



## **Contract for Degree Course Funding at Witten/Herdecke University**

between

StudierendenGesellschaft Witten/Herdecke e.V.  
Alfred-Herrhausen-Straße 50 / Raum Nr. 1.209  
58448 Witten  
nachfolgend SG genannt

hereinafter referred to as “SG”

and

Max Mustermann

hereinafter referred to as  
“Financing Recipient.”



## **§ 1 Financing**

- (1) SG undertakes to pay the financing amount owed by the Financing Recipient vis-à-vis Private University Witten/Herdecke gGmbH pursuant to the fee system of Witten/Herdecke University for the Financing Recipient's degree course in **MA – Philosophy, Politics and Economics (extern)\*\*\* - 120 CP - 4 Semester**. This concerns other financial assistance pursuant to Section 506 of the German Civil Code (BGB).
- (2) Pursuant to the fee system of Witten/Herdecke University (hereinafter “UWH”), students must pay financing for the duration of the standard period of study, the amount of which is oriented to the selected study subject. This financing can be paid in three variants, namely
  - fixed-amount-based immediate payment; or
  - immediate payment of half the amount and subsequent payment of half the amount; or
  - income-dependent subsequent payment.

If the Financing Recipient chooses income-dependent subsequent payment SG will take over payment of the financing amount owed by the Financing Recipient in full. If immediate payment of half the amount and subsequent payment of half the amount are chosen, SG will take over payment of half the financing amount owed by the Financing Recipient.

- (3) If the Financing Recipient chooses income-dependent subsequent payment, he or she will therefore receive a net financing amount of EUR 21,480.00 for a degree course in **MA – Philosophy, Politics and Economics (extern)\*\*\* - 120 CP - 4 Semester**. This amount is reduced to half if immediate payment of half the amount and subsequent payment of half the amount are chosen.
- (4) The financing assistance pursuant to this agreement requires the Financing Recipient to take up a degree course at Witten/Herdecke University.

## **§ 2 Repayment**

- (1) The Financing Recipient undertakes to pay the repayment amount defined in Section 5 to SG during the repayment period defined in Section 3 for the relevant repayment duration defined in Section 4 and within the maximum limits defined in Section 6.
- (2) The Financing Recipient is entitled to pay back the financing assistance early. In this case, the repayment amount results from the maximum thresholds determined in Section 6 Para. 2.

## **§ 3 Repayment period**

- (1) The repayment period extends over a period of **25** years. It commences on **1 January** of the year that follows ex-matriculation from Witten/Herdecke University.
- (2) The duration of this agreement commences when it is signed and ends when the repayment amount has been paid in full for the duration of 10 years, but at the latest 25 years after the start of the repayment period.

## **§ 4 Relevant repayment duration**

The relevant repayment duration within the repayment period is ten years. Years in which the minimum limit pursuant to Section 8 is not reached or years in which the Financing Recipient is exempted from the repayment pursuant to Section 11 will not be offset against the relevant repayment duration.



## **§ 5 Repayment amount**

The annual repayment amount is

- **for the second study phase concluded with the master's, six %**

of the income defined in Section 9.

## **§ 6 Maximum limits**

- (1) For one year, the Financing Recipient's repayment amount defined by contract is a maximum of

- **EUR 8,592.00 for the second study phase concluded with the master's**

Payments exceeding this may be made.

- (2) The maximum total of the repayment amount to be settled by the Financing Recipient during the repayment period pursuant to Section 3 is

- **EUR 42,960.00 for the second study phase concluded with the master's**

## **§ 7 Instalments**

- (1) If no application is filed and temporarily approved for exemption from the repayment pursuant to Section 11, the Financing Recipient will pay monthly instalments from the start of the repayment period amounting to

- **EUR 134.00 for the second study phase concluded with the master's**

These will be offset against the repayment amount calculated for the calendar year of the instalments.

