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German students turn to loans

Introduction of fees at public colleges softens attitudes

By Rhea Wessel

SPECIAL TO THE WALL STREET JOURNAL

Enrolled in a Master of Business Information Systems program, Christian Thoma is helping to break the mold of the "typical" German student.

Mr. Thoma, 25 years old, has taken a student loan from a commercial bank, a product that only recently became available in Germany.

Mr. Thoma applied for a Deutsche Bank AG loan so that he could

focus on his program at the FH Karlsruhe and his trainee work without having to work part-time or ask his parents for more support.

"Education is something that I'm willing to spend my money on," Mr. Thoma says. "It's OK for me even if my friends don't understand it."

Indeed, for many Germans, student loans are something to shun.

"German students are afraid of taking out loans because they don't want to start their lives with a liability," says Rima Dapous, managing director of the Institute for Law and Finance at Goethe University in Frankfurt. The institute awards Master of Law degrees and charges €15,000, or about \$18,000, for the one-year program. Ms. Dapous says she knows of only one German student

Getting money

German university students use various ways to finance their courses

SOURCE	PERCENTAGE OF STUDENTS RECEIVING AID
Parents	89
Part-time job	63
Bafög state loan	27
Relatives, friends	17
Savings	16
Orphan's pension	4
Partner	3
Scholarship	2
Bank loan/loan from third party	1
Educational loan	1
Other sources	3

Source: Federal Ministry of Education and Research, 2003 survey

who has taken a private loan to attend the program, which has been in operation for four years. A majority of students are foreign, and they receive scholarships and corporate grants.

But now more German public colleges and universities are introducing tuition fees after a court gave the green light. Moreover, private M.B.A. programs are multiplying. These developments are helping Mr. Thoma and hundreds of other students accept the idea of private student loans to supplement or replace the state-backed system, called *Bafög*, that grants need-based loans. Only about a quarter of German students qualify for the program, while nearly two-thirds depend on part-time jobs to supplement their income.

Last year, Deutsche Bank became one of the first banks to offer student loans. "Students are a target group that we want to follow throughout their lives," says Markus Block, a spokesman for Deutsche Bank.

KfW, a state-owned commercial bank, will offer loans later this year to all German undergraduates or European Union students who have been in Germany for more than three years. Other banks, such as the German arm of Sweden's **SEB**, **BW-Bank** and German savings banks have also started student loan programs.

A Munich-based company, **CareerConcept AG**, has yet another offer—one based on a competitive, selective process. Students can get loans of as much as €1,000 a month with a maximum loan of €30,000. They pay back the loans after graduation as a percentage of their salaries—usually 4% to 10% for three to nine years.

Both the company and the students take a risk. If a student earns millions, his or her payments could be high. If a student earns pennies, the company might make a loss on that particular bet.

The idea behind CareerConcept was originally formulated by Nobel laureate economist Milton Friedman but was made into a functioning business in Europe by Oliver Krieg, who attended a private undergraduate business school near Frankfurt, the European Business School.

During his time there, he realized that many students who would have qualified to study there simply couldn't afford it and weren't willing to incur debt.



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