically has no archive system for loans which have not yet been approved (regardless of the stage of application), and will allow to retrieve data only on those loans which have been approved. Even beyond this quite important limiting factor (cost of IT systems for banks), even for Future Finance, none of the Quasi-Experimental-Design considered seems promising in the short term (see Box 1.4).

There is, however, potential to follow through the respondents of the annual survey of beneficiaries a few years later – to check the extent to which expected benefits materialised (e.g. whether they indeed got a well-paid job they like and whether they still think the E+ loan contributed to their successes, how they assess their debt-to-income ratio, whether (for some of them) they indeed live and work abroad). Results of these surveys could be put in perspective with the results of national surveys on the insertion of graduates[70].

Box 1.4 *Feasibility of using a Quasi-Experimental-Design*

[69] This data is available from the annual survey of beneficiaries but it would be useful to have it on the whole population, especially since it does not imply to collect any additional data.

[70] Starting point could be this 2012 EUA publication which maps existing national tracking systems: EUA (2012) Tracking Learners' and Graduates' Progression Paths TRACKIT, Available at: http://www.eua.be/Libraries/publications-homepage-list/EUA_Trackit_web.pdf?sfvrsn=2

1/ Comparing supported students with rejected applicants using a regression discontinuity design. Under this method, only supported students and rejected applicants which are around the cut-off point used to determine acceptance or rejection would be included in the analysis. This method does not seem applicable: so far financial intermediaries do not seem to use a scoring system from which it is possible to derive groups which are near a cut-off point.

2/ Rejected applicants could still represent a reliable comparison group, provided that prior to obtaining/not obtaining the loan, the two groups share similar characteristics and the main reason for decision on application is exogenous to the applicant, e.g. related to the limited capacity of the instrument or to the date of application. Under this scenario, the applicant applied after the 'cut-off date', once the guarantee made available by the EU is already earmarked ('first come, first served' type of assessment procedure). However, the applicability of this method is low as take-up is low (demand lower than offer).

3/ Another possibility would be to include in the comparison group borrowing master's students who have been supported by national schemes. The major downside of this approach is that mobility will be much lower in the comparison group: borrowing mobile students might not share many (un)observables characteristics with borrowing students staying in their home countries. The number of mobile students among the students supported via the national scheme will probably not be sufficiently high to allow the sample to be restricted to that subgroup. In addition, from a practical point of view, collecting contact details for the comparison group might be more challenging in this context (need to secure the participation of national schemes).

Reporting processes which are more demanding for traditional banks

Traditional banks and fintechs have very different views on how they see reporting processes. Fintechs do not see reporting processes as burdensome – all applications are made online, forms are already designed to collect monitoring data and it is easy to add to them. For traditional banks, it is much more difficult. Traditional banks' monitoring is focused on information which can be directly used for commercial purposes as opposed to information centred on the profile of clients. To collect additional data, banks have three main options: adapting the current IT system, developing a specific information application or the manual option whereby data is collected separately by all commercial front staff involved in selling the loans.

One participating institution has chosen to develop a specific information application and qualified the process as being easy. Other (larger?) banks seem to think any IT developments are costly, take time and would not be justified given the low number of loans granted. One participating bank has actually chosen the manual option for this reason, even though it is time-consuming, prone to error and creates irritants for commercial staff.

4.6.5 EQ5: Are administrative costs for financial intermediaries reasonable?

Administrative costs for financial intermediaries will to some extent be linked to how they see the reporting. None of the participating financial intermediaries can give estimates on those. Partly this is due to the fact that the scheme started only recently. Intermediaries do not yet have clear views on the costs of collecting repayments from students who are

mobile v those who are not mobile, for instance. This is in part due to the fact that calculating the costs has a cost in itself, which is not justified as long as the volumes of loans granted remain low.

4.6.6 EQ6: Are the loan application processes put in place by participating financial intermediaries efficient?

The annual survey of beneficiaries indicates that loan application processes are quite quick: 50–60 % of respondents had their loans approved within one and two weeks depending on the year concerned. With Future Finance, the average processing time for the E+ loans is similarly short (13 days). Delays, where they exist, can reportedly be attributed to difficulties obtaining enrolment confirmations from international universities or to students providing credit reports from their home countries.

5 Recommendations

Recommendation 1: There is a shared understanding that the target (of supporting 200,000 students by 2020) will not be met and that part of the allocated **budget needs to be recalibrated**. The below table is an attempt to scope the size of the facility. It contains two models.

- Model A is an optimistic scenario in the sense that it is based on the hypothesis that by 2020 recruitment efforts towards financial intermediaries are successful and students coming from/going to every country can benefit from the facility. Current trends do not indicate this will happen.
- Model B is a more realistic scenario, in which 50 % of potential mobility flows are covered by the facility by 2020, i.e. twice the mobility flows covered by mid 2017[71].

