



CHAPTER TWO

THE STUDENT LOAN SCHEME IN 2004

Key Statistics – Current Borrowers

For the academic year 2004

- 53 percent of eligible students accessed a student loan in 2004.
- 74 percent of eligible full-time students accessed a student loan in 2004.
- 15 percent of eligible part-time students accessed a student loan in 2004.
- 90 percent of borrowers in 2004 were full-time students. They borrowed 96 percent of all borrowings.
- 157,032 students borrowed from the Student Loan Scheme. Of these:
 - 55,379 were borrowing for the first time since 1999
 - 60 percent of borrowers were female
 - 71 percent of borrowers were under 30 years of age
 - 17 percent of borrowers were Māori, and
 - 7 percent were Pasifika.
- Of the 157,032 borrowers:
 - 90 percent were full-time students. They borrowed 96 percent of all borrowings, and
 - 93 percent borrowed fees.
- The median amount borrowed was \$5,424.

Key Trends

- Student loan borrowing in 2004/05 was \$975 million, down from \$997 million in 2003/04. This is the first decrease since 1998/99 and is due to the increased number of part-time students. They have lower entitlements under the scheme, face lower fees and are more inclined to finance their studies from other sources.

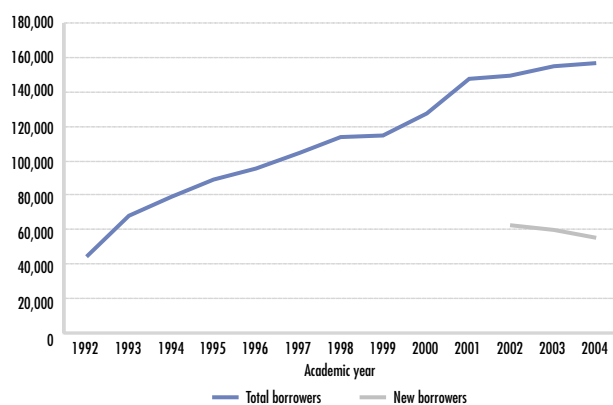
2.0 Introduction

The information in this chapter is largely drawn from the Ministry of Social Development. It is focused on those who used the Student Loan Scheme in 2004 and compares information on those current borrowers with information on students who borrowed in earlier years.

2.1 Uptake of student loans in 2004

In 2004, 157,032 students¹¹ borrowed under the Student Loan Scheme, a similar level to 2003. A total of 44,202 students borrowed in 1992, the first year of operation of the scheme.

Figure 7 (Tables 36 & 38) Student loan borrowers in each academic year 1992-2004



Source: Ministry of Education and Ministry of Social Development

2.2 New borrowers 2002 to 2004

In this report, the term 'new borrowers' refers to those student loan borrowers who have not used the Student Loan Scheme since 2000¹². There will be a small number of people described as new borrowers in 2002, 2003 or 2004 under this definition who had borrowed during the 1990s but had not used the scheme again until after 2000. As a result, a degree of caution is needed in drawing conclusions from the analysis of new borrowers that follows.

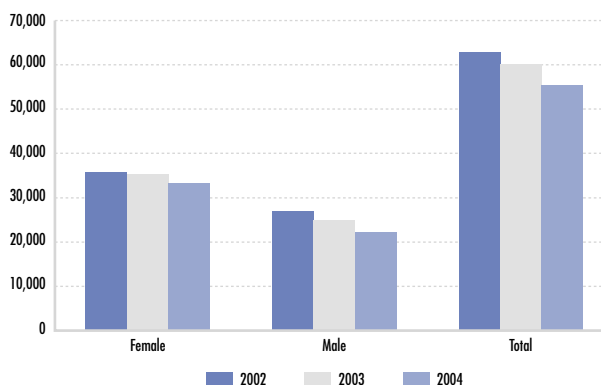
Between 2002 and 2004, the number of new borrowers fell each year, with the total drop being 13 percent over that period. This fall occurred despite a rise in the numbers undertaking tertiary education for the first time, from 76,182 in 2000 to 115,004 in 2004.

