

# 11 FINANCIAL SUPPORT FOR STUDENTS

## AN OVERVIEW

The number of student allowances recipients increased in 2008, continuing a trend of rising uptake since 2006. This trend was in response to changes made by government designed to widen access to allowances.

In 2008, the number of students taking out a loan increased to 179,000 and the total amount borrowed increased to \$1.2 billion. About four out of five eligible full-time students, and one in three of the eligible part-time students, used the loan scheme.

The median and average amount borrowed increased in 2008, continuing an upward trend that started in 2004.

The number of New Zealanders who had a student loan balance with Inland Revenue at 30 June 2009 increased by 5.9 percent to 562,000. More than 60 percent of those with loans owed less than \$15,000.

A total of \$710 million in loan repayments was collected in the 2008/09 year. Of those who left study in 1992, 82 percent had fully repaid their loans by 31 March 2008. Men and women do not differ significantly in repayment times.

## 2009 YEAR

In 2009, the government announced the following changes to student support:

### Voluntary bonding scheme

The government introduced a voluntary bonding scheme for new doctors, midwives, nurses, veterinary professionals, and teachers working in hard-to-staff or understaffed areas or specialties. New graduates in these positions will be bonded for three to five years and will receive payments after the third, fourth and fifth year that will be made directly to their student loan (if they have one). The purpose of this scheme is to fill gaps in important workforce areas using student loan repayment as an incentive.

### Bonus for voluntary repayments

From 1 April 2009, borrowers who make a voluntary student loan repayment of over \$500 in a tax year will have their student loan balance reduced by an additional 10 percent of the value of the repayment. The bonus will be credited after 31 March 2010 following systems changes.

### Discontinuation of scholarships

The government announced the discontinuation of Step Up and Bonded Merit scholarships; the last scholarships were awarded in April 2009.

### System improvements

In June 2009, the Minister of Revenue announced that the government had approved implementation funding to enable Inland Revenue to purchase a dedicated loan management system for the administration of student loans.

## MORE STUDENT ALLOWANCES RECIPIENTS

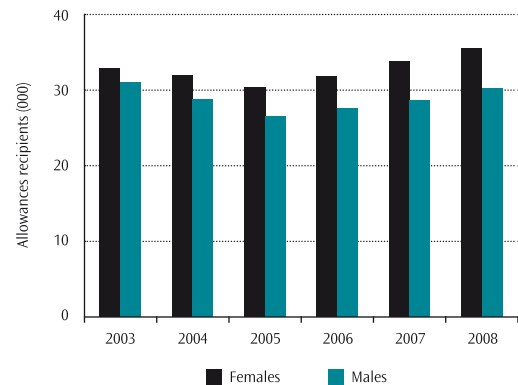
There were 3,220 more student allowances recipients in 2008 than in 2007, an increase of 5.2 percent. The total number of student allowances recipients in 2008 was 65,700 compared to 62,500 in 2007.

### The number of student allowances recipients by gender in 2008:

Females	35,500	(up 5.2% on 2007)
Males	30,200	(up 5.1% on 2007)
Total	65,700	(up 5.2% on 2007)

Source: Ministry of Social Development.

Figure 11.1: Student allowances recipients by gender



## MOST ALLOWANCES HOLDERS AGED UNDER 25 YEARS

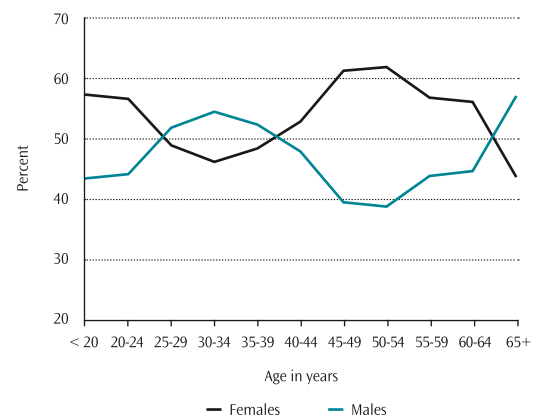
In 2008, there were 39,600 student allowances recipients under 25 years of age, comprising 60 percent of the total. The majority of students under 25 years are subject to parental income testing. The exceptions are those under-25-year-old students who have a dependent child or children, or those who are awarded an Independent Circumstances Allowance because of exceptional family circumstances.

### The proportion of student allowances recipients by age group in 2008:

Under 20 years	21.3%	(20.8% in 2007)
20-24 years	38.9%	(37.1% in 2007)
25-29 years	15.4%	(15.4% in 2007)
30-39 years	12.4%	(13.6% in 2007)
40-49 years	7.2%	(7.7% in 2007)
50-59 years	3.5%	(3.5% in 2007)
60 years or over	1.3%	(1.9% in 2007)

Source: Ministry of Social Development.