[71] Currently given the country profiles of the financial intermediaries selected, the facility covers 22 % of the mobility flows from an outgoing perspective and 28 % from an incoming perspective (thanks to the UK being covered).

Table 12. Scoping the size of the facility

		Number of potential borrowers.												
		Yearly estimate	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Whole programming period (2014/2020 plus 3 years, i.e. until 2023)	Budgetary allocation (derived from actual)
Model A: fully deployed, all mobility flows covered	Lower range estimate (-25%)	8,625	0	120	150	1,125	3,000	6,750	8,625	7,500	6,000	2,250	35,520	€ 92m
	Middle estimate	11,500	0	120	150	1,500	4,000	9,000	11,500	10,000	8,000	3,000	47,270	€ 122m
	Higher range estimate (+25%)	14,375	0	120	150	1,875	5,000	11,250	14,375	12,500	10,000	3,750	59,020	€ 153m
Model B: 50% of mobility flows covered	Lower range estimate (-25%)	4,313	0	120	150	563	1,500	3,375	4,313	3,750	3,000	1,125	17,760	€ 46m
	Middle estimate	5,750	0	120	150	750	2,000	4,500	5,750	5,000	4,000	1,500	23,635	€ 61m
	Higher range estimate (+25%)	7,188	0	120	150	938	2,500	5,625	7,188	6,250	5,000	1,875	29,510	€ 76m
	Initial ambition												200,000	€ 517m (actual)

Source: ICF estimates. The estimates need to be interpreted with caution as they are dependent upon the assumptions made – detailed in the 'Relevance' section. The calculation basis for this table is transparent. For easier reference, the middle estimate is based on the following calculation: 8,500 new mobile master's students (0.5 % of the 1.7 million students graduating from a master's programme in programme countries), plus 3,000 potential borrowers a year (5 % of the current pool of mobile students). Should more reliable, factual data become available, the calculations can be further refined.

Recommendation 2: There is a need to adapt the SLGF roll-out strategy for outgoing students on the one hand and for incoming students on the other.

- Outgoing students: Focus on trying to recruit more traditional financial intermediaries which would finance their outgoing students only in countries where there is a gap left by national schemes, since under the SLGF, financial intermediaries have the option to offer the loans only to outgoing students and, if there is a financial intermediary in each country, the facility would still ensure equal access and balanced geographical coverage. This is the case in Turkey and now also in France.
- Incoming students:
  - Try to attract some financial intermediaries which will specialise in the coverage of incoming students – either located in markets receiving high numbers of incoming students or multi-country ones. Those financial intermediaries will need to invest substantially to establish partnerships with credit bureaus from around Europe to limit fraud and this model is more suited to fintech like Future Finance than to traditional banks – whose loan application processes typically imply that the applicant resides in the country.
  - Focus the recruitment efforts towards universities in countries where it is likely their legal framework allows them to take some financial risks and where the fees paid by students are high.

Recommendation 3: In countries with limited portability of the national scheme, there is a case to better exploit the synergies with national schemes/national promotional

institutions to encourage them to complement their offer to outgoing students with mobility support (partially) guaranteed under the SLGF facility and/or to open up their national scheme (which might be currently reserved for their nationals) to incoming students. For that purpose, contacts would probably need to be initiated at the higher, political level between the Commission/EIF and the Member States/ministries. In case it would be confirmed that some national schemes would prefer to seek EU support in the context of the EFSI rather than through the SLGF (student lending projects being actually financed by the EFSI), the rationale for their choices should be further examined.

Recommendation 4: Efforts should be made to **correct the flaws in the design** especially where the legal basis permits this, i.e. regarding the no-payment-during-the-studies condition[72].

Recommendation 5: Where financial intermediaries are in place, the EC/EIF should support them in their **communication strategies** (via a share of the budget allocated for that purpose).

One aspect to take into account in the communication (lesson from MicroBank's first marketing campaign) is that the SLGF is associated with Erasmus+, which is a **strong brand name**, commonly connected to **grants rather than loans**. If the message is not **clear** enough, it can create misunderstanding and frustration (e.g. in case the loan application is rejected following the creditworthiness analysis made by the participating financial intermediary).

The most cost-effective channel (for financial intermediaries) which has been identified in Spain is the online channel.

Universities can become key multipliers especially where the scheme is available to their **incoming students** (e.g. in the UK, and also in Spain). As per our survey of exhibitors at the student fairs, only half of the universities involved in delivering information about funding options do so for both incoming and outgoing students – the other half communicates only towards incoming students (rise in numbers of outgoing students leading to loss of revenue). Exhibitors found it critically important to be addressed directly in order to become aware of such funding schemes. Especially for the educational institutions in the UK, in-depth knowledge of European support schemes for students' educational attainment was reported as scarce and exhibitors often regretted that they did not know that their (prospective) students could be eligible for such funding. UK universities showed a higher level of interest – compared to exhibitors from other countries – certainly because of the number of incoming students they are receiving and the fact that the loan is already available to their incoming students via Future Finance. Beyond direct contacts, exhibitors would welcome a dedicated marketing campaign, conceptualised by the Commission and executed by universities, involving multiple channels such as social media and student fairs.