One reason for the fall could be that an increasing proportion of those contributing to the rise in first-time enrolments has been in the workforce the year before entering study (rather than moving to tertiary study from school) and so may be less likely to need to borrow. Another reason could be the increase in part-time students over the same period.

¹¹ For the purpose of this chapter, a student is defined as a person who received at least one payment from StudyLink in the year specified.

¹² Because of data structure changes that occurred when the administration of loan accounts transferred in 2000 to the Department of Work and Income (now part of the Ministry of Social Development), it is not possible to match borrowing records of those who used the scheme in the 1990s with those who borrowed in 2000 and subsequent years.

Figure 8 (Table 39) New borrowers by gender and total 2002-2004



Note: This data is provisional.

Source: Ministry of Social Development

Table 2 (Table 38) Age of new borrowers 2002-2004

	2002	2003	2004
20 and under	26,856	26,664	26,316
21 - 26	12,320	11,036	8,949
27 - 50	21,343	20,549	18,172
Over 50	2,244	1,882	1,942
Total	62,763	60,131	55,379

Note: This data is provisional.

Source: Ministry of Social Development

The most significant age group of new borrowers is those aged 20 years and under. They make up 43 percent of the total new borrowers in 2002, growing to 48 percent in 2004.

Table 3 (Table 40) Ethnicity of new borrowers 2002-2004

	2002	2003	2004
European	31,764	26,286	24,633
Māori	11,564	9,402	8,031
Pasifika	4,371	3,680	3,332
Asian	5,875	5,711	6,093
Other	2,599	2,154	1,299
Unspecified or 3 or more ethnicities	11,199	16,443	14,831

Notes:

1. A student identifying with two ethnic groups has been counted in each group.
2. This data is provisional.

Source: Ministry of Social Development

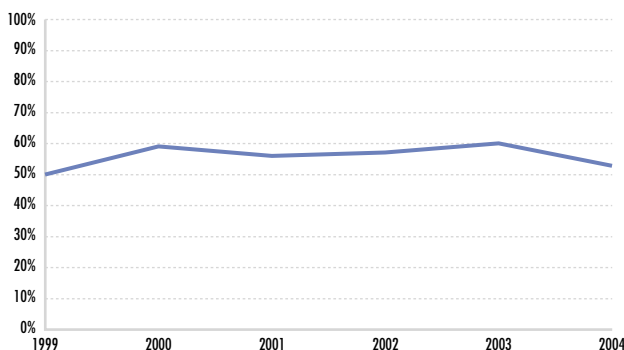
2.3 Uptake of student loans and eligibility

The proportion of eligible students who drew down a student loan increased between 1999 and 2003 but fell in 2004.

In 1999, the uptake rate was 50 percent. It rose to around 60 percent of eligible students in 2003 then fell to 53 percent in 2004.

The fall in the uptake rate in 2004 is a result of policy changes that took effect in that year. In 2004, some part-time, part-year students became eligible to use the Student Loan Scheme. This meant that a larger number of students were eligible to apply for a loan. However, because part-time, part-year students face lower costs and often are able to afford to finance their study themselves, a relatively small proportion of them use the Student Loan Scheme to finance their studies. Also the \$50 administration fee may have dissuaded part-time, part-year students from taking out a loan. The uptake rate in 2004 among full-time students was 74 percent.

Figure 9 Uptake rates of student loans 1999-2004



Note: Also see Table 36.

