

Erasmus+ Master Student Loan Guarantee Facility

DISCLAIMER

This document provides some information on the terms of the Erasmus+ Master Student Loan Guarantee Facility ("Erasmus+ Master Student LGF" or the "Facility") and its related documentation. This document is not, and should not be construed as, a binding document. It does not provide a detailed description of any party's rights and obligations under the Erasmus+ Master Student LGF documentation and should not be used to construe any of the terms set out thereunder. This document is qualified in its entirety by the terms and conditions contained in the relevant Erasmus+ Master Student LGF documentation. This document does not constitute an offer of any nature whatsoever and does not create any binding obligations on the EIF to enter into a contract with any third party in relation to the Erasmus+ Master Student LGF or otherwise.

FREQUENTLY ASKED QUESTIONS - published on 02.11.2016

In accordance with the provisions of the Open Call for Expression of Interest published on the EIF's website on 13 February 2015 to select Financial Intermediaries under the Erasmus+ Master Student LGF, you will find here below a list of some of the most commonly asked questions. Please read through these FAQs before contacting the EIF.

If your question is not answered below and you believe it would be a good addition to the FAQ list, please send your suggestions by email to erasmusplus@eif.org.

Unless defined otherwise in this FAQ document, all capitalized expressions used in this document shall have the meaning attributed to them in the above mentioned Open Call for Expression of Interest and the Annexes II and III (respectively the indicative Guarantee Term Sheet and the indicative Counter-Guarantee Term Sheet). For the sake of clarity, we will refer in this document to eligible students who enter with a Financial Intermediary into an Eligible Final Recipient Transaction as the Final Recipients.

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General information

1. What is the Erasmus+ Master Student Loan Guarantee Facility?

The Erasmus+ Master Student LGF is a facility under which the EIF provides guarantees and counter-guarantees on eligible student loans to Financial Intermediaries. Thanks to the Erasmus+ Master Student LGF, Financial Intermediaries selected by the EIF will be able to extend student loans to eligible students. The Facility aims to increase Master student's mobility across the Programme Countries through the support of the European Union.

2. How can a student benefit from the Erasmus+ Master Student LGF?

Under the Erasmus+ Master Student LGF, the EIF does not support students directly, but through:

- a. direct guarantees to Financial Intermediaries, who extend loans to eligible students ("the Guarantee"); and
- b. counter-guarantees to Financial Intermediaries who issue guarantees to Sub-Financial Intermediaries in respect of loans extended to eligible students ("the Counter-Guarantee").

In order to benefit from a loan covered by the Erasmus+ Master Student LGF, eligible students must address themselves to the Financial Intermediaries operating under the Facility.

The information on the Financial Intermediaries operating under Erasmus+ Master Student Loan Guarantee Facility in the relevant Programme Countries can be obtained through the relevant Erasmus+ National Agency or on the EIF's website:

http://www.eif.org/what_we_do/guarantees/erasmus+master-loan-guarantee-facility/index.htm

Please refer to the "**Eligibility of students and studies**" section here below for further clarifications on the applicable eligibility criteria.

3. What is the Erasmus+ Master Student LGF's geographical coverage? What are the Programme Countries?

In respect of Financial Intermediaries, the Erasmus+ Master Student LGF targets Financial Intermediaries established and operating in at least one of the Programme Countries. The Programme Countries as of the date of this document are the EU Member States as well as the following additional countries: Iceland, the Former Yugoslav Republic of Macedonia, Turkey, Liechtenstein, and Norway. This list may be amended from time to time.

An up-to-date list of the Programme Countries can be found following the link below:

http://ec.europa.eu/programmes/erasmus-plus/documents/erasmus-plus-eligible-countries_en.pdf

In respect of eligible students, please refer to the "**Eligibility of students and studies**" section here below for further clarifications on the applicable eligibility criteria.

4. What are the Recognised Higher Education Institutions?

Recognised Higher Education Institutions are higher education institutions which are current holders of the "Erasmus Charter for Higher Education", and which can be found following the link below:

https://eacea.ec.europa.eu/erasmus-plus/actions/erasmus-charter_en

5. What does Master's Degree mean?

A Master's Degree is a 2nd cycle qualification as per the Framework for Qualifications of the European Higher Education Area dated May 2005 (equivalent to Level 7 of the European Qualification Framework, dated 23 April 2008) as amended, restated, supplemented or substituted from time to time, which ranges between 60-120 ECTS Credits.