- (2) With the establishment of the annual repayment amount, an adjustment of the instalments can be made by SG in each case.
- (3) A new monthly instalment amount defined by SG may not exceed one-twelfth of the last determined annual repayment amount pursuant to this contract but not be less than the amounts named in par. 1. Higher instalments are possible with the consent of the Financing Recipient.
- (4) An adjustment of the instalment amount must be notified to the Financing Recipient in writing by SG and shall become valid with the second direct debit following the notification.
- (5) If the Financing Recipient can provide credible documentation that instalments defined pursuant to par. (2)-(4) will exceed his or her expected repayment amount, the instalment can be reduced at the Financing Recipient's request but not to less than the monthly amounts named in par. 1.
- (6) In accordance with the provisions of Section 11, the instalments can be suspended.
- (7) The instalments will be collected from the Financing Recipient's account by direct debit on the 15th of every month.



### **§ 7a Interest rates**

- (1) The Financing Recipient's repayment obligation is calculated solely based on his or her income situation, meaning that an individual effective annual interest rate cannot be indicated.
- (2) The effective annual rate of interest is calculated using three calculation examples in Annex 1.

### **§ 8 Minimum limit**

- (1) The repayment amount to be made each year must account for at least twelve times the amounts named in Section 7 par. 1.

If the determination of the income pursuant to Section 10 results in a repayment amount of less than the repayment amounts to be paid each year pursuant to clause 1, this year is not deemed to be a repayment year and is thus not offset against the relevant repayment duration pursuant to Section 4. Instalments paid in such a year will not be reimbursed but instead offset against the next repayment amount. Interest will not be incurred.

- (2) If insolvency proceedings are opened over the assets of the Financing Recipient, SG can register the amount for the insolvency table that it has paid pursuant to Section 1 as the financing contribution for the Financing Recipient's degree course, less payments by the Financing Recipient that have already been received pursuant to this agreement. This does not affect the option for SG to register a higher claim pursuant to the provision of this contract in insolvency proceedings.

### **§ 9 Definition of income**

- (1) Income is deemed to be the total of the positive income of the Financing Recipient pursuant to Section 2 I, II of the German Income Tax Act (Einkommensteuergesetz) plus the payments from this contract that have reduced the income in the aforementioned sense. Income is therefore also deemed to be the income from capital assets taxed pursuant to Section 32d Para. 1 and Section 43 Para. 5 of the Income Tax Act (EStG) and the tax-free amounts pursuant to Section 3 No. 40 of the Income Tax Act (EStG) reduced by the non-deductible amounts pursuant to Section 3c Para. 2 of the Income Tax Act (EStG). Income of the spouse filing jointly will not be taken into consideration. Offsetting with losses from other types of income and other losses of the spouse filing jointly is not permitted.
- (2) The following amounts can be deducted from the income consequent to par. 1:
  - a) an allowance recognised in the income tax assessment for income from agriculture and forestry (Section 13 III of the German Income Tax Act)
  - b) the mandatory contributions to be paid for the calculation period to the social insurance system and to the Federal Labour Agency and the voluntary costs paid to the social insurance system and for private medical, nursing care, accident or life insurance in an appropriate amount.
- (3) As compensation for the deductions pursuant to par. 2 point 2, a sum in the following percentage rates of this total amount will be deducted from the income consequent to par. 1:
  - a) 21.3 percentage rate, but a maximum of EUR 12,100.00 for employees, trainees and the non-working
  - b) 37.3 percentage rate, but a maximum of EUR 20,900.00 per year for non-employees.

Each Financing Recipient is only to be assigned to one of these two groups. This also applies if he or she meets the requirements only for one part of the calculation period. Only those who do not fall under the first group, even for just a part of their income, can be assigned to the second group.



- (4) Changes in the Federal Training Assistance Act (Bafög) that relate to the percentage rates and maximum amounts named in par. 3 result in a corresponding adjustment of the percentage rates and the maximum amounts in par. 3.
- (5) Income of a Financing Recipient with permanent residence abroad which is subject to foreign fiscal law is also deemed as income. The total of the positive income is reduced by the flat-rate amount for social security to be determined pursuant to par. 3.
- (6) If the Financing Recipient generates income pursuant to Section 2 I, II of the Income Tax Act and if this income is not remunerated as is customary elsewhere, the remuneration usually paid for a comparable service between external third parties is to be set as income.