Figure 11.2: Student allowances recipients in 2008 by age group and gender



## MORE YOUNGER ALLOWANCES RECIPIENTS

The majority of student allowances recipients are under 25 years of age and receive a parental-income-tested allowance. In 2008, the number of single under-25-year-old allowances recipients increased by 10 percent and the number who were single and aged 25 years or over increased by 2.3 percent.

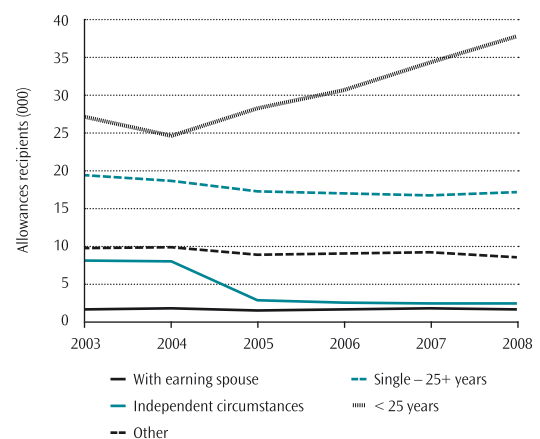
The proportion of single students who received a parental-income-tested allowance increased from 54 percent in 2007 to 57 percent of all allowances recipients in 2008. This increase was probably due to the 2008 increase in the parental income threshold making more students eligible.

### The number of student allowances recipients by allowance type in 2008:

Under 25 years	37,400	(up 10.3% on 2007)
Single – 25 years or over	16,800	(up 2.3% on 2007)
Independent circumstances	2,100	(down 1.1% on 2007)
Other	9,440	(down 6.3% on 2007)

Source: Ministry of Social Development.

Figure 11.3: Student allowances recipients by type of allowance



### ALLOWANCES RECIPIENTS BY SUB-SECTOR

In 2008, 56 percent of student allowances recipients studied at a university, 26 percent at polytechnics, 16 percent at wānanga and 3 percent at private training establishments.

From 2007 to 2008, the number of allowances recipients increased at every provider type except in private training establishments. The highest increase in 2008 occurred in wānanga (up by 20 percent).

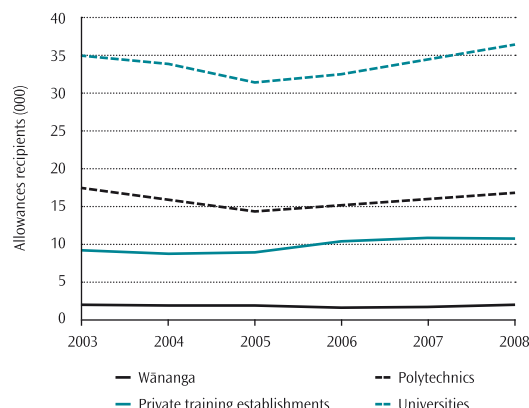
**The number of student allowances recipients by sub-sector in 2008:**

Universities	36,200	(up 6.1% on 2007)
Polytechnics	16,600	(up 5.0% on 2007)
Wānanga	1,810	(up 20% on 2007)
Private training establishments	10,600	(down 1.1% on 2007)

*Note:* Colleges of education data has been included with the universities they merged with.

*Source:* Ministry of Social Development.

Figure 11.4: Student allowances recipients by sub-sector



### ALLOWANCES RECIPIENTS BY ETHNIC GROUP

In 2008, 53 percent of allowances recipients who provided an ethnic identification belonged to the European ethnic group. Māori comprised 14 percent, Pasifika 6.8 percent, Asians 24 percent and the Other ethnic group 3.9 percent.

The highest increase in 2008 in the number of allowances recipients occurred in the Pasifika group (up by 8.5 percent).

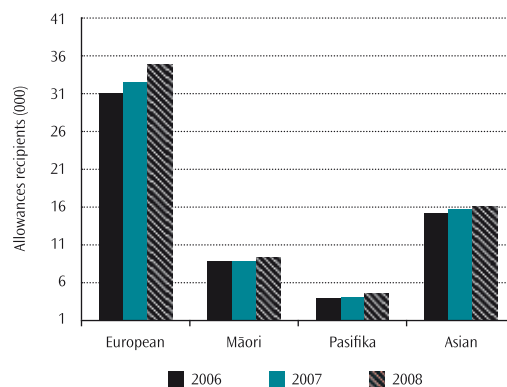
**Student allowances recipients by ethnic group:**

	2007	2008	% change
Europeans	32,600	34,900	+7.1
Māori	8,890	9,260	+4.2
Pasifika	4,140	4,490	+8.5
Asians	15,800	16,000	+1.6

*Note:* Allowances recipients who identified with two ethnic groups are counted in each group.

*Source:* Ministry of Social Development.

Figure 11.5: Student allowances recipients by ethnic group



### EXPENDITURES AND AVERAGE ANNUAL ALLOWANCES

In 2008, the expenditure on student allowances and accommodation benefits increased. The proportion of allowances holders who also receive an accommodation benefit is generally quite high. In 2004 this proportion reached 79 percent but since then it has declined to 70 percent in 2008. The most notable contribution to this decline was fewer accommodation benefit applications by single students aged 25 years or over.