In other cases for outgoing students, the most suitable channels include online channels, **websites** providing information for young people on opportunities for studying abroad, **student fairs** and **national agencies** (national agencies do often attend student fairs), and **student unions/associations** (as a complement or alternative to the HEIs themselves, student unions could be directly approached and given information packs to distribute; they could even run more sophisticated communication campaigns for a fee).

Recommendation 6: The EC should consider following up on the yearly survey of the SLGF by running a similar type of exercise **two to five years after the expected graduation** date of respondents, as it would help evaluate the longer-term impacts of the SLGF. Maximum use of existing monitoring data requirements should also be made

[72] The maximum loan amount is also seen as a limitation but since revising the maximum loan amount is not feasible within the current legal basis, the evaluation team has no recommendation on this point.

e.g. by providing access to information on the **education levels of both parents** in EIF Final Recipients-Specific Operational Reports rather than through surveys only.

Annex 1 List of interviewees

Table 13. List of interviewees

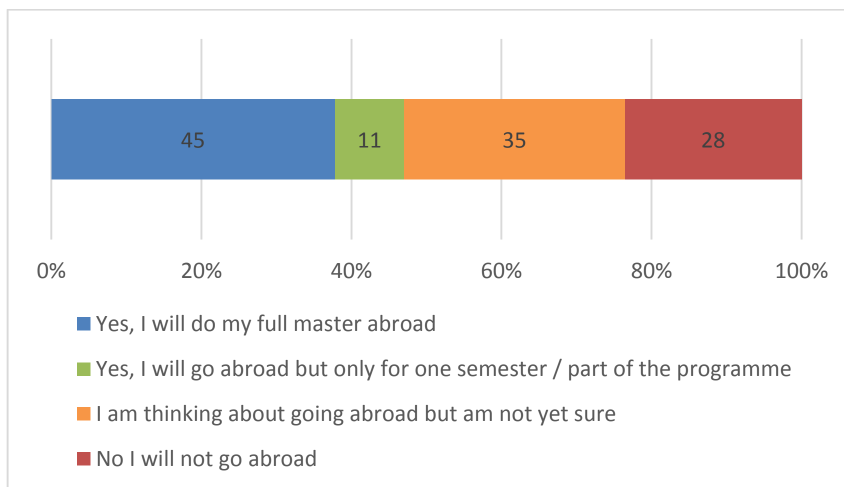
Name	Organisation and Function	Interview Date
Participating Banks/Other Intermediaries		
Can Donmez	Finansbank	03/02/2017
Nuria Danes	MicroBank – Head of Marketing	12/01/2017
Daragh Coogan	Future Finance – Commercial Director	05/01/2017
Dr Eric Tschirhart	University of Luxembourg – Vice-President	03/02/2017
Myriam Daïfi	Groupe BPCE	17/03/2017
Non-Participating Banks		
Jan Rosen	Komercni Banka – Public Support Programmes Project Manager	10/01/2017
Jeremy Claridge	Santander UK – Group Marketing Manager Retail Products, Unsecured Personal Loans	12/01/2017
Mark Scicluna Bartoli	BOV – Bank of Valletta plc Malta	02/02/2017
Tarmo Ulla	Swedbank	Written comments
Industry Body – EU		
Nicola Benaglio	European Microfinance Network	Written comments
Dominique Carriou	ESBG – Head of Regulatory Affairs	09/02/2017
Enrique Velázquez	EBF – European Banking Federation	13/01/2017
Katrin Sturm	AECM	05/03/2017
Student Association		
Līva Vikmane	European Students' Union (ESU) – Vice-President	15/12/2016
Alfonso Aliberti	Youth Forum	20/01/2017
School Association		
Nadine Burquel	Efmd(Esmu) – Director	13/01/2017
Michael Gaebel	European University Association (EUA) Director of Higher Education Policy Unit	05/01/2017
Universities		
Louise Menard	Imperial College London – Student Financial Support Manager	02/03/2017
Kristin Jesinkey	Karolinska Institutet	02/03/2017
Dr Inge Broekman	University of Twente – Coordinator Internationalisation Student Af fairs/Institutional Erasmus Coordinator	27/02/2017