Source: Ministry of Education and Ministry of Social Development

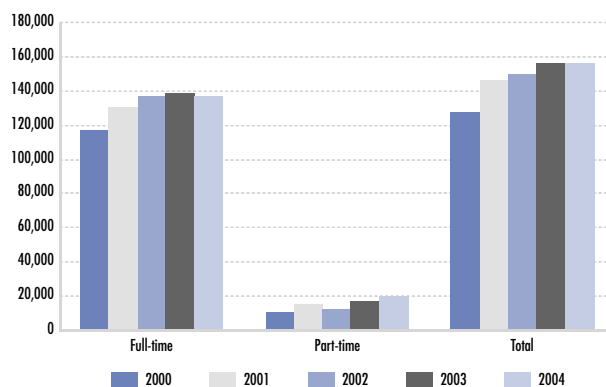
2.4 Student loan borrowers by study status (full-time/part-time)

From 2004, loan eligibility was extended to include part-time, part-year students studying a course load of 0.3 EFTS units or more. These part-time, part-year students are entitled to borrow their tuition fees only.

Access to student loans was further extended to part-time, part-year students with vocational restrictions in 2005. The new category only applies to students whose study load is at least 0.25 EFTS units, but less than 0.3 EFTS units.

Despite the fact that 36 percent of all domestic students in 2004 were studying on a part-time basis, only 15 percent of 2004 borrowers were part-time students.

Figure 10 (Table 41) Borrowers by study status 2000-2004



Source: Ministry of Education and Ministry of Social Development

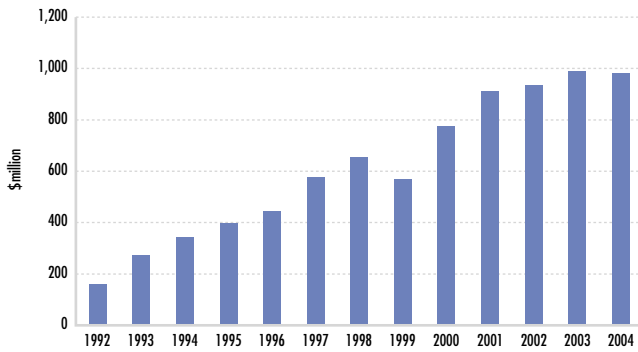
2.5 Total student loan borrowings

The total amount borrowed each year grew significantly between 1993 and 1998 from \$160 million to \$654 million, as the scheme phased in and as enrolments expanded. The increase in the amount borrowed was also a consequence of the steady rise in fee levels over that period. In 1999, the course-related costs entitlement was reduced, leading to a fall in aggregate borrowing that year. The reduction in that entitlement was reversed a year later and contributed to total borrowing rising by 37 percent between 1999 and 2000 (from \$566 million to \$776 million).

Since 2001, the aggregate amount borrowed has been relatively stable, growing by 2.8 percent in 2002 (to \$934 million) and 5.6 percent in 2003 (to \$987 million) before falling 0.4 percent in 2004 (to \$983 million). There are three main reasons for the reduction in the growth in borrowing:

- The government controls on fees since 2001 mean that fees – the largest component of borrowing – have been relatively stable.
- Enrolment growth has begun to taper off, reducing the increase in the numbers enrolled in loan-eligible qualifications.
- There has been a trend towards enrolment by part-time students (who have smaller entitlements and who are more likely to finance their studies privately).

In 2000, 25 percent of enrolments in loan-eligible qualifications were by part-time students, while by 2004 the proportion was 36 percent.

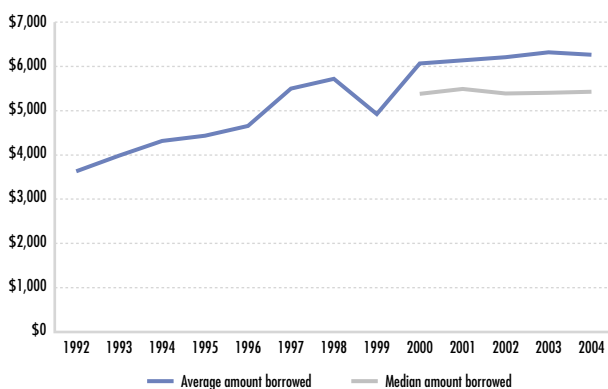
Figure 11 (Table 36) Aggregate loan borrowing 1992-2004

Source: Ministry of Social Development and Ministry of Education

2.6 Average and median annual amount borrowed from StudyLink

The average amount borrowed fell in 2004 by 1.7 percent from \$6,316 in 2003 to \$6,258 in 2004. The average was \$6,204 in 2000. The main reason for the decline in 2004 in average borrowing was the increase in the proportion of borrowers who are studying on a part-time basis. The median amount borrowed in 2004 was \$5,424.

