



International Comparative Conference, Washington DC, June 13, 2016

Restructuring Student Loans: Lessons from Abroad

Study Financing and Student Loans in Germany

Achim Meyer auf der Heyde

German National Association for Student Services/Student Affairs - Deutsches Studentenwerk (DSW), Secretary General

International Association of Student Affairs and Services (IASAS), President





Outline

- Studying in Germany – some figures
- Political and societal common sense
- Tax amount after income and entrance salaries
- Study financing
 - Legal framework for study financing
 - Study costs and sources of financing
 - Financial support system
- Student indebtedness
- Conclusions





What about Studying in Germany? – Some Figures

- 2.75 million students in 2015
 - 1.7 million enrolled in Universities (U)
 - 0.9 million enrolled in Universities for Applied Sciences (UAS)
 - 150,000 enrolled in Open Distance Universities
 - 320,000 international students
- 93% at public, 7% at private universities
- Study duration
 - bachelor degree after 3 to 4 years (180 to 240 credits)
 - master degree after 1 to 2 years (60 to 120 credits)
 - precondition for the master degree: 300 credits
- Current transition from bachelor to master
 - > 80% university students
 - > 50% UAS students





What about the Political and Societal Common Sense in Germany?

- Germany as a welfare state:
 - social and educational participation one constitution issue
 - social or family origin no obstacle
- (Higher) education: a public good and public responsibility (as well in several Bologna declarations)
- No tuition fees at public universities (concerns 93% of the students)
 - only a short period between 2007 and 2014 in six federal states
- All 16 federal states fully subsidize public universities and partly private universities





Tax amount and entrance salary

- The upper 40% realize an annual income over 35.000 Euro
- They contribute to income tax revenues with a share of 90%
- On average, graduate's start with an annual salary of 39,000 Euro



What about the legal framework for study financing in Germany?

- Parents pay for their children's studies
 - obliged to a current livelihood of 735 Euro/month
- For low(er) income HHs: **German Federal Training Assistance Act** substitutes parental obligation
 - established in 1971 as **BundesAusbildungsförderungGesetz – BAföG**
 - a one vote decision by all political parties in national parliament
- Goals:
 - equal opportunities, independent from social or familiar origin
 - to mobilize educational reserves, especially to win first generation students





What about study costs and financing sources?

Costs of 5 years of study

- between 44,000 and over 50,000 Euro livelihood

Who pays for students' livelihood and how much?

- | | |
|--|--------------|
| • Parents are the main payers | 6.30 bn Euro |
| • State grants/loans (BAföG) | 2.15 bn Euro |
| • Salary from students' employment | 3.10 bn Euro |
| • Remaining (savings, partners, loans) | 1.62 bn Euro |



BAföG – Conditions and Numbers 2014

- 646,000 students (24%) achieved, at annual average 425,000
- Financial support depends on parental income
 - Maximum rate 735 Euro/month - average rate 448 Euro
 - 735 Euro/month under 20,580 annual net income
 - no support over 38,000 Euro annual net income
- 50% grant, 50% loan
- Expenditures in 2015:
 - 1.2 bn grants
 - 1.1 bn loans (given by Bank for Reconstruction - KfW)





BAföG Repayment

- Total debt limited to a repayable loan of 10,000 Euro
- Interest rate: zero!
- Repayment start: 5 years after the end of the support
- By a net income over 1,145 Euro (plus 570 for life partners, spouses and 520 for every child)
- Rate per month: 105 Euro
- Duration max: 20 years
- Average duration: 8 years





BAföG - History

- 1971: started as a grant
- 1982: changed to a subsidy-only of grants
- **Result:** many school leavers prefer to enter vocational training programs instead of higher education
- 1990: after German reunification, changed to 50% grants, 50% loans without interest
- 2001: limited the repayable loan at 10.000 Euro
- **Result:** share of students from poorer families increases





Additional Loan Offers – conditions and numbers

KFW Study loan (about 100,000 students)

- Product of the bank for reconstruction (KFW), distribution of loans:
 - 601 to 650 Euro: 42% of loan takers
 - 501 to 600 Euro: 12 %
 - 401 to 500 Euro: 16%
 - 301 to 400 Euro: 14%
 - 201 to 300 Euro: 12%
 - 100 to 200 Euro: 4%
- Current interest rate: 4.16
- Loans taken only by 6% of students





Student Indebtedness

- **82%** students free from debt
- **Only 18%** of all students have debts (incl. BAföG-recipients)
- Indebtedness among the 18% with debts
 - up to 4,000 Euro 50%
 - over 10,000 Euro 25%
 - 10,000 to 20,000 Euro 12%
 - 20,000 and 30,000 Euro 5%
 - over 30,000 Euro 8%
- average indebtedness 10,000 Euro





Conclusions

- No tuition fees, calculable and limited indebtedness
- Increasing participation of first generation students and those with lower income
- Students benefit from public financial support, they later pay higher taxes
- Students contribute, via their education and qualifications, to economic growth