Name	Organisation and Function	Interview Date
Julia Kennedy	Robert Gordon University – International Exchanges Manager/Erasmus Institutional Coordinator	23/02/2017
Bérénice Martin	Universitat Politècnica de Catalunya – Head of Student Mobility Department	21/02/2017
Margarita Gonell Ibáñez	Responsible for the Erasmus+ Programme, International Relations Office, Jaume I University (Castellón)	24/03/2017
Edurne Agirre Usandizaga	International Relations Office, Mondragon University – School of Engineering, Basque Country	24/03/2017
National Agencies		
José Manuel González Canino	Spanish NA	22/03/2017
Alma Joenson	Swedish NA	31/03/2017
David Hibler	UK NA	29/03/2017
Bevran Belgin Alhas	Turkish NA	30/03/2017
Catherine Devlamminck	Belgian NA	24/03/2017
National Loan Scheme Managers		
Gladys Prouchand y	Bpifrance	30/03/2017
Other		
Catherine Pickles	National Association of Student Money Advisers –ASMA Office Manager	Written comments
Queenie Lam	ACA – responsible for the research project State Grants and Loans as a Means to Increase Outgoing Mobility (STiME)	17/02/2017

Annex 2 Profile of respondents to the student fair survey

Profile of the surveyed students. The student audience of these student fairs was a rather international/mobile one. The numbers are driven up by the profile of those attending the Amsterdam fair – mainly addressing prospective international master's students in business-related subjects – and Brussels fair (mainly addressing prospective international master's students in policy-related subjects). Slightly less than 40 % of the surveyed students planned to engage in degree mobility (45 individuals), compared to far fewer (11 individuals) who indicated that they aspired to go on credit mobility. A further 35 students were rather not entirely certain whether to go abroad. Only 28 of the remaining individuals stated that they are not planning any postgraduate mobility at all. In addition, most students (60 %) encountered at the fairs have already had a mobility experience as part of their studies. This is not surprising, taking into account that students with prior mobility experience are typically more likely to be interested in degree mobility.

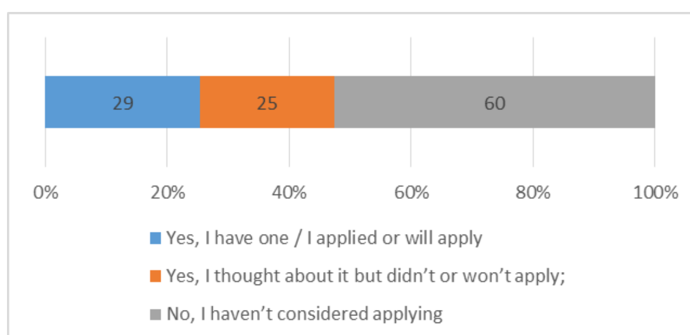
Figure 13. Do you plan to follow your master's studies abroad?



Source: ICF student fair survey, n= 119

Parallel to this, it was found that the readiness to take up loans among surveyed students was quite high, i.e. stood just below 50 % (see Figure 14), while financing their studies was going to be a challenge for four in five students.

Figure 14. Have you ever considered taking a loan to finance your studies?



Source: ICF student fair survey, n= 114

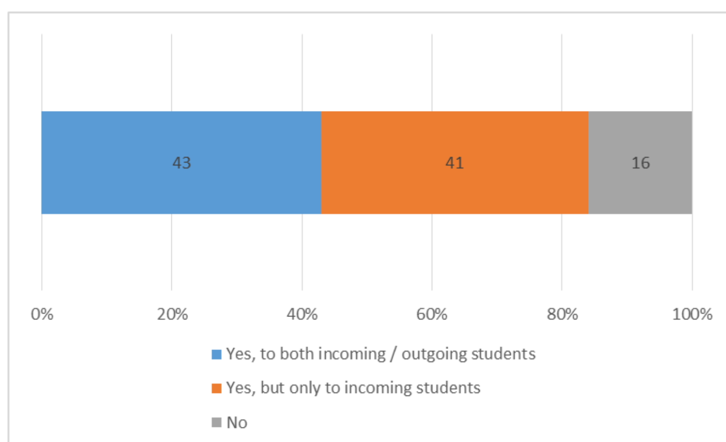
Those students with loans (or ready to take one) favoured national loan schemes (60 %) over commercial banks (40 %). Commercial banks' loans are an option mostly for

students who stated that they would not be aware of or eligible for national loan schemes.

The remaining fraction of students, who indicated that they did not consider/have stopped considering applying for a loan, provided a range of different reasons not to do so. These include underlining the important role of family support (27 individuals) and scholarships (21 individuals). Apart from those different sources of funding, students were in part displeased with the conditions of the loans, such as interest rates (12 individuals) and repayment period (11 individuals). A considerable fraction of the respondents considered a student loan as too much of a financial burden (22 individuals). Fewer students indicated risk aversion/personal preference (10 individuals) as influencing their decision against taking a student loan.

Profiles of exhibitors. As illustrated in Figure 6.7, a significant majority of the surveyed exhibitors indicated that they provide some information about financing options to students (84 individuals). However, around half of those exhibitors stated they would provide information on financing only to incoming students (41 individuals). In particular, exhibitors from outside of the UK limited their information campaigns to foreign students or did not provide any information at all (16 individuals).