6. Until when will the Open Call for Expression of Interest of the Erasmus+ Master Student LGF be open for applications?

The Erasmus+ Master Student LGF Open Call for Expression of Interest will be open for applications by Financial Intermediaries until 30 September 2020. Financial Intermediaries are encouraged to express their interest in the Facility as soon as possible.

7. What is the overall EU Contribution allocated to the Erasmus+ Master Student LGF?

The Erasmus+ Master Student LGF has been allocated an indicative EU Contribution of €517 million to be deployed over the Commitment Period (2014-2020). This EU Contribution is expected to be reflected into about 200,000 loans extended to eligible students, with an overall notional amount of approximately €3bn.

8. Is there any pre-determined allocation of the overall EU Contribution on a Programme Country basis?

No. In the case of the Erasmus+ Master Student LGF, applications are assessed on a "first come, first assessed" basis. Financial Intermediaries interested in operating under the Erasmus+ Master Student LGF are therefore invited to express their interest as soon as possible by submitting their application to the EIF.

9. Is there a minimum volume of lending below which an application submitted by a Financial Intermediary may not be considered by the EIF?

No. There is no minimum portfolio volume for which a Financial Intermediary needs to apply under the Facility.

10. How do the Erasmus+ Master Student LGF eligibility criteria work?

The overall eligibility criteria under the Erasmus+ Master Student LGF comprise the following “main elements” related to:

- a. the eligible students (Final Recipient Eligibility Criteria);
- b. the characteristics of the underlying loans (Final Recipient Transaction Eligibility Criteria).

Eligibility of the students and loans (or guarantees, in the case of the Counter-Guarantee) will be examined by the Financial Intermediary on a fully delegated basis in accordance with the eligibility criteria contained in the (Counter-) Guarantee agreement.

Eligibility of students and studies

11. Which criteria does a student need to satisfy to be eligible under the Erasmus+ Master Student LGF?

The student needs to comply with each of the following criteria in order to be eligible under the Facility:

- a. be a resident of a Programme Country;
- b. undertake a Master’s Degree at a Recognised Higher Education Institution in a Programme Country which is neither:
 - (i) his/her country of residence (except if he/she has changed its residency within three months prior to his/her application for the Final Recipient Transaction with the view to pursue the Master’s Degree); nor
 - (ii) the country in which he/she has obtained his/her qualification granting access to the Master’s Degree.
- c. not have already entered into a student loan covered by the Erasmus+ programme with an entity other than the Financial Intermediary.

Compliance with the eligibility criteria described above may be verified by the Financial Intermediary by means of:

- **Documents:** students would typically provide the Financial Intermediary with the following:
 - Copy of the passport or National ID/ Fiscal Number, etc.
 - Certificate of place of permanent residence (i.e. normally the 'home' country);
 - Proof of acceptance of a Recognised Higher Education Institution.

- for the criterion (b): in whole or in part by means of a declaration issued by the Recognised Higher Education Institution certifying the enrolment and/or acceptance of the students within an eligible Master Degree programme;
- for the criterion (c), by means of a representation by the student.

The aim of the facility is to support learning mobility from one Erasmus+ Programme Country to another. There is no criterion regarding the nationality or the age of the student, nor on the country where the qualifying degree should have been obtained.

12. Are students completing a double-, joint-, or multiple- Master's Degree eligible under the Erasmus+ Master Student LGF?

A student completing a double-, joint-, or multiple-degree is eligible under the Facility provided that he/she meets the criteria listed in **Question 11** and, that at least 50% of the total ECTS Credits awarded under the degree are obtained at a Recognised Higher Education Institution in a Programme Country which is neither (i) the Final Recipient's country of residence (except if the Final Recipient represents that it has changed its residency within three months prior to its application for the Final Recipient Transaction with the view to pursue the Master's Degree); nor (ii) the country where he/she obtained his/her qualification granting access to Master's Degree.

Similarly, a student completing a double-, joint-, or multiple-degree is eligible under the Facility provided that he/she meets the criteria listed in **Question 11** and, can demonstrate that at least 50% of the total study duration takes place at such a Recognised Higher Education Institution.

This being said, a student completing an exchange programme or pursuing credit mobility as part of a Master's Degree in his/her home jurisdiction i.e. his/her country of residence or country where he/she obtained his/her qualification granting access to the Master's Degree, is not eligible.