If the Financing Recipient generates an income pursuant to Section 9 Para. 1 of less than EUR 60,000.00 annually and if he or she carries out his or her work for or if he or she provides a service to a related party or jointly with a related party pursuant to Section 138 of the Insolvency Code (InsO), the Financing Recipient must provide evidence that his or her income is customary elsewhere at the request of SG. If this document is not provided, SG can correct the income pursuant to Section 9 Para. 1 accordingly to an amount customary elsewhere.

### **§ 10 Establishment of the income and determination of the repayment amount**

- (1) To establish the income relevant for the repayment amount, the Financing Recipient must without prompting submit a copy of his or her income tax assessment to SG for each year during the repayment period. This must be done at the latest by 31.12 of the following year. In addition, the Financing Recipient must notify SG in writing by 31.12. of the following year of all other income that is not recorded in the income tax statement, for instance, income subject to withholding tax pursuant to Section 20 of the Income Tax Act (EStG) (other income). The notification can be omitted if the income to be notified pursuant to Clause 3 of this paragraph constitutes less than 10% of the overall amount of the sum of the income pursuant to Section 9 Para. 1 or the Financing Recipient has already reached the maximum repayment amount defined annually pursuant to Section 6 Para. 1 due to his or her other income. At the request of SG, the Financing Recipient is obligated to furnish a certificate from a tax advisor or auditor that confirms the correctness and completeness of the above notification.
- (2) Alternatively, if no tax assessment has been received by 31.12 of the following year, a certificate from a tax adviser or an auditor of the income determined according to Section 9 can be provided for the time being. If neither the income tax assessment nor the certificate named in clause 1 have been received by 15.1 of the year succeeding the year that follows, a sum amounting to the maximum limits named in Section 6 par. 1 less the instalments paid up to that point in time for the year of assessment is due and payable within 14 days after receipt of the request to do so.
- (3) The income tax assessment is decisive for the determination of the repayment amount and the notification of further income if such has to be made. This also applies if the income tax assessment is not yet legally valid. If necessary, a recalculation will be done after the income tax assessment has become legally valid.
- (4) Financing Recipients who avail themselves of the special regulation according to par. 2 are obligated to submit a copy of the income tax assessment to SG immediately as soon as it is available.
- (5) After receipt of the income tax assessment, and, if applicable, the notification regarding further income, SG will determine the repayment amount pursuant to Section 5. If use is made of the special regulation pursuant to par. 2, or a tax assessment has been received that is not yet legally valid, the repayment amount will be provisionally determined until the legally-valid tax assessment has been provided. In both cases, the repayment amount will be notified to the Financing Recipient in writing.
- (6) If a difference arises between instalments and the repayment amount to the detriment of the Financing Recipient, this is due for payment 14 days after receipt of the notification by SG.
- (7) A difference in the Financing Recipient's favour will not be reimbursed, but rather offset against the next repayment amount to be made. Interest will not be incurred.



- (8) If income is subject to foreign fiscal law, pars. 1 to 7 apply accordingly. If the foreign fiscal law does not recognise income tax assessments, par. 1 to 7 above apply accordingly with the proviso that a certificate comparable to the income tax assessment is to be submitted.
- (9) Income in foreign currencies will be converted into euro based on the respective year's average exchange rate (of the respective income year) published by the German Central Bank.