The average amount borrowed¹³ showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. The decrease in average borrowing for 1999 was due to the decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999¹⁴ and to other changes which restricted the purposes for which finance from the scheme could be used¹⁵. Average borrowing increased again in 2000 when some of the changes made in 1999 were rescinded (notably the reduction in course-related costs entitlement and the removal of the right to borrow compulsory student services levies and students' association fees). The fee stabilisation policy implemented in 2001 meant that tuition fees charged by most tertiary education providers did not increase in those years. From 2004, fees were regulated by the Fee and Course Cost Maxima (FCCM) policy. Under the FCCM policy, TEOs were permitted to increase fees, but within limits.

Figure 12 (Table 37) Average and median amount¹⁶ borrowed 1992-2004

Note: The decrease in average borrowing for 1999 was due to the decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999.

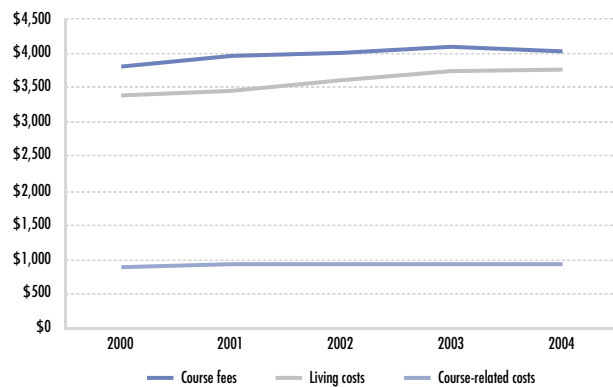
Source: Ministry of Social Development

13 The average amount borrowed includes all amounts drawn down from a loan account (but excludes the \$50 administration fee and the interest charged) and is calculated by dividing the total amount borrowed in that year by the number of students borrowing in that year. The \$50 administration fee and interest are not included as they are not linked to any particular period of study, but are charged to the loan account as a whole in each year of borrowing.

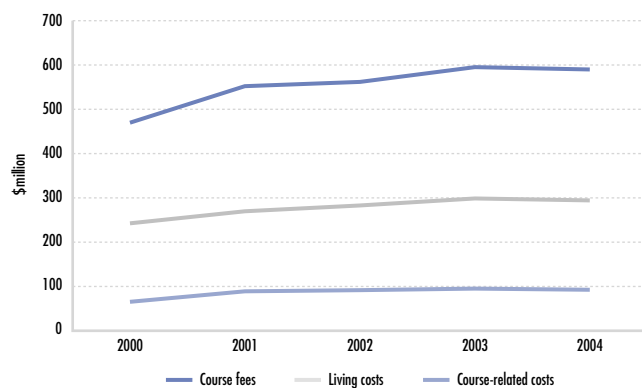
2.7 Loans by component 2000 to 2004

Most borrowers use the Student Loan Scheme to pay the compulsory fees charged by the tertiary education provider. Ninety-three percent of all borrowers used the scheme to pay fees in 2004, while 62 percent drew money from the scheme to help meet course-related costs. Those who borrowed fees in 2004 represented 49 percent of those eligible to do so. Over each of the years between 2000 and 2004, about 60 percent of all money drawn from the scheme was used to pay fees, while the amount drawn for course-related costs has varied between 8.4 percent and 9.7 percent.

The average amount borrowed to pay fees has not changed much over the period 2000 to 2004. In part, this trend reflects the government's fee stabilisation policy, introduced in 2000, and also the higher incidence of part-time enrolments in tertiary education. The trends are represented in Figure 13.