13. Is the Erasmus+ Master Student LGF limited to full-time Master's students?

No. Part-time Master's students are also eligible under the Erasmus+ Master Student LGF provided all he/she meets the criteria listed in **Question 11**.

14. Should the Financial Intermediary check if the Final Recipient combines an Erasmus+ Master Student loan with an Erasmus+ grant or any other grant(s)?

The Financial Intermediary is not expected to do any check on existing grant(s) received by the Final Recipient. The Financial Intermediary should only ensure that the student has not already entered into a student loan covered by the Erasmus+ programme with an entity other than the Financial Intermediary. This could be verified by the Financial Intermediary on the basis of a representation by the Final Recipient.

15. Is the Financial Intermediary obliged to extend an Erasmus+ Master loan to any eligible students submitting an application?

It is the sole decision of the Financial Intermediaries whether or not to extend the loans to

eligible students following its customary policies and procedures, including its standard credit policy.

However, the Financial Intermediary undertakes (or, if applicable, undertakes to obtain a similar undertaking from the Financial Sub-Intermediary) to grant Final Recipient Transactions without discrimination on grounds of race or ethnicity, sex, sexual orientation, religion or belief, nationality, field of study or social background of the Final Recipient.

Eligibility of Financial Intermediaries

16. How does the Erasmus+ Master Student LGF work for the Financial Intermediaries?

The Erasmus+ Master Student LGF is implemented by the EIF, the EIB Group's specialist arm in providing risk financing for entrepreneurship, innovation and higher education mobility.

Financial Intermediaries wishing to partner with the EIF under Erasmus+ Master Student LGF need to apply as specified in the Open Call for Expression of Interest published in the Erasmus+ Master Student LGF section of the EIF's website.

Applications will be assessed on a "first come, first assessed" basis. Applications which meet the formal criteria will be subject to the EIF's selection procedure, as further described in the Open Call for Expression of Interest.

The EIF will enter into individual (Counter-) Guarantee agreements with selected Financial Intermediaries and provide a Guarantee (or a Counter-guarantee) covering a portion of the new loans (or guarantees, as in the case of the Counter-Guarantee) originated by the Financial Intermediaries. In return, Financial Intermediaries will provide (or guarantee, in the case of a Counter-Guarantee, directly or indirectly, in the case of on-lending) loans extended to eligible students in the context of cross-border studies at Master's Degree level.

As a compensation for the loss incurred by the Financial Intermediary on an underlying loan (or guarantee, as in the case of the Counter-Guarantee) included in the Portfolio, the Financial Intermediary will receive up to the Guarantee Rate (which is typically set at its maximum, i.e. 90%) of that amount. Any Recoveries realised by the Financial Intermediary, where the EIF paid an amount under the (Counter-) Guarantee with respect to such loss, are to be shared *pari passu* with the EIF.

The obligation of the EIF to pay a portion of the losses under the Portfolio covered by the (Counter-) Guarantee will be capped at the level of the Guarantee Cap Rate (which is typically set at its maximum, i.e. 18%).

This Guarantee Cap Amount shall be calculated in accordance with the following formula:

Guarantee Cap Amount = Actual Portfolio Volume x Guarantee Rate x Guarantee Cap Rate,
with Actual Portfolio Volume being the realised volume of lending.

17. How can a financial institution become a Financial Intermediary under the Erasmus+ Master Student LGF?

Financial Intermediaries interested in submitting an application are invited to follow the guidelines stipulated in the Open Call for Expression of Interest published on the EIF's website.

18. Could a Financial Intermediary operate simultaneously under several EU centrally-managed financial instruments deployed by the EIF?

Yes. A Financial Intermediary may operate several EU centrally-managed financial instruments deployed by the EIF at the same time, provided that the Financial Intermediary:

- a. submits a separate application for each financial instrument; and
- b. satisfies the eligibility criteria of each financial instrument.

19. What is the Central Exclusion Database (CED)? What actions is a Financial Intermediary supposed to take in this respect?

The CED aims at protecting the EU's financial interests by excluding companies, organisations and natural persons from EU funding because of the grounds listed under article 106 (1) of the Financial Regulation. They concern:

- Bankruptcy and insolvency situations;
- Non-payment of taxes or social security contributions;
- Grave professional misconduct;
- Fraud, corruption, participation in a criminal organisation etc.;
- Serious breach of contract;
- Irregularity.