## **§ 11 Exemption from repayment**

- (1) If it is foreseeable that the relevant annual income pursuant to Section 9 will not exceed an amount of EUR 21,000.00, the Financing Recipient has the option of filing an application for exemption from the instalments for this calendar year.  
The amount described in clause 1 is increased by EUR 200.00 per month for the spouse and for each child of the Financing Recipient that is recognised for tax purposes in the income tax assessment. The amount determined pursuant to clause 1 and clause 2 is reduced by the spouse's income determined pursuant to Section 9, but not below the amount given in clause 1.
- (2) Life partners in consensual unions pursuant to Section 1 of the Civil Partnerships Act (Lebenspartnerschaftsgesetz) are equal in status to spouses.
- (3) If, in the case of the spouses separating or the Financing Recipient divorcing, higher maintenance claims of the spouse or the children than those indicated in par. 1 clause 2 have been established by a court of law or by other enforceable acts, upon application and written evidence from the Financing Recipient these amounts are to be taken into account instead of those named in par. 1 clause 2, as long as they are actually paid.
- (4) Upon special application, in the case of disabled persons, the amount designated in par. 1 is increased by the amount of the costs caused by the disability in accordance with Section 33b of the German Income Tax Act.
- (5) Upon special application and written evidence, in the case of BAföG repayers, the amount designated in par. 1 is also increased by the monthly minimum repayment amount named in Section 18 par. 3 of BAföG.
- (6) The Financing Recipient must submit the documents explaining the application for exemption to SG. If these make it seem plausible that the income limits will not be met, the application will be temporarily accepted and the Financing Recipient will be exempted from the obligation to pay instalments pursuant to Section 7 in the respective calendar year.
- (7) If the documents necessary to inspect the income actually generated in the exemption period are available, a conclusive decision will be taken for the entire exemption period.
- (8) If the income limits defined pursuant to paragraphs 1, 3, 4 and 5 are not reached, the Financing Recipient will be exempted from repayment for the respective year. Such a year is deemed not to be a repayment year. Instalments paid in such a year will not be reimbursed but instead offset against the next repayment amount. Interest will not be incurred.
- (9) If the income limits defined pursuant to paragraphs 1, 3, 4 and 5 are exceeded, the repayment amount pursuant to Section 5 will be determined and the Financing Recipient will not be exempted from the repayment for this year.
- (10) If a circumstance relevant for the exemption changes after application, the Financing Recipient is obligated to notify SG of this immediately in writing.
- (11) If the Financing Recipient is exempted from paying the repayment amount, the Financing Recipient's payment obligation ends after expiry of the repayment period. This does not apply if the Financing Recipient has not made payments despite the existence of a payment obligation or is in arrears with due payments.



## **§ 12 Exemption from the income determination**

If payments made for the assessment year exceed the respective maximum amounts named in Section 6 par. 1, the obligation to submit the income tax assessment will lapse. This only applies if these payments are received by SG before 31.12 of the year following the year of assessment. If the Financing Recipient opts for this variant, the subsequent enforcement of a lower payment amount for the respective year of assessment is excluded. The regulations with regard to the monthly instalments remain unaffected by this.

## **§ 13 Arrears interest**

If the Financing Recipient should not comply with his or her repayment obligations pursuant to this contract and exceed payment deadlines, payments due will incur interest. The interest rate is four percentage points above the respective base interest rate of the European Central Bank per year. The enforcement of further claims for compensation by SG is unaffected by this.

## **§ 14 immediate payment of half the amount and subsequent payment of half the amount**

- (1) If the Financing Recipient pays half the financing regulated in the fee system of Witten/Herdecke University every month during his or her degree course over the semesters of the normal period of study, the repayment amount relevant for him or her pursuant to Section 5, the maximum limits pursuant to Section 6, the instalments pursuant to Section 7 and thus also the minimum limits pursuant to Section 8 are reduced to half of the respective amounts named there.
- (2) When concluding the contract, the Financing Recipient must declare vis-à-vis SG that he or she wishes to make use of this variant.
- (3) If the Financing Recipient falls into arrears with his or her monthly instalments, he or she must declare within a month after SG's request whether he or she wishes to continue to avail themselves of this regulation. In this case, all amounts due are to be paid to SG within one week.  
If the Financing Recipient decides to no longer avail themselves of this regulation, the regulations pursuant to Section 2 apply. The amounts paid up to then will not be reimbursed but instead offset against the repayment pursuant to Section 2. Interest will not be incurred.
- (4) If the Financing Recipient does not respond within a month after request or if he or she does not pay, SG can terminate this contract with a period of notice of two weeks. With receipt of the termination, SG will suspend its payments pursuant to Section 1 of this contract to the Private University Witten/Herdecke gGmbH and will report the termination of the contract to the latter. The difference between the financing disbursed up to this point in time pursuant to Section 1 of this contract and the monthly instalments paid by the Financing Recipient is due 14 days after receipt of the termination and will incur interest of four percentage points above the respective base interest rate of the European Central Bank.
- (5) The adaptability of the percentage of the study financing defined in Section 5 par. 2 will be weighted on the repayment amount. The immediate payment amount is unaffected by this. In return, the relative change in the percentage of the repayment amount is greater. The extent of the change corresponds to the change in the case of full subsequent payment.