Figure 13 (Table 42) Average amount drawn by loan component 2000-2004

Source: Ministry of Education and Ministry of Social Development

Figure 14 (Table 42) Total amount drawn by loan component 2000-2004

Source: Ministry of Education and Ministry of Social Development

Only full-time borrowers are entitled to use the scheme to borrow money to help meet living costs. The proportion of borrowers who drew living costs from the scheme in 2004 was 50 percent. That figure represented 41 percent of all full-time students eligible to borrow, while around 30 percent of all drawings over the years 2000 to 2004 were for living costs.

14 The entitlement was changed back to \$1,000 in 2000.

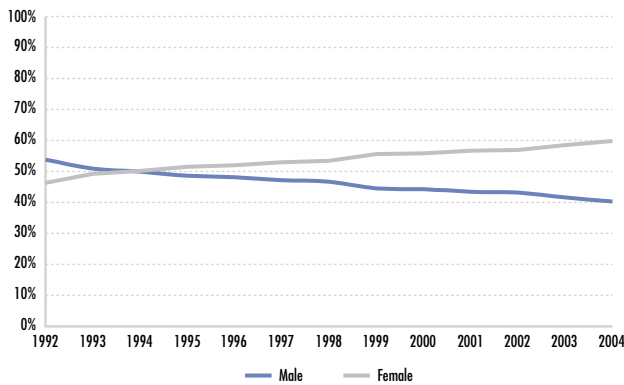
15 Living costs were paid in fortnightly instalments instead of lump sums and students' association fees were no longer payable from the scheme. (This last change was rescinded in 2000.)

16 All financial data is expressed in nominal dollars without adjustment for inflation.

2.8 Student loan borrowers by gender

There are significantly more females than males enrolled in tertiary education. In 2004, almost 59 percent of tertiary students were female, compared with 52 percent in 1994. The gap between the proportion of male and female Student Loan Scheme borrowers broadly matches the gender balance in enrolments; the proportion of female borrowers in 2004 reached almost 60 percent. As women have increased their share among students over time, the proportion of female borrowers has moved in the same way.

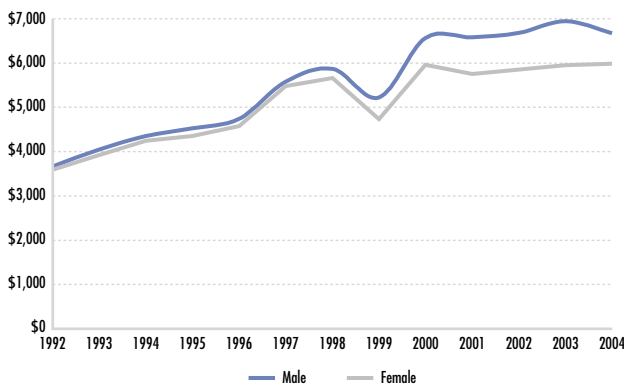
Figure 15 (Table 43) Percentage of borrowers by gender 1992-2004



Source: Ministry of Social Development

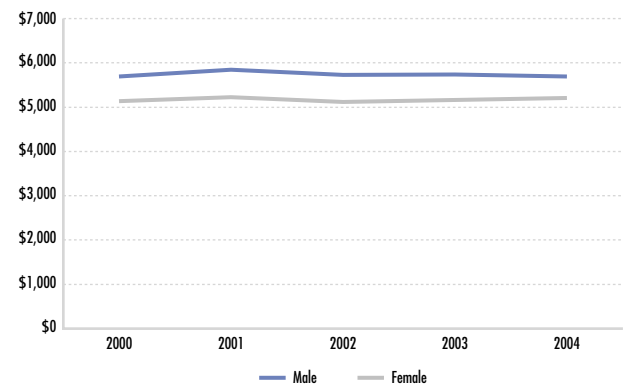
While men and women are equally likely to borrow through the Student Loan Scheme, women tend to borrow slightly less.