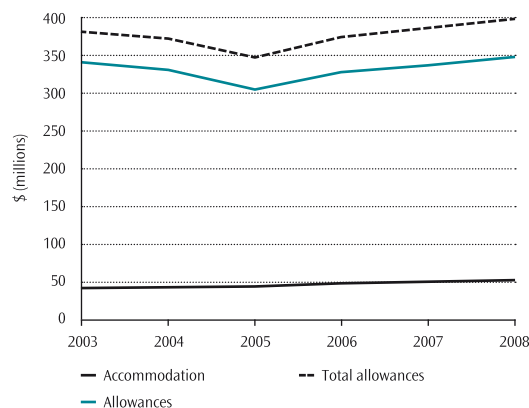
**Student allowances expenditure and average annual allowances by component in 2008:**

	Expenditure	% change 2007-2008	Annual average allowances	% change 2007-2008
Student allowances	\$345 million	+3.2	\$5,260	-1.9
Accommodation benefits	\$ 51 million	+4.3	\$1,100	+3.9
Total allowances	\$397 million	+3.3	\$6,040	-1.8

The main reason for the decrease in the average student allowance was the increase in the proportion of parental-income-tested allowances recipients.

*Source:* Ministry of Social Development.

Figure 11.6: Student allowances and accommodation benefit payments



## MORE STUDENTS BORROWED

More students took up student loans in 2008 after the introduction of interest-free student loans in 2006. There were also more first-time borrowers in 2008 than in 2007.

### The number of student loan borrowers in 2008:

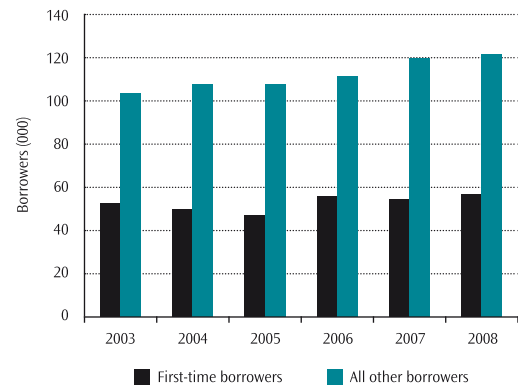
First-time	57,000	(up 5.0% on 2007)
All others	122,000	(up 1.7% on 2007)
Total	179,000	(up 2.7% on 2007)

#### Notes:

1. This data is provisional.
2. First-time borrowers are those who have not borrowed in 2000 or subsequently.

Source: Ministry of Social Development.

Figure 11.7: Student loan borrowers



## STUDENT LOAN UPTAKE INCREASED

A greater proportion of people eligible to use the loan scheme borrowed in 2008. The uptake rate of full-time students increased from 77 percent in 2007 to 83 percent in 2008, while for part-time students the rate remained similar to that in 2007. From 2006 to 2007, there was a significant increase in the uptake rate for part-time students, reflecting the relaxation of the eligibility requirements.

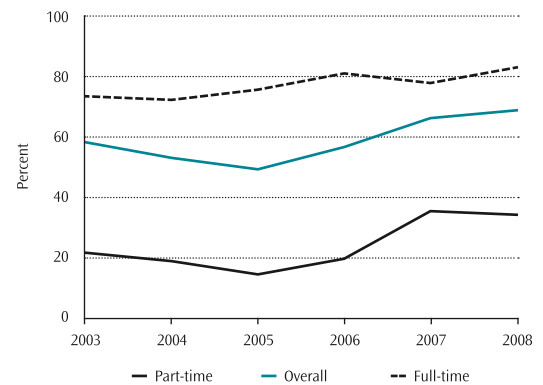
### The proportion of eligible students who borrowed in 2008:

Full-time	83%	(77% in 2007)
Part-time	34%	(35% in 2007)
Overall	69%	(66% in 2007)

Note: Overall uptake rates depend on the mix of full-time and part-time borrowers. The lower uptake of part-time borrowers, compared with the high uptake of full-time borrowers, reduces the overall uptake rate.

Source: Ministry of Social Development.

Figure 11.8: Student loan uptake rates by study status



## MORE BORROWED TO PAY THEIR FEES

In 2008, there was an increase in the number of students borrowing to cover the cost of their tuition fees. Most of the increase was generated by polytechnic and university students. In contrast, the number of wānanga students borrowing fees decreased in 2008 by 6.9 percent.