### **§ 15 Notification obligations**

- (1) The Financing Recipient is obligated to give immediate notice in writing of
  - a. termination of the degree course,
  - b. commencement of any employment after the degree courseand during the repayment period
  - c. any change in residence,
  - d. any change in family nameto SG.

### **§ 16 Payment processing**

The Financing Recipient undertakes to set up an account and to grant SG a direct debit mandate for this account, to ensure that sufficient funds are available in the account and to give immediate notice of changes in bank details. Costs incurred by SG as a result of another payment method or the return of unredeemed direct debit amounts will be passed on to the Financing Recipient.

### **§ 16a Provision for Financing Recipients who are minors**

- (1) If the Financing Recipient is under 18 when this contract is concluded, this contract must be signed by the legal representative(s) to be valid. The latter are liable jointly and severally alongside the Financing Recipient for all payment obligations of the Financing Recipient resulting from this contract until any conclusion of a new contract pursuant to par. 4. The Financing Recipient expresses his or her will to take up the financing by co-signing this contract.
- (2) The same applies if the Financing Recipient is not a German national and does not yet have full legal capacity pursuant to the provisions of his or her home country when this contract is concluded.
- (3) In both cases, this contract ends at the latest twelve months after the Financing Recipient reaches the age of 18 or, in the case of foreign nationals, after he or she has reached unconditional legal capacity pursuant to the regulations of his or her home country (hereinafter referred to collectively as “reaching the age of majority”), without requiring termination.
- (4) SG already irrevocably offers the respective Financing Recipient the opportunity to conclude a “funding contract for a degree course at Witten/Herdecke University” with the same content as this contract immediately after he or she reaches the age of majority.
- (5) If the Financing Recipient does not accept the offer submitted in par. 4 within twelve months after reaching the age of majority and if this contract therefore ends, the Financing Recipient is obligated, irrespective of the possibility of continuing his or her degree study at UWH as an immediate payer, to pay SG the immediate payer contributions valid when this contract is concluded. The payment is due one month after the end of this contract.

### **§17 Change in the payment variants**

- (1) If necessary, a change between the payment variants named in Section 1 Para. 2 is possible by mutual agreement.
- (2) Termination of this agreement by the Financing Recipient or SG, giving the statutory period of notice, is excluded. The right to terminate for important grounds remains unaffected.





## **§ 18 Regulation for students who change courses or who break off their studies**

Students who do not take up their studies at the beginning but rather during a study phase (course changers) will disburse the repayment amount defined in Section 5 for ten years if they leave the university with the corresponding qualification. As clarification, it is recorded that the other regulations of this contract, for example, the maximum limits in Section 6, apply to the course changers.

Students who break off a study phase without the corresponding qualification (course dropouts) will repay the financing for the study phase that they have broken off according to the following modus.

- (1) The repayment will be made in an analogous manner to the repayment pursuant to Section 2 par. 1. Different from Section 5, the repayment amount will be in percentage rates of the income defined in Section 9 as follows: For the broken-off study phase, the repayment amount will be calculated for the semesters spent at Witten/Herdecke University, including the semester when studies are broken off, whereby the regular repayment amount of this study phase is prorated pursuant to Section 5 with regard to the standard period of study. The repayment amount determined in this way may not exceed the repayment amount pursuant to Section 5 for this study phase.
- (2) The maximum limits pursuant to Section 6, the instalments pursuant to Section 7 and the minimum limits pursuant to Section 8 will be composed as a ratio of the repayment amount determined according to point 1 to the regular repayment amount pursuant to Section 5.
- (3) The repayment obligation for study phases already concluded continues to apply, independent of the payment obligation for the broken-off study phase. In the event of repayment for a study phase broken off following a completed study phase, the repayment amounts, maximum limits, instalments and minimum limits determined pursuant to points 1 and 2 for this study phase will be added to those repayment amounts valid for the completed study phase pursuant to Section 5, maximum limits pursuant to Section 6, instalments pursuant to Section 7 and minimum limits pursuant to Section 8.