Figure 16 (Table 44) Average annual amounts borrowed by gender 1992-2004



Source: Ministry of Social Development

Figure 17 (Table 44) Median annual amounts borrowed by gender 2000-2004



Source: Ministry of Social Development

While women have borrowed less than men on average in each year since the scheme began, women leave their studies with loan balances that are comparable with, or more than, men's balances. Table 4, drawn from the integrated dataset on Student Loan Scheme borrowers, gives the leaving balances of men and women in the years 1992 to 2001.

Table 4 Student loan balances when students leave their studies 1992-2001

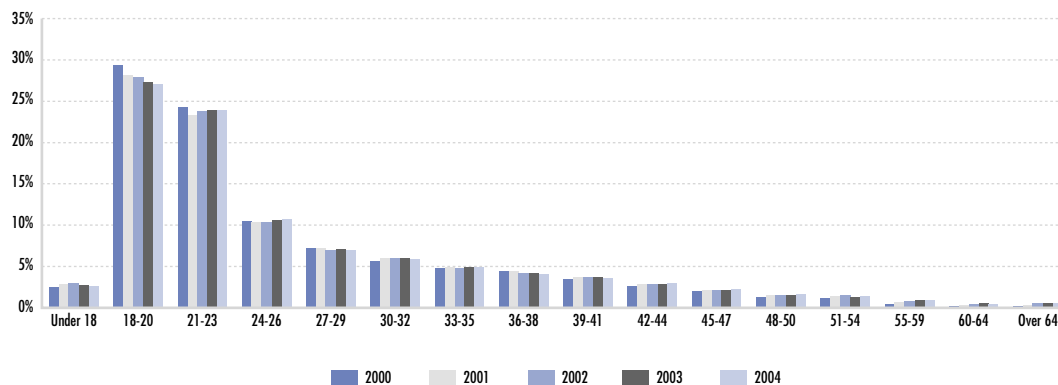
Last year studied	Borrowers			Median leaving loan balance		
	Male	Female	Total	Male	Female	All
1992	6,948	5,904	12,852	\$3,140	\$3,190	\$3,170
1993	10,245	9,093	19,338	\$4,510	\$4,650	\$4,570
1994	13,086	12,642	25,728	\$5,880	\$5,930	\$5,910
1995	14,550	14,757	29,307	\$6,720	\$6,580	\$6,650
1996	15,258	15,483	30,741	\$7,450	\$7,570	\$7,500
1997	14,211	15,003	29,214	\$8,730	\$9,150	\$8,960
1998	18,198	18,876	37,074	\$9,770	\$10,010	\$9,900
1999	20,148	23,058	43,206	\$9,430	\$8,940	\$9,160
2000	20,907	25,086	45,993	\$9,550	\$8,640	\$9,130
2001	25,242	30,633	55,875	\$9,750	\$8,780	\$9,250
Total	158,793	170,535	329,328			

Source: Statistics New Zealand Integrated Dataset on Student Loan Scheme Borrowers

The reason women's balances tend to be somewhat higher, despite lower borrowing each year, is that women have a higher rate of completion of tertiary education qualifications and are more likely to be enrolled at degree level, and hence are more likely to remain longer in study.

2.9 Student loan borrowers by age

The following graphs show the profile of all student loan borrowers by age at the time when the loan was advanced. Seventy-one percent of all current student loan borrowers are under the age of 30 and 2 percent are 55 or over. While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have increased significantly since 2000, from 1,136 borrowers to 3,114 borrowers in 2004, a rise of 174 percent.