### The number of students borrowing their fees by sub-sector in 2008:

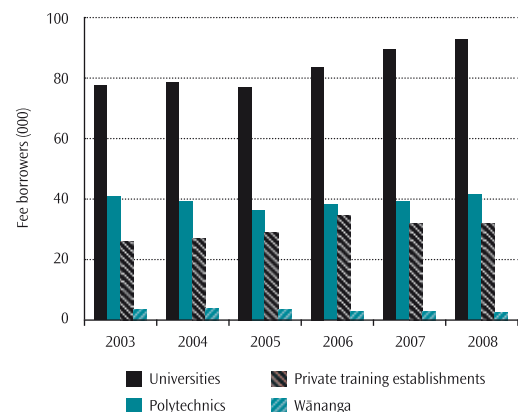
Universities	92,700	(up 3.7% on 2007)
Polytechnics	41,400	(up 5.3% on 2007)
Private training establishments	32,000	(up 0.6% on 2007)
Wānanga	2,520	(down 6.9% on 2007)
Total	169,000	(up 3.3% on 2007)

#### Notes:

1. From 2000, loan components other than fees were not recorded by sub-sector.
2. A student studying in more than one sub-sector has been counted in each sub-sector.

Source: Ministry of Social Development.

Figure 11.9: Student fee borrowers by sub-sector



**MOST BORROWERS AGED UNDER 30 YEARS**

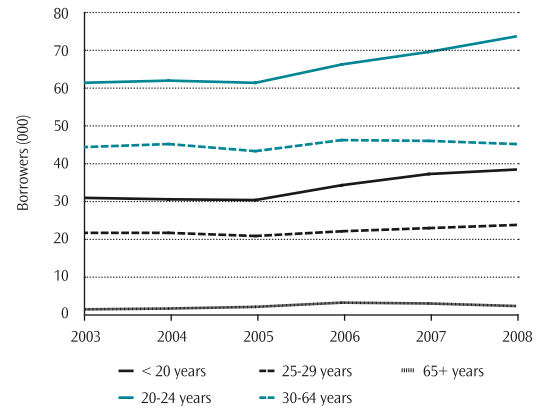
Borrowers aged 20 years and under comprised 33 percent of all borrowers in 2008, while those aged 20 to 29 years made up 42 percent.

**Borrowers by age group:**

	2007	2008	% change 2007-2008
< 20 years	36,300	37,300	+ 3.0
20-24 years	68,600	72,600	+ 5.8
25-29 years	22,000	22,900	+ 4.0
30-64 years	45,000	44,300	- 1.5
65+ years	2,010	1,470	-27.0

Source: Ministry of Social Development.

Figure 11.10: Borrowers by age group



**MORE BORROWERS IN EACH ETHNIC GROUP**

The number of borrowers has increased across all ethnic groups over the five years from 2003 to 2008, particularly for the Asian ethnic group.

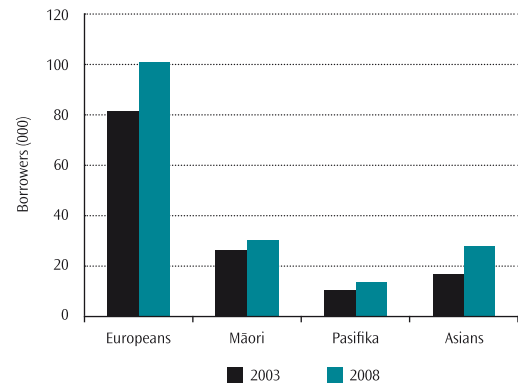
**Borrowers by ethnic group:**

	2003	2008	% change 2003-2008
Europeans	81,500	101,000	+24
Māori	26,300	30,100	+14
Pasifika	10,400	13,800	+33
Asians	17,000	28,100	+66

Note: Borrowers who identified with two or more ethnic groups are counted in each group.

Source: Ministry of Social Development.

Figure 11.11: Borrowers by ethnic group



**MORE FEMALE THAN MALE BORROWERS**

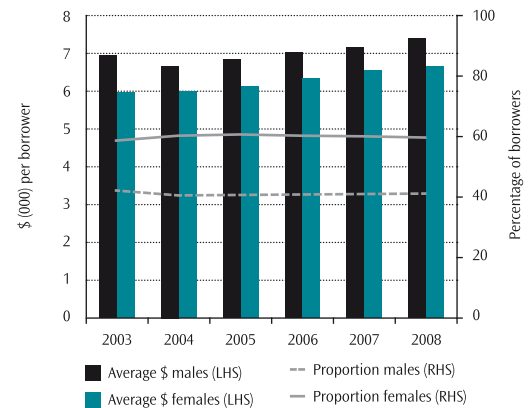
About 60 percent of loan scheme borrowers were females in 2008 – consistent with the higher proportion of females enrolled in tertiary education. However, in 2008, male students borrowed \$748 more, on average, than female students.

**The average amount borrowed by gender in 2008:**

Female students	\$6,650	(up 1.7% on 2007)
Male students	\$7,400	(up 3.2% on 2007)

Source: Ministry of Social Development.