## **§ 18 Hardship regulations**

To avoid undue hardship, SG sets up a social committee pursuant to its articles of association. The latter decides taking into account the interests of both parties and pursuant to the principle of the non-arbitrary discretionary decision. No appeal may be lodged against decisions by the social committee.

## **§ 20 Arbitration board**

With all disputes that arise in connection with this agreement, the Financing Recipient has the option of contacting the arbitration board of SG free of charge. With all disputes that arise in connection with this agreement, SG is obligated to contact the arbitration board first. Ordinary legal means are first open to SG if the arbitration board ruling is not recognised.

## **§ 21 Confidentiality**

SG undertakes to treat the Financing Recipient's personal information that it receives within the framework of the contract as confidential.

## **§ 22 Indexation clause**

The amounts indicated in this contract, i.e. the maximum limits in Section 6, the instalments in Section 7 par. 1, the minimum limit in Section 8, the maximum deduction amounts in Section 9 par. 3, the amount of the annual income regarding the exemption from repayments in Section 11 par. 1 should be index-linked: If the consumer price index for Germany determined by the German Federal Statistical Office on the basis of 2010 = 100 changes compared to the index level published for the month when the contract is concluded, the respective amount indicated in this contract will be increased or reduced in the same percentage ratio.



An index change only results in a change in the amounts listed in clause 1 if the change has reached a level of 5% or more compared to the initial status or the status at the time of the previous change.

If this indexation agreement should become invalid pursuant to Section 8 Price Clause Act (PreisklauselG) or due to a change in legal situation or for another reason, the other provisions in this contract will remain in force. The parties are then obligated to agree upon an admissible provision that comes as close as possible to the intent and purpose of the invalid provision.

## **§ 23 Right of revocation**

As a consumer, the Financing Recipient has a right of revocation. The prerequisites and legal consequences of the right of revocation result from the following information regarding right of revocation:

### **Information regarding right of revocation**

#### **Right of revocation**

The Financing Recipient can revoke his or her contractual declaration within 14 days without giving reasons. The deadline commences after the agreement has been concluded but only after the Financing Recipient has received all mandatory information pursuant to Section 492 Para. 2 of the German Civil Code (BGB) (e.g. information on the type of financing assistance, information about the net financing amount, information about the contractual term). The Financing Recipient has received all mandatory information if it is included in the copy of his or her application intended for the Financing Recipient or in the copy of the contractual document intended for the Financing Recipient or in a copy of his or her application or contractual document intended for the Financing Recipient and such a document has been provided to the Financing Recipient. The Financing Recipient can be informed subsequently on a permanent data carrier about the mandatory information not included in the contractual text; the period for revocation is then one month. The start of the revocation period is to be pointed out again with the mandatory information provided subsequently. The timely sending of the revocation is sufficient to comply with the period of revocation if the declaration is done on a permanent data carrier (e.g. letter, fax, e-mail). The revocation is to be sent to:

StudierendenGesellschaft Witten/Herdecke e.V.  
Alfred-Herrhausen-Straße 50/Room No. 1.209  
58448 Witten

Telephone: +49 (0)2302/926-402

Email: [Kontakt@StudierendenGesellschaft.de](mailto:Kontakt@StudierendenGesellschaft.de)

#### **Consequences of a revocation**

If the financing assistance has already been paid out, the Financing Recipient must repay it at the latest within 30 days. The deadline commences when the declaration of revocation is sent.

The Financing Recipient is obligated to pay compensation for the service provided up until the revocation if he or she has explicitly agreed to the service in return being implemented before the end of the deadline for revocation. If there is an obligation to pay compensation, this can result in the Financing Recipient having to fulfil the payment obligations for the period until the revocation.



## **§ 24 Final provisions**

(1) Amendments or supplements must be made in writing to be valid. This also applies to amendments to the requirements for the written form.

(2) If individual provisions of this contract should be or become invalid, this shall not affect the validity of the rest of the contract. The contractual parties undertake to replace the invalid provisions with one that comes closest to the invalid provision from a commercial perspective and in line with its purpose.

## **§ 25 Choice of law and jurisdiction**

(1) For this Contract, German law applies, except for the provisions of international private law.

(2) For all disputes arising from this Contract, unless there is a mandatory provision otherwise, the place of jurisdiction shall be Witten (Germany).