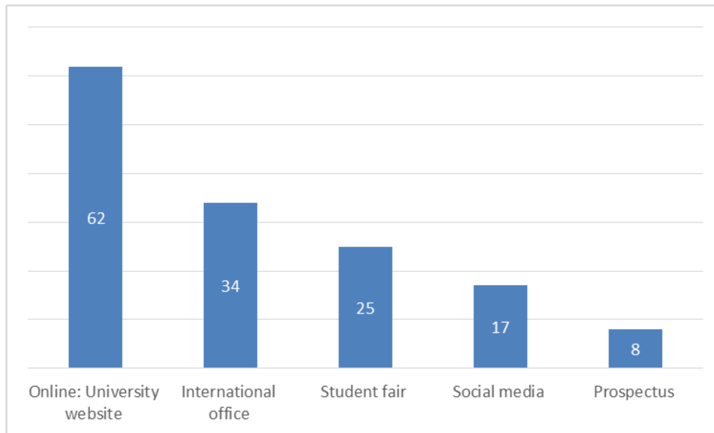
Figure 15. Do you typically provide information about financing options to incoming/outgoing students?



Source: ICF student fair survey, n= 100

Of the 84 individuals who provide information on financing to their own and/or prospective students, most rely on the university's website to do so (62 exhibitors). In addition, many exhibitors stated using student fairs (25 exhibitors) or the university's international office (34 exhibitors), as both are commonly frequented by their target audience.

Figure 16. Which channels do you use to provide information on financing?



Source: ICF student fair survey, n= 84

Annex 3 Information on national loan schemes

Table 14. Selected national loan schemes in Europe

Characteristics	EU E+ loan	NL	DE	UK	ES	DK	FI	IT	SE	HU
Form	Loan	Grants + loans	Grants + loans	Loans	Grants (loans scheme cancelled)	Grants + loans	Grants + loans	Grants + loans	Grants + loans	Loans
Maximum size	Up to €18,000 (for 2-year master's)	€1027.83 p.m. (student loan, max 7 years) 386.08 € p.m. (grant, max 4 years, only first 5 months are a gift)[73]	Max €735 p.m. for the standard period of study Up to €10,000 (student loan), rest (grant)[74]	Up to £9,000 (tuition fee loan); Up to £10,702 (maintenance loan)	Up to €22,800 (loan) (Cancelled since 2012), Up to €6.240 p.a. (grant)[75]	DKK 67,944 (grant), DKK 34,764 (loan)[76] Maximum loan of €28,980	€700 p.m. (loan), €336 p.m. (grant)[77]	Up to €30,000 (loan); Up to €5,800 p.a. (grant)	SEK 93,184 p.a. (loan); SEK 37,024 p.a. (grant)[78]	€162 p.m., total of €8,084 (loan)

[73] https://duo.nl/particulier/international-student/student-finance/payment.jsp

[74] https://www.xn--bafg-7qa.de/de/darlehensrueckzahlung-200.php

[75] http://www.european-funding-guide.eu/articles/grants-and-loans/grants-and-loans-spain

[76] http://www.su.dk/english/grants-and-loans-amounts/

[77] http://www.kela.fi/web/en/financial-aid-for-students-student-loan

[78] http://www.csn.se/en/2.1034/2.1036/2.1037/2.1038/1.9267

Characteristics	EU E+ loan	NL	DE	UK	ES	DK	FI	IT	SE	HU
Eligibility level	Full master's programme abroad	BA + master's	BA + master's	BA + master's	master's	BA + master's	BA + master's	BA + master's only for applicants with outstandingly good grades	BA + master's	BA + master's
Outgoing students	Yes To: programme countries	Yes, only for credit mobility	Yes, no limit for intra EU[79] – max 1 year otherwise	No	No	Yes	Yes	Only credit mobility (2–10 months) up to €1,900	Yes	Yes
Incoming students	Yes for now, except in Turkey but will depend on the FI	Yes if under the age of 30 and EU/EEA or Swiss national, living in the Netherlands for 5 consecutiv	Yes, if EU citizens (with residence permit)	Yes (only tuition fee loan)	Yes	Yes, if EU citizens (with residence permit)	Yes, if EU citizen with permanent resident or work permit	Yes, if EU citizens with residence permit	Yes if EU citizens (with residence permit)	Yes, if EU citizens with residence permit

[79] See German court (VG Muenster) ruling 6 K 2465/08 from 12 January 2010.