Figure 11.12: Average amount borrowed and borrowers by gender



## TOTAL AMOUNT BORROWED INCREASED

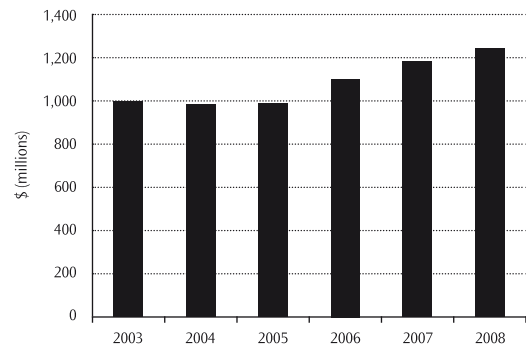
At \$1.24 billion, the amount borrowed under the Student Loan Scheme in 2008 was \$61.0 million more than in 2007. The rate of increase was lower in 2008 than in the previous two years.

### The total amount borrowed in 2008:

	\$1,241.3 million	(up 5.2% on 2007)
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Source: Ministry of Social Development.

Figure 11.13: Annual amount borrowed



## RISE IN AVERAGE AMOUNT BORROWED

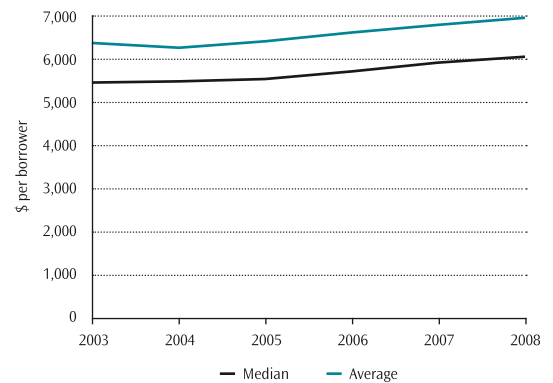
From 2007 to 2008, the median amount borrowed increased by \$132, while the average amount increased by \$161.

### The average and median amounts borrowed in 2008:

Average	\$6,910	(up 2.4% on 2007)
Median	\$6,000	(up 2.2% on 2007)

Source: Ministry of Social Development.

Figure 11.14: Average and median amount borrowed



## INCREASE IN AMOUNT BORROWED FOR ALL COMPONENTS

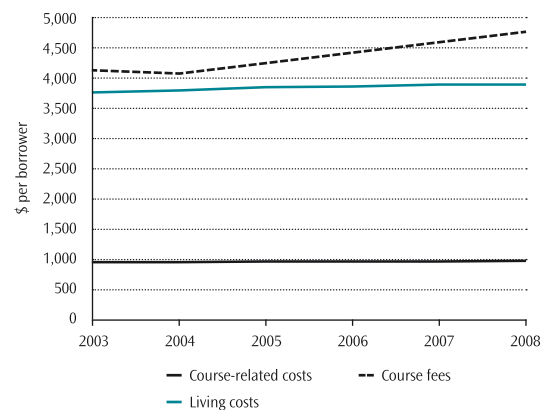
The average amount of all three loan components increased in 2008 – course fees had the highest rate of increase with smaller increases in the course-related costs and living costs borrowed.

### The average amount drawn from loan accounts by loan component in 2008:

Course fees	\$4,740	(up 3.6% on 2007)
Living costs	\$3,880	(up 0.2% on 2007)
Course-related costs	\$955	(up 0.8% on 2007)

Source: Ministry of Social Development and Ministry of Education.

Figure 11.15: Average amount borrowed by loan component



**ALLOWANCES AND LOAN COMBINATIONS**

**Figure 11.16: Student allowances recipients and student loan borrowers**

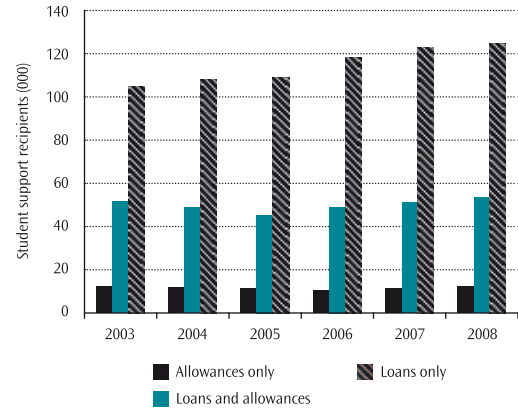
In 2008, 81 percent of student allowances recipients also received a loan. However, student loans were the most common type of support for people in tertiary study. There were more than twice as many student support recipients with a loan in 2008 than there were recipients with both allowances and a loan.

**The number of student loan borrowers and student allowances recipients:**

	2006	2007	2008	% change 2007-2008
Allowances only	10,300	11,400	12,200	+7.2
Loans and allowances	49,100	51,100	53,500	+4.7
Loans only	118,000	123,000	125,000	+1.9

*Note:* This graph differs from Figure 11.17 because it includes all those borrowers who did not borrow the living cost component. Many of these are part-time students.

*Source:* Ministry of Social Development.