In this respect and in the context of the Erasmus+ Student LGF, Financial Intermediaries have to represent by means of duly signing a document in the form of Annex I of the Open Call for Expression of Interest that they are not, to their knowledge, included in the CED established under Commission Regulation 1302/2008 of 17 December 2008. In addition, Financial Intermediaries need to make this representation again at the time of entering into the (counter-) guarantee agreement (and obtain the same representation from Financial Sub-Intermediaries at such time and at the time of entering into the Final Recipient Transaction).

Eligibility of transactions

20. Which are the transactions covered under the Erasmus+ Master Student LGF?

Only Final Recipient Transactions meeting the Eligibility Criteria can be covered by the Guarantee or the Counter-Guarantee. Please find below a summary of the main eligibility criteria:

- a. Amount and maturity

The maximum amount of principal by the Financial Intermediary to be available for utilisation by the Final Recipient under the Final Recipient Transaction shall not exceed the following amount:

- €12,000 (or, where the Final Recipient Transaction is denominated in a currency other than Euro, the equivalent amount set out in the Intermediary Terms) if the Master's Degree being undertaken, or to be undertaken, by the relevant Final Recipient is for a duration of one year or less; or
- €18,000 (or, where the Final Recipient Transaction is denominated in a currency other than Euro, the equivalent amount set out in the Intermediary Terms) if the Master's Degree being undertaken, or to be undertaken, by the relevant Final Recipient is for a duration of more than one year.

The loan should have a minimum scheduled final maturity of six years after the end of the Master's Degree.

b. Timing

The Final Recipient Transaction is entered into as a new Final Recipient Transaction with the Financial Intermediary during the Inclusion Period (provided that the refinancing of an existing transaction before the maturity date of such existing transaction shall not be eligible).

c. Specific terms and conditions

Final Recipient Transactions shall comply with each of the following eligibility criteria:

- (i) does not request or require that any collateral or parental or other third party guarantee be provided in order to secure the Final Recipient Transaction, other than a personal guarantee from the Final Recipient;
- (ii) has an option to defer the payment of interest on the Final Recipient Transaction for the duration of the Master's Degree being undertaken or to be undertaken by the Final Recipient in respect of such Final Recipient Transaction;
- (iii) provides that the repayment by a Final Recipient of the Final Recipient Transaction shall commence at the earliest one calendar year after the date on which the Master's Degree being undertaken or to be undertaken by the Final Recipient in respect of such Final Recipient Transaction ends (such date being the "Payment Grace Period End Date"), unless such a delay in repayment by a Final Recipient is not permitted by applicable law, in which case a Final Recipient shall instead be entitled to make Nominal Repayments in respect of the Final Recipient Transaction up to, and including, the Payment Grace Period End Date;
- (iv) provides the Final Recipient with the option to request a Repayment Holiday of a duration of one calendar year (or longer at the discretion of the Financial Intermediary) at least once during the term of the Final Recipient Transaction, unless such a delay in repayment by a Final Recipient is not permitted by applicable law, in which case a Final Recipient shall instead be entitled to make Nominal Repayments in respect of the Final Recipient Transaction during the Repayment Holiday;
- (v) provides that no penalties for early total or partial repayment by the Final Recipient of amounts outstanding under the Final Recipient Transaction shall be applied; and

provides that in case of death or total permanent disability of the Final Recipient, the Financial Intermediary shall be obliged to write off entirely the Final Recipient Transaction and shall not have recourse to the estate of the Final Recipient or any other assets, including operating any set-off between accounts.

21. Can more than one Final Recipient Transaction be extended to the same Final Recipient by the same Financial Intermediary?

Yes, provided that the aggregate maximum amount of principal committed by the Financial Intermediary (i.e. to be available for utilisation by a single Final Recipient) under one or more Final Recipient Transactions benefitting from the Guarantee above does not exceed the limit set in the Eligibility Criteria (see **Question 20**).

As previously stipulated, only newly originated Final Recipient Transactions shall be covered by the (Counter-) Guarantee. Nevertheless, existing Final Recipient Transactions whose principal amount is increased ("topped up") will keep the cover of the Facility as long as they are structured as two transactions and the resulting amount of the increase does not exceed the limit set in the Eligibility Criteria (see **Question 20**).