## **§ 26 Place of performance**

The place of performance is the registered office of SG.

The contract applies from winter semester 2015/2016.

### **Financing Recipient**

Place, date

Signature:

(in the case of minors, also the legal representative(s))

### **SG**

Place, date:

Signature:

**----- to be completed only in the event of immediate payment of half the amount  
and subsequent payment of half the amount -----**

I declare that I will make an immediate one-half payment of the amount pursuant to Section 14 of this contract starting from winter semester 2015/2016.

### **Financing Recipient**

Place, date:

Signature:

(in the case of minors, also the legal representative(s))



## Annex 1

The borrower's repayment obligation is calculated solely based on his or her income situation, meaning that an individual effective annual interest rate cannot be indicated. In the following, a calculation method is depicted that calculates the annual interest rate approximately. This is shown using three examples with sample data.

### 1. Method for calculating the effective annual interest rate pursuant to Schmidt & Terberger<sup>1</sup>

The effective interest rate can be determined by solving the following equation pursuant to the actuarial return  $r$ :

$$\sum_{t=0}^n \frac{E_t}{(1+r)^t} - \sum_{t=0}^n \frac{A_t}{(1+r)^t} = 0$$

$E_t$  denotes incoming payments,  $A_t$  outgoing payments from the borrower's perspective in the corresponding period  $t$ .

The equation can be solved numerically with the aid of a standard programme such as Microsoft Excel.

### 2. Sample calculations

The following calculations are carried out under the following assumptions:

1. Completion of a full-degree programme with an exemplary net financing contribution of EUR 48,120.00, a maximum annual repayment amount of EUR 19,248.00 and a maximum amount of EUR 96,240.00.
2. Selection of the payment variant "income-dependent subsequent payment" and resulting annual repayment amount of 14%
3. Neglecting of interest effects during the year
4. Neglecting of interest effects that could result from the difference between instalments and annual repayment amount pursuant to the contract regarding the funding of the degree course at the University of Witten/Herdecke
5. The generated applicable income depicted in the following calculation examples
6. Without adjustment for inflation

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<sup>1</sup> cf. in this regard p. 144-147 R. Schmidt & E. Terberger (1997). Grundzüge der Investitions und Finanzierungstheorie. ["Basic principles of investment and financing theory." Betriebswirt. Verlag Gabler, Wiesbaden. 4th edition



## 2.1 Calculation example 1

Period in years	Net financing amount	Applicable income pursuant to this contract	Annual repayment amount pursuant to this contract for a full-degree programme
$t$	$E_t$		$A_t$
1	9.624,00 €	- €	- €
2	9.624,00 €	- €	- €
3	9.624,00 €	- €	- €
4	9.624,00 €	- €	- €
5	9.624,00 €	- €	- €
6	- €	21.696,11 €	3.037,46 €
7	- €	22.511,45 €	3.151,60 €
8	- €	22.690,86 €	3.176,72 €
9	- €	23.663,62 €	3.312,91 €
10	- €	24.785,59 €	3.469,98 €
11	- €	25.383,11 €	3.553,64 €
12	- €	17.222,39 €	- €
13	- €	6.522,39 €	- €
14	- €	25.844,51 €	3.618,23 €
15	- €	26.679,15 €	3.735,08 €
16	- €	27.202,65 €	3.808,37 €
17	- €	28.215,67 €	3.950,19 €

Table 1 Example data 1

The effective annual interest rate is calculated under the assumptions listed, solving the following equation pursuant to  $r$ :

$$\sum_{t=0}^n \frac{E_t}{(1+r)^t} - \sum_{t=0}^n \frac{A_t}{(1+r)^t} = 0$$

$$\left( \frac{E_1}{(1+r)^1} + \frac{E_2}{(1+r)^2} + \dots + \frac{E_{17}}{(1+r)^{17}} \right) - \left( \frac{A_1}{(1+r)^1} + \frac{A_2}{(1+r)^2} + \dots + \frac{A_{17}}{(1+r)^{17}} \right) = 0$$

$$\left( \frac{9.624,00}{(1+r)^1} + \frac{9.624,00}{(1+r)^2} + \dots + \frac{0}{(1+r)^{17}} \right) - \left( \frac{0}{(1+r)^1} + \frac{0}{(1+r)^2} + \dots + \frac{3.950,19}{(1+r)^{17}} \right) = 0$$

The numeric solution of the equation with the values from Table 1 results in a rounded effective annual interest rate  $r$  of -3,60%.