**COMPARISON OF STUDENT ALLOWANCES WITH LIVING COSTS LOANS**

**Figure 11.17: Recipients of student allowances and living costs loans**

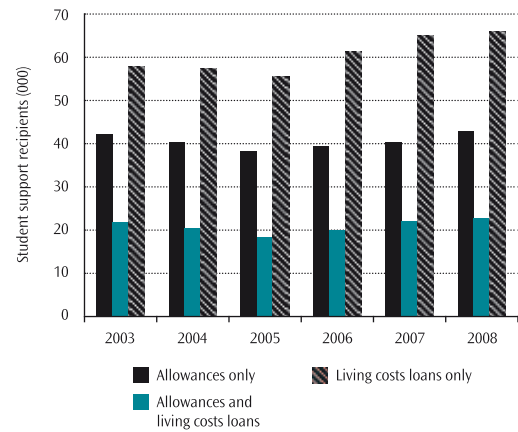
In 2008, 35 percent of student allowances recipients also borrowed for their living costs through the Student Loan Scheme.

**Student allowances recipients and students who borrowed for living costs:**

	2006	2007	2008	% change 2007-2008
Allowances only	39,500	40,400	42,800	+6.0
Allowances and living costs loans	19,900	22,100	22,900	+3.6
Living costs loans only	61,300	65,100	65,900	+1.4

Only full-time students are eligible for student allowances and/or for the living costs loan entitlement of up to \$150 per week for each week of the course, less any student allowances received.

*Source:* Ministry of Social Development.



**MORE PEOPLE WITH STUDENT LOANS**

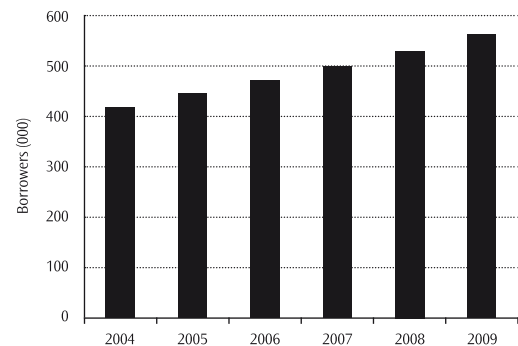
**Figure 11.18: Borrowers with Inland Revenue at 30 June**

The number of people with a student loan balance with Inland Revenue at 30 June 2009 increased compared with the previous year. This reflects new borrowers entering the scheme throughout the year in greater numbers than those who completely repaid.

**The number of borrowers with Inland Revenue:**

2004	419,000	(up 7.4% on 2003)
2005	445,000	(up 6.3% on 2004)
2006	471,000	(up 5.7% on 2005)
2007	499,000	(up 6.1% on 2006)
2008	530,000	(up 6.2% on 2007)
2009	562,000	(up 5.9% on 2008)

*Source:* Inland Revenue.



**STUDENT LOAN BALANCE CONTINUED TO INCREASE**

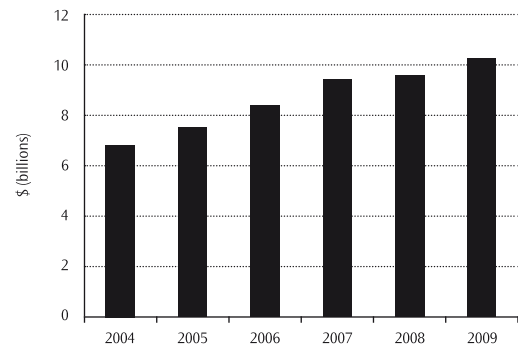
The student loan debt held by Inland Revenue and the Ministry of Social Development at 30 June 2009 was 7.2 percent higher than the previous year.

**Nominal student loan balance at 30 June:**

	Inland Revenue \$ (millions)	% change from previous year	Total \$ (millions)	% change from previous year
2003	5,270	15	6,094	13
2004	5,970	13	6,821	12
2005	6,680	12	7,499	10
2006	7,470	12	8,370	12
2007	8,400	13	9,413	12
2008	8,550	1.8	9,573	1.7
2009	9,100	6.4	10,259	7.2

Source: Student Loan Scheme financial statements

Figure 11.19: Total nominal value of student loans held at 30 June



**AVERAGE AND MEDIAN LOAN BALANCE RECALCULATED**

The average and median loan balance held with Inland Revenue rose only slightly between 30 June 2008 and 30 June 2009.