22. Can a Financial Intermediary reschedule the maturity of a loan covered by the (Counter-) Guarantee?

If the terms of an existing loan are covered by the (Counter-) Guarantee, the restructuring of the maturity of such loan is allowed if it is made in accordance with the credit policy of the Financial Intermediary or Financial Sub-Intermediary, as applicable. If the resulting change causes the loan's maturity date to fall beyond the termination date of the (Counter-) Guarantee, any defaulted amounts incurred after such date will not be covered by the EIF.

23. Can a loan included in the Portfolio be covered by an additional guarantee or similar credit protection arrangement?

Financial Intermediaries shall maintain an economic exposure to each Eligible Final Recipient Transaction (either a loan or a guarantee) included in the Portfolio of at least 10% of the outstanding principle amount and shall not enter into any credit support, guarantee or other credit risk transfer arrangements with respect to this retained portion.

Since the Guarantee Rate is typically set at its maximum (i.e. 90%), Financial Intermediaries are unlikely to be allowed to make use of additional guarantee or similar protection arrangement in relation to the Portfolio.

24. Are there any collateralisation requirements with respect to student loans to be covered under Erasmus+ Master Student LGF?

The Financial Intermediary should not request or require that any collateral or parental or other third party guarantee be provided in order to secure the Final Recipient Transaction, other than a personal guarantee from the Final Recipient.

In addition, the EIF and the Financial Intermediaries shall rank *pari passu* with regard to recoveries (unless a fixed recovery rate is specified in the guarantee agreement).

Miscellaneous

25. Is the Counter-Guarantee provided under the Erasmus+ Student LGF *pass-through* with respect to the Financial Sub-Intermediaries?

The Counter-Guarantee is issued by the EIF for the benefit of the Financial Intermediaries. It covers guarantees issued by those Financial Intermediaries in respect of eligible Final Recipient Transactions entered into by Financial Sub-Intermediaries. For any payment claims arising from defaults of the Final Recipient Transactions a Financial Sub-Intermediary shall address the Financial Intermediary only and the Financial Sub-Intermediary may not claim any counter-guarantee amounts from the EIF directly, including in the case of insolvency, bankruptcy or other event of defaults of the Financial Intermediary.

26. Will a (Counter-) Guarantee reduce the Financial Intermediaries' risk weighted assets (RWA) with respect to Final Recipient Transactions included in the Portfolio?

The realisation of the capital relief, and to that extent the reduction of RWA in a particular jurisdiction, is subject to the respective regulatory authorities' assessment exercised in the course of their supervisory process.

The EIF will not provide any advice and will not participate in any discussions with respective supervisory authorities on behalf of Financial Intermediaries.

27. What is the price of the (Counter-) Guarantees provided by the EIF under the Erasmus+ Master Student LGF?

The (Counter-) Guarantee is provided free of charge, irrespective of the portfolio volume.

28. What is the expected financial benefit to be passed by the Financial Intermediary to Final Recipients?

The Financial Intermediary shall undertake to apply a reduced interest rate (e.g. reflecting the guarantee rate in the risk margin), or, in case of a counter-guarantee, a reduced guarantee fee, resulting in a rate lower than the market rate.

In addition, Financial Intermediaries may propose additional favourable terms for Final Recipients (e.g. longer grace periods, repayments linked to amounts earned by the Final Recipient, etc.).

29. What are the conditions under which a payment is made under the Erasmus+ Master Student LGF?

The payment under the Erasmus+ Student LGF will be made within a maximum of 60 calendar days from the date a valid guarantee call has been submitted to the EIF. The guarantee call

shall be substantially in the form of guarantee call (to be sent by the Financial Intermediary within the period set out in the guarantee agreement) and include the details on defaulted Final Recipient Transactions with regard to which the Financial Intermediary has incurred a loss.

Any payment owed by the EIF to the Financial Intermediary in respect of a loss incurred by a Financial Intermediary shall be made in the Base Currency.

30. Can a Financial Intermediary sell any other bank products or services to a student submitting an application for a loan supported by the Erasmus+ Master Student LGF?

Yes. Financial Intermediaries are free to offer any of their other bank products or services to students applying for a loan supported by the Erasmus+ Master Student LGF. However, the Financial Intermediary shall not make the access to a loan supported by the Erasmus+ Master Student LGF conditional on the subscription of any other bank product(s) or service(s).