Figure 18 (Table 45) Percentage of all borrowers by age 2000-2004

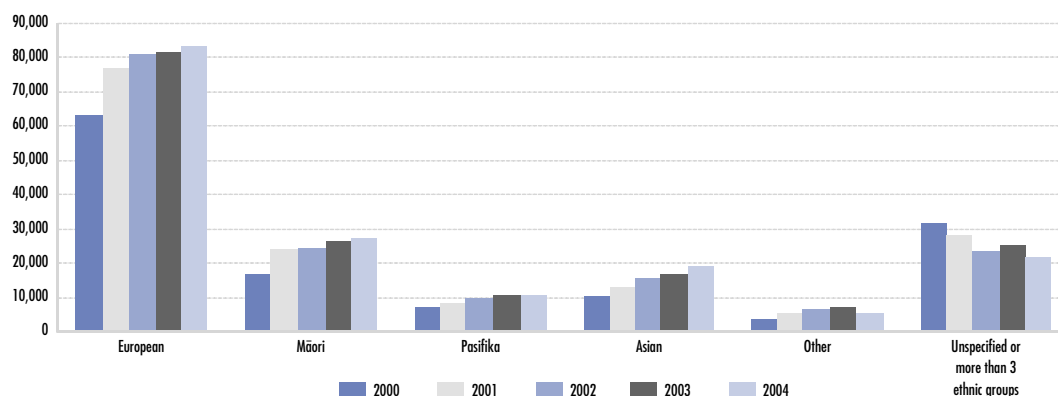
Source: Ministry of Social Development

2.10 Student loan borrowers by ethnic group

In 2004, 20 percent of borrowers with declared ethnicity were Māori (the same as in 2003), compared with 18 percent in 2000. The 2004 figure is comparable with the proportion of all students who were Māori (20 percent).

Of those with declared ethnicity, 7.9 percent were Pasifika in 2004 (the same as in 2003), compared with 7.7 percent in 2002 and 7.2 percent in 2000. Pasifika peoples represented 6.3 percent of those formally enrolled in tertiary education during 2004. The number of Pasifika students borrowing is increasing, having risen by 2.4 percent from 10,367 in 2003 and 10,629 in 2004.

Figure 19 (Table 46) Total student loan borrowers by ethnic group 2000-2004



Note: A student identifying with up to three ethnic groups has been counted in each group.

Source: Ministry of Social Development

Table 5 Average amount borrowed each year by ethnic group 1992-2004

Ethnic Group	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
European	\$3,767	\$4,111	\$4,450	\$4,577	\$4,811	\$5,704	\$5,889	\$5,048	\$6,136	\$6,215	\$6,393	\$6,653	\$6,574
Māori	\$3,122	\$3,461	\$3,837	\$3,994	\$4,325	\$5,338	\$5,557	\$4,613	\$5,777	\$5,802	\$5,734	\$5,759	\$5,716
Pasifika	\$3,168	\$3,734	\$4,157	\$4,376	\$4,841	\$5,836	\$6,298	\$5,278	\$6,387	\$6,143	\$6,260	\$6,358	\$6,310
Asian	\$3,573	\$4,023	\$4,269	\$4,145	\$3,996	\$4,490	\$4,875	\$4,645	\$5,842	\$6,174	\$6,547	\$6,507	\$6,409
Other	\$3,064	\$3,801	\$4,105	\$3,690	\$3,993	\$4,807	\$5,252	\$4,909	\$5,955	\$5,927	\$6,092	\$5,904	\$5,819

Notes:

1. This table excludes those with ethnicity not known or not declared.
2. In this table, for the years prior to 2000, data relating to borrowers identifying with more than one ethnic group has been assigned to a single group. For subsequent years, borrowers identifying with more than one ethnic group are assigned to each of those groups.

Source: Ministry of Education and Ministry of Social Development

On average, Māori have borrowed less than students in other ethnic groups, reflecting:

- the high proportion of Māori enrolled in qualifications with zero fees
- the number who have access to fee support through such schemes as the Manaaki Tauira scholarships, and
- the higher propensity of Māori to enrol in qualifications at certificate level which are associated with lower borrowing.

2.11 Students who borrowed fees by provider type

Just under half of all those who borrowed fees under the compulsory fees component of the Student Loan Scheme in 2004 were enrolled at universities. This proportion has remained relatively stable since 2000.