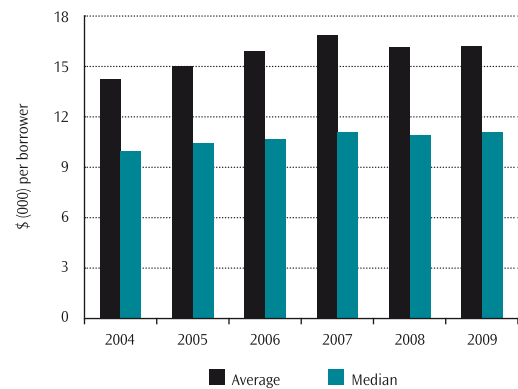
**The average and median loan balances at 30 June:**

	Average \$	% change from previous year	Median \$	% change from previous year
2003	13,500	+6.5	9,500	na
2004	14,200	+5.4	9,980	+5.4
2005	15,000	+5.3	10,400	+4.3
2006	15,900	+5.9	10,700	+2.4
2007	16,800	+6.0	11,100	+4.1
2008	16,100	-4.2	10,900	-1.8
2009	16,200	+0.5	11,100	+1.9

Note: In 2007, balances were calculated including accrued interest which was to be written off under the interest free policy. The figures for 2008 and 2009 do not include accrued interest.

Source: Inland Revenue.

Figure 11.20: Average and median student loan balances at 30 June



**MOST BORROWERS OWE LESS THAN \$15,000**

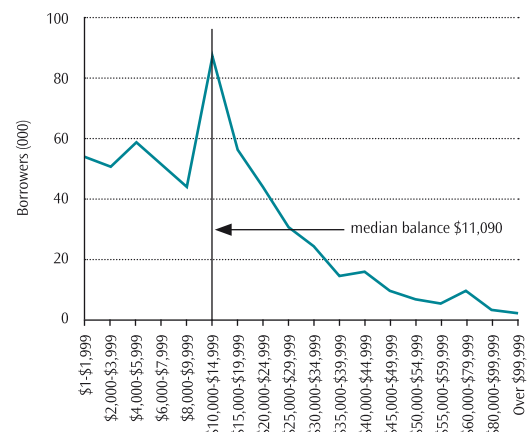
More than 60 percent of borrowers owed less than \$15,000 at 30 June 2009.

**The proportion of borrowers by loan balance at 30 June 2009**

Value of loan	Percentage
Under \$10,000	45.8
\$10,000-\$19,999	25.5
\$20,000-\$29,999	13.2
\$30,000-\$39,999	6.7
\$40,000-\$49,999	4.4
\$50,000-\$59,999	2.0
\$60,000 and above	2.4

Source: Inland Revenue.

Figure 11.21: Borrowers at 30 June 2009 by range of loan balance



### LOAN REPAYMENTS RISE

Inland Revenue has collected \$5.0 billion in loan repayments since the loan scheme began.

In the year ended June 2009, \$619 million was collected in repayments. This was a 13 percent increase on the previous year. Borrowers repaid \$167 million and \$452 million was collected via the PAYE system.

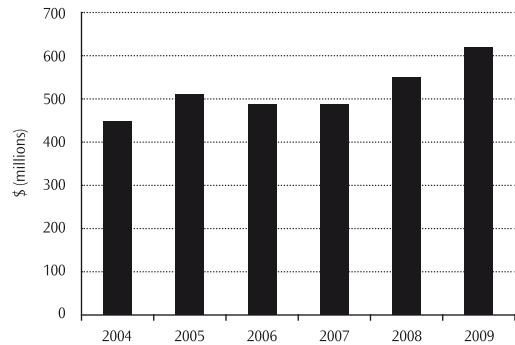
**The annual gross value of student loan repayments (June years):**

2004	\$447 million	(up 16% on 2003)
2005	\$510 million	(up 14% on 2004)
2006	\$486 million	(down 4.7% on 2005)
2007	\$486 million	(up 0.02% on 2006)
2008	\$550 million	(up 13% on 2007)
2009	\$619 million	(up 13% on 2008)

**Note:** Because a student loan account can be finalised after the end of the fiscal year, the number of loans repaid for a previous year may change.

**Source:** Inland Revenue.

Figure 11.22: Gross annual student loan repayments at 30 June



### PROPORTION OF BORROWERS WHO HAVE REPAYED IN FULL

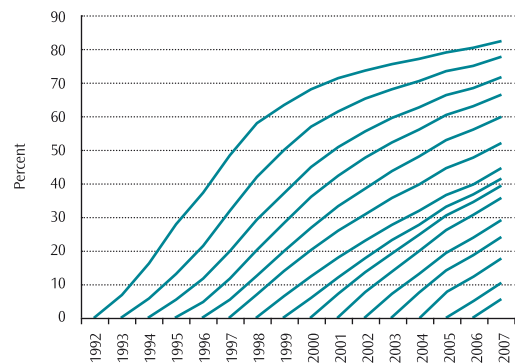
Eighty-two percent of people who took out a student loan in 1992 had repaid their loan in full by 31 March 2008. Of those who borrowed in 2000, 39 percent had repaid their loans by 31 March 2008.

Employment and income are the main determinants of the repayment rates of those who have left study. As incomes rise, borrowers' repayment obligations increase. For this reason, repayment rates tend to start slowly and increase as people gain experience in the workplace.

**Note:** The repayment years in Figure 11.23 end in March of the following calendar year. For example, the 2007 repayment year started on 1 April 2007 and ended on 31 March 2008.