Characteristics	EU loan	E+	NL	DE	UK	ES	DK	FI	IT	SE	HU
			e years, or if working in the Netherlands for at least 56 hours a month								
Interest rate	From 0.9 % in France to 7.5 % in the UK; Turkey – 21.27 % p.a.		0 %	0 %	0 %	0 %	4 % (5 % after completion of studies)	Depends on the lending bank (0.8 % or 0.5 p.p. above 12m Euribor for Nordea[80])	From 0 % to 5.7 %	0.6 %[81]	3.35 %[82]
Grace period	1 year		2 years	5 years starting when degree is obtained	Start repaying once one earns over £21,000	Income threshold (not specified)	1 year	6 months	Up to 1 year	6 months after last support payment (grant or loan) Repaymen	After termination of student status or when the debtor

[80] http://www.nordea.fi/en/personal-customers/loans/student-loan/student-loan.html#tab=Features

[81] http://edpolicy.umich.edu/files/forsberg-swedish-loan-repayment-2016.pdf

[82] https://www.diakhitel.hu/en/i-am-interested/student-loan1/the-characteristics-of-student-loan1.html

Characteristics	EU loan	E+	NL	DE	UK	ES	DK	FI	IT	SE	HU
										t starts at beginning of calendar year	turns 40 years old
Possibility of erasing the loan? (detail the conditions)	No		Grant can be converted into gift entirely if one graduates within 10 years	Borrowed sum that exceeds €10,000 is erased automatically	No	n/a	No	No	No	No	No

Source: ICF analysis based on schemes' websites

Table 15. Detailed overview of national schemes

	Need-based grant			Loan availability			Portability for degree mobility	Gap to fill by the SLGF (outgoing perspective)
	Min	Max	Share of students who receive a grant	Yes/No	Main characteristics of the scheme	Loan take-up		
Sweden	€ -	€ 2,964	89 %	Yes	Max of €7,450 per year, repayment starts six months after the loan has been last received and must be completed within 25 years or before the age of 60. Government decides on interest rate on yearly basis	52 % (universally available)	Yes	No

Finland	€ 558	€ 6,660	66 % (no info whether from loan, grant or both)	Yes	€400 p.m. with government guarantee, repayment starts 1.5–2 years after graduation and has to be completed in double study time. Interest rates and conditions are to be negotiated between the student and the bank	66 % (no info whether from loan, grant or both)	Yes	No
Norway	€ -	€ 4,347	55 %	Yes	€11,192 per academic year (10 months), 40 % of which can be converted to grant if a student lived away from their parents and passes all exams. The amount of grant depends on income and assests of the student	71 %	Yes with some restricti ons	No
Denmark	€ 1,486	€ 9,575	85 %	Yes	€390 per month 4 % annual interest rate Repayment starts no later than one year after graduation Repayment within 15 years	38 %	Yes with some restricti ons	No
Iceland	€ -	€ -		Yes	€1,258 p.m. or more depending on personal circumstances, fixed interest rate of 1 %, repayment starts 2 years after graduation, exemptions from repayments foreseen	50 %	Yes	No
UK Scotland	€ 7	€ 46,220	71 % (most common €2,300)	Yes	€3,992 for student fees plus € 5,283 for living costs – per year	51 %	Yes	No
The Netherlands	€ 4,608		27 %	Yes	€1,028 p.m., repayment period is 35 years. When income is below the minimum wage no loan repayments are required. After 35 years, outstanding debt is waived	28 %	Yes with some restricti ons	No
Liechtenstein	€ 91	€ 13,697	Not available	Yes	40–60 % of €22,829 (rest is grant), repayment starts 1.5 years after graduation	Not available	Yes	No

Luxembourg	€ 1,008	€ 3,800	62 %	Yes	€6,500 p.a., increases if student does not receive a full or partial social grant. Reimbursement starts 2 years after having completed or stopped studies and must be completed in 10 years	Not available	Yes	No
France		€ 5,551	36 %	Yes	State-guaranteed loans up to an annual maximum of €15,000 available for all EU/EEA students aged under 28 Interest rates are defined by the banks. Repayment must start 2 years after graduation, but early redemption of interests is possible	0 %	Yes with some restriction. State-guaranteed loan not portable	Yes to some extent
Germany	€ 60	€ 4,020	25 %	Yes – general public student support (BAföG) tops up the grant (support amount is necessarily half grant/half loan)	General public student support (BAföG): Maximum of €10 000 needs to be paid back/interest free Education loan of up to €7,200 KfW loan of up to €54,600	25 %	Yes with some restrictions KfW loan not available for degree mobility	Yes to some extent
Cyprus	€ -	€ 3,692	10 %	Yes, only available for owners of property in the northern parts of Cyprus (state loan)	€1,700 to €8,000, repayment starts one year after graduation and should be completed within 20 years, interest rate is 1.75 %	2 %	Yes	Yes to some extent