## 2.2 Calculation example 2

Period in years	Net financing amount	Applicable income pursuant to this contract	Annual repayment amount pursuant to this contract for a full-degree programme
$t$	$E_t$		$A_t$
1	9.624,00 €	- €	- €
2	9.624,00 €	- €	- €
3	9.624,00 €	- €	- €
4	9.624,00 €	- €	- €
5	9.624,00 €	- €	- €
6	- €	37.187,48 €	5.206,25 €
7	- €	38.127,13 €	5.337,80 €
8	- €	40.025,46 €	5.603,56 €
9	- €	41.570,01 €	5.819,80 €
10	- €	42.667,95 €	5.973,51 €
11	- €	43.718,09 €	6.120,53 €
12	- €	45.744,04 €	6.404,17 €
13	- €	46.345,64 €	6.488,39 €
14	- €	48.461,59 €	6.784,62 €
15	- €	49.505,00 €	6.930,70 €

Table 2 Example data 2

The effective annual interest rate is calculated under the assumptions listed, solving the following equation pursuant to  $r$ :

$$\sum_{t=0}^n \frac{E_t}{(1+r)^t} - \sum_{t=0}^n \frac{A_t}{(1+r)^t} = 0$$

$$\left( \frac{E_1}{(1+r)^1} + \frac{E_2}{(1+r)^2} + \dots + \frac{E_{15}}{(1+r)^{15}} \right) - \left( \frac{A_1}{(1+r)^1} + \frac{A_2}{(1+r)^2} + \dots + \frac{A_{15}}{(1+r)^{15}} \right) = 0$$

$$\left( \frac{9.624,00}{(1+r)^1} + \frac{9.624,00}{(1+r)^2} + \dots + \frac{0}{(1+r)^{15}} \right) - \left( \frac{0}{(1+r)^1} + \frac{0}{(1+r)^2} + \dots + \frac{6.930,79}{(1+r)^{15}} \right) = 0$$

The numeric solution of the equation with the values from Table 2 results in a rounded effective annual interest rate  $r$  of 3,07%.



### 2.3 Calculation example 3

Period in years	Net financing amount	Applicable income pursuant to this contract	Annual repayment amount pursuant to this contract for a full-degree programme
$t$	$E_t$		$A_t$
1	9.624,00 €	- €	- €
2	9.624,00 €	- €	- €
3	9.624,00 €	- €	- €
4	9.624,00 €	- €	- €
5	9.624,00 €	- €	- €
6	- €	142.878,45 €	19.248,00 €
7	- €	145.719,52 €	19.248,00 €
8	- €	149.269,91 €	19.248,00 €
9	- €	152.225,88 €	19.248,00 €
10	- €	154.627,76 €	19.248,00 €

Table 3 Example data 3

The effective annual interest rate is calculated under the assumptions listed, solving the following equation pursuant to  $r$ :

$$\sum_{t=0}^n \frac{E_t}{(1+r)^t} - \sum_{t=0}^n \frac{A_t}{(1+r)^t} = 0$$

$$\left( \frac{E_1}{(1+r)^1} + \frac{E_2}{(1+r)^2} + \dots + \frac{E_{10}}{(1+r)^{10}} \right) - \left( \frac{A_1}{(1+r)^1} + \frac{A_2}{(1+r)^2} + \dots + \frac{A_{10}}{(1+r)^{10}} \right) = 0$$

$$\left( \frac{9.624,00}{(1+r)^1} + \frac{9.624,00}{(1+r)^2} + \dots + \frac{0}{(1+r)^{10}} \right) - \left( \frac{0}{(1+r)^1} + \frac{0}{(1+r)^2} + \dots + \frac{19.248,00}{(1+r)^{10}} \right) = 0$$

The numeric solution of the equation with the values from Table 3 results in a rounded effective annual interest rate  $r$  of 14,87%.