**Source:** Statistics New Zealand, Integrated dataset on student loans and allowances.

Figure 11.23: Proportion of borrowers who have fully repaid for each 'leaving-year' cohort (March years)



### LOAN REPAYMENTS BY GENDER AND COMPLETION STATUS

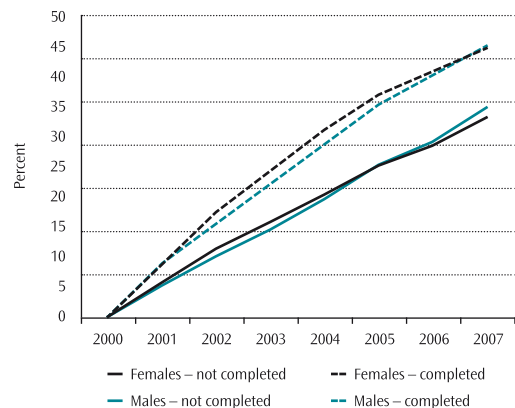
Those who complete their qualifications are more likely to repay their loans over a shorter period of time than those who do not complete a qualification.

Although women initially repay their loans more quickly than men, gender has little impact on long-term repayment rates over time.

**Note:** The leaving cohort graphed in Figure 11.24 comprises loan scheme borrowers who last studied in 2001 and owed \$10 or more at 31 March 2002. Excluded are those who had repaid their student loan before 31 March 2002.

**Source:** Statistics New Zealand, Integrated dataset on student loans and allowances.

Figure 11.24: Borrowers who repaid their loans by gender and qualification completion status (March years)

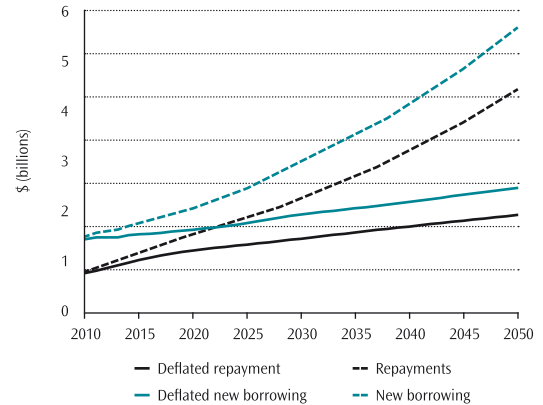


**LONG-TERM FORECAST OF LENDING AND REPAYMENTS**

**Figure 11.25: Long-term forecasts of lending and repayments (June years)**

Repayments are expected to increase over the next few years by an average of about 8 percent a year.

*Source:* Ministry of Education, Student loans integrated model.

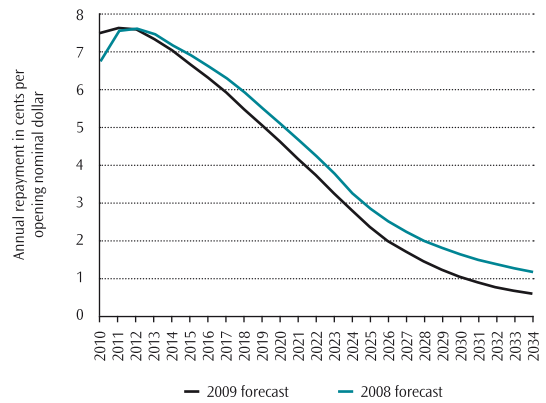


**PROJECTED REPAYMENTS**

**Figure 11.26: Comparisons of repayment projections**

The 2009 forecast of repayments is lower than the 2008 forecast due in part to macroeconomic conditions, the availability of better data and improved modelling techniques.

*Source:* Ministry of Education, Student loans integrated model.



**VALUE OF THE LOAN SCHEME**

**Figure 11.27: Student Loan Scheme's nominal value, carrying value and fair value at 30 June**

Over recent years, the valuation of the loan scheme has changed due to new international accounting standards and methodologies, improvements made to the student loans model, the interest-free student loan policy introduced in 2006 and the exclusion of accrued interest from 2007/08.

The reduction in the carrying value and fair value of the scheme during 2008/09 was due to changed macroeconomic conditions, the availability of better data and improved modelling of future repayment behaviour.

**Student Loan Scheme's nominal value, carrying value and fair value at 30 June:**

	Nominal value \$ (millions)	Change % from p.y.	Fair value \$ (millions)	Change % from p.y.	Carrying value \$ (millions)	Change % from p.y.
2005	7,500	-	5,990	-	6,470	-
2006	8,370	+11.6	5,540	-7.6	5,570	-13.8
2007	9,410	+12.5	5,440	-1.7	6,010	+7.9
2008	9,570	+1.7	5,520	-1.7	6,740	+12.1
2009	10,300	+7.2	5,460	-1.0	6,530	-3.1

*Note:* The carrying value is the value of the scheme recorded in the Crown's financial statements.

*Source:* Student Loan Scheme financial statements for the year ended 30 June 2009.