Belgium – German-Speaking Community	€ 362	€ 2,469	25 %	Yes	Max €1,500 Interest between 0 and 3 % Repayment within three years after graduation	0.00 %	Yes	Yes to some extent
Estonia	€ 750	€ 2,200	20 %	Yes	€1,920/year Interest 5 % Repayment starts within a year after graduation (except if the student continues studies) Repayment within double the nominal period of studies (or if studies are finished without a qualification, repayment must be done in 1–1.5 x the period of studies)	8 %	Yes with some restrictions	Yes to some extent
Belgium – Flemish Community	€ 256	€ 5,341	21 %	No			Yes	Yes to some extent
Slovenia	€ 840	€ 4,320	20 %	No			Yes	Yes to some extent
Austria	€ 60	€ 9,492	15 %	No			Yes with some restrictions	Yes to some extent
Ireland	€ 305	€ 5,915	45 %	No		n/a	Yes with some restrictions	Yes to some extent
Romania	€ 545	€ 545	30 %	No		n/a	No	Yes
Czech Republic		€ 916	1 % + 13 % which have merit-based grant	No			No	Yes
Spain	€ 200	€ 6,797	23 %	No		n/a	No	Yes

Croatia	€ -	€ 1,443	4 %	No		n/a	No	Yes
Italy	€ 1,925	€ 5,108	9 %	No		n/a	No	Yes
Malta	€ 1,334	€ 3,615	n/a	No			No	Yes
Belgium – French Community	€ 394	€ 4,821	20 %	No, only for students from families with at least three dependent children	Interest rate is 4 %. Repayment starts 6 months after graduation	0.01 %	No	Yes
Latvia	n/a			Yes	Tuition loans and loans for living costs, latter capped at €170.74 p.m., repayment starts 11 months after the end of the degree programme	12 %	No	Yes
Hungary	€ 16	€ 3,308	20 %	Yes	Loan 1: maximum duration of 5 years for state-funded and fee-paying students, maximum amount € 161 (€194 if disadvantaged) for 10 months per year Loan 2: Only to be spent on fees Both loans must be repaid starting 4 months after graduation and by the age of 40. Repayment is linked to personal income	0.18 (Loan 2)/ 0.09 (Loan 1)	No	Yes
Portugal	€ 1,063	€ 5,675	23 %	Yes	'There is a special loan scheme for higher education students at low rates, with government guarantee'	n/a	No	Yes
Slovakia	€ 100	€ 3,300	14 %	Yes	€500 to €2,500 p.a.	1 %	No	Yes
UK – England	€ -	€ -	0 %	Yes	€11,741 in total	92 %	No	Yes

UK – Wales	€ -	€ 6,060	66 %	Yes	Need-based loan for living cost, up to €7,260, repayments are set at 9 % of earnings above the threshold of €24,657, interest rates are retail price index plus 3 %		No	Yes
UK – Northern Ireland	€ -	€ 4,080	60 %	Yes	€7,960 if living away from home, repayments are income-contingent and made at the rate of 9 % of income above the earning threshold of €20,541		No	Yes
Turkey	€ 100	€ 200	10 %	Yes	€200 p.m., repayment begins 2 years after graduation, maximum repayment period equals the period of studies, repayment amount depends on the domestic product price index	28 %	No	Yes
Bulgaria	€ 307	€ 736	13 %	Yes	Repayment starts within one year after graduation Repayment within 10 years Interest rate 7 % maximum		No	Yes
Greece	€ 2,400	€ 2,400	n/a	Yes	2nd students may apply for state-guaranteed loans until the age of 45 if they meet academic and socioeconomic criteria Parents' guarantee for redeeming the loan to credit institutions is requested The terms of the loans are further determined by the credit institutions. Interest rate may be covered by the Ministry of Education, Research and Religious Affairs up to 50 %	n/a	No	Yes

Lithuania	€ 124	€ 1,482	3 %	Yes, 75 % of loans cover tuition fee costs, and 25 % are for living expenses with less than 1 % for studies abroad	The maximum amount to cover study fees is the annual study fee; for living expenses it ranges between €950–€1,900. The loan repayment must start one year after the end of studies. The term of loan repayment is 15 years. The interest rate depends on the credit institution	5 %	No	Yes
Poland	€ 1,076	€ 1,076	13 %	Yes, if students are younger than 25	€1,381 p.a. if income below €575 p.m. State guarantees part of the loan depending on the family income. Repayment begins 2 years after graduation. While the loan is received and for the following 2 years, interest is paid by the state and rates are capped later on. Best performing students are eligible for a cancellation of 20 % of their loan	n/a	No	Yes

Source: ICF's own analysis based on:

Eurydice – Facts and Figures (2016), National Student Fee and Support Systems in European Higher Education 2016/17

Education, Audiovisual and Culture Executive Agency (2015), The European Higher Education Area in 2015: Bologna Process Implementation Report

