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Abstract

The Hungarian student loan system was introduced in 2001. It has four main attributes: universal access and universal conditions; income contingent repayment; private funding; and self-sustaining (zero-profit) operation without direct state subsidy. This latter characteristic makes the scheme quite unique in international practice. Empirical facts support the original idea: default rate is relatively low (1-2 per cent), administration costs per year are around 1 per cent of the portfolio value. This paper focuses on three issues: how the Hungarian model works; why a 'specialized institution' model is superior to a 'retail bank' model; and finally, why adverse selection is not as menacing as the literature may suggest. (HRK / Abstract übernommen)