Annex 4 Market potential by country

	Incoming students				Outgoing students			
	All mobile higher education students (Eurostat data 2014)	All degree-seeking mobile higher education students (UIS data 2013): incoming	Degree-mobile graduates, master's level (Eurostat data 2014)	Degree-mobile graduates, BA level (Eurostat data 2014)	All mobile higher education students (estimate): outgoing	All degree-seeking mobile higher education students (UIS data 2013): outgoing	Degree-mobile MA graduates, estimate: outgoing	Degree-mobile BA graduates, estimate: outgoing
Germany	89,470	59,189	6,756	4,485	95,292	66,805	10,011	9,448
France	47,605	38,769	5,913	4,647	61,315	42,985	6,442	6,079
Italy	42,347	20,558	3,556	4,077	52,412	36,744	5,506	5,197
Slovakia	10,255	8,629	1,136	1,034	45,529	31,918	4,783	4,514
Romania	15,611	6,013	1,588	1,107	40,790	28,596	4,285	4,044
Spain	21,368	17,154	2,439	611	31,117	21,815	3,269	3,085
Bulgaria	5,751	3,535	299	453	29,125	20,418	3,060	2,888
Poland	27,308	7,399	2,080	1,811	28,204	19,773	2,963	2,796
Ireland	4,428	4,491	512	774	20,409	14,308	2,144	2,023
Norway	4,338	3,187	497	460	19,112	13,399	2,008	1,895
Austria	53,922	51,479	3,679	3,900	17,258	12,099	1,813	1,711
Sweden	10,301	8,701	1,978	378	15,947	11,180	1,675	1,581
Czech Republic	34,867	27,855	3,403	3,745	15,695	11,003	1,649	1,556
United Kingdom	139,210	120,521	22,886	22,913	15,373	10,777	1,615	1,524

	Incoming students				Outgoing students			
	All mobile higher education students (Eurostat data 2014)	All degree-seeking mobile higher education students (UIS data 2013): incoming	Degree-mobile graduates, master's level (Eurostat data 2014)	Degree-mobile graduates, BA level (Eurostat data 2014)	All mobile higher education students (estimate): outgoing	All degree-seeking mobile higher education students (UIS data 2013): outgoing	Degree-mobile MA graduates, estimate: outgoing	Degree-mobile BA graduates, estimate: outgoing
Lithuania	3,177	720	191	311	14,650	10,271	1,539	1,453
Netherlands	45,206	32,877	5,118	6,317	14,388	10,087	1,512	1,426
Luxembourg	2,462	2,280	349	126	11,715	8,213	1,231	1,161
Belgium	29,041	25,052	897	2,278	11,562	8,105	1,215	1,146
Portugal	2,655	3,093	493	286	11,543	8,093	1,213	1,144
Hungary	15,525	11,379	1,094	998	10,038	7,037	1,055	995
Finland	7,178	4,068	529	573	9,202	6,451	967	912
Latvia	3,063	1,723	99	110	6,762	4,741	710	670
Croatia	529	205	69	34	5,588	3,917	587	554
Estonia	1,697	1,254	102	87	4,637	3,251	487	460
Denmark	24,457	23,486	2,667	2,450	4,301	3,016	452	426
Iceland	1,213	882	116	106	3,132	2,196	329	311
Slovenia	2,337	1,742	126	181	2,839	1,990	298	281
Malta	486	336	62	57	2,389	1,675	251	237
Liechtenstein	690	502	54	60	250	175	26	25

	Incoming students				Outgoing students			
	All mobile higher education students (Eurostat data 2014)	All degree-seeking mobile higher education students (UIS data 2013): incoming	Degree-mobile graduates, master's level (Eurostat data 2014)	Degree-mobile graduates, BA level (Eurostat data 2014)	All mobile higher education students (estimate): outgoing	All degree-seeking mobile higher education students (UIS data 2013): outgoing	Degree-mobile MA graduates, estimate: outgoing	Degree-mobile BA graduates, estimate: outgoing
Turkey	7,988	6,268	216	496		22,566		
Cyprus	2,747	1,595	142	253				
Former Yugoslav Republic of Macedonia	1,154	869	123	159				
Total	658,386	495,811	69,169	65,277	600,576	443,601	63,095	59,545

Sources:

- *UIS-UNESCO, dataset education for data on degree-seeking mobile students, 2013 data*
- *Eurostat, educ_uoe_mobs02; for data on all mobile (master's) students, 2014 data*
- *Eurostat, educ_uoe_mobg02, for data on degree-mobile graduates, 2014 data*

Notes:

- *Data on Greece is not available*
- *In Eurostat data, numbers provided include incoming students from Switzerland*
- *Total figures for outgoing students are lower than for incoming students because data on outgoing students does not include those coming from Turkey, FYROM and Cyprus on the one hand, and those going to the Netherlands, FYROM and Liechtenstein on the other.*
- *The number of all mobile higher education students/degree-mobile graduates from a given country (outgoing perspective) was not available from Eurostat. It has been estimated based upon the share the country represents within all degree-seeking mobile higher education students.*

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