The uptake of loans at wānanga is significantly lower than at other provider types, reflecting the availability of zero fee qualification at wānanga and the high proportion of wānanga students enrolled on a part-time basis.

Table 6 Students who borrowed fees by provider type 2000-2004

	2000	2001	2002	2003	2004
Universities	62,273	66,635	69,653	71,982	73,183
IITPs	37,768	39,720	40,452	40,767	39,196
Colleges of Education	5,189	5,307	5,445	5,556	5,434
PTEs	17,754	27,007	23,537	25,924	26,973
Wānanga	2,100	2,895	3,118	3,564	3,783
Total	125,084	141,564	142,205	147,793	148,569

Notes:

1. The totals differ from Table 7 because not all students borrow fees.
2. From 2000, loan components other than fees were not recorded by provider type.
3. A student studying at more than one provider type has been counted in each provider type.
4. The figures on this table are different from earlier Student Loan Scheme Annual Reports, due to an error in figures shown in these earlier reports.

Source: Ministry of Social Development

2.12 Students who borrowed by loan component

Table 7 identifies how many of all students who accessed the Student Loan Scheme accessed each of the components and how many borrowed the fee component only.

Table 7 Student loan borrowers by type of borrowing 2000-2004

Year	Number of students	Number borrowing fees	Number borrowing course-related costs	Number borrowing living costs	Number borrowing fees only
2000	128,107	122,833	72,591	70,982	30,245
2001	148,142	138,334	94,319	77,405	30,574
2002	150,526	139,323	96,563	77,699	31,426
2003	156,250	144,678	101,664	79,373	31,945
2004	157,032	145,549	98,506	77,507	36,207

Note: This data is provisional.

Source: Ministry of Social Development

2.13 Student loan borrowers by level of qualification and component

As noted elsewhere in this report, men tend to borrow more than women each year. Table 8 also illustrates the difference between the borrowing levels of men and women. In 2004, the difference was especially marked in the case of diplomas, where men borrowed on average \$7,434, compared with \$5,755 for women. To a large extent, the difference reflects the numbers of male students enrolling in diploma-level qualifications in applied or vocational areas that have higher fees and/or course costs.

Table 8 (Table 49) Student loan borrowers by level of qualification, gender, proportion of borrowers and borrowings, average and total amounts borrowed 2004

Qualification level		Number of students	Total borrowed \$million	Average amount borrowed	Proportion of all loan borrowers	Proportion of total borrowed	Compared with average borrowings
Doctorate	Female	430	2	\$5,560	0.3%	0.2%	86.9%
	Male	520	3	\$5,777	0.3%	0.3%	90.3%
	Total	950	5	\$5,679	0.6%	0.5%	88.7%
Masters, Honours, Postgraduate Cert, Postgraduate Dip	Female	5,824	33	\$5,827	3.5%	3.2%	91.0%
	Male	4,252	28	\$6,613	2.5%	2.6%	103.3%
	Total	10,076	62	\$6,158	6.0%	5.8%	96.2%
Bachelors Degrees, Graduate Cert, and Diplomas	Female	47,834	314	\$6,577	28.5%	29.3%	102.7%
	Male	33,129	233	\$7,044	19.8%	21.8%	110.0%
	Total	80,963	547	\$6,768	48.3%	51.1%	105.7%
Diplomas	Female	13,715	78	\$5,755	8.2%	7.4%	89.9%
	Male	8,783	65	\$7,434	5.2%	6.1%	116.1%
	Total	22,498	144	\$6,410	13.4%	13.4%	100.1%
Certificates	Female	32,207	182	\$5,668	19.2%	17.0%	88.5%
	Male	19,988	124	\$6,232	11.9%	11.6%	97.4%
	Total	52,195	307	\$5,884	31.2%	28.6%	91.9%
Other	Female	498	2	\$5,889	0.3%	0.3%	92.0%
	Male	374	2	\$7,609	0.2%	0.3%	118.9%
	Total	872	5	\$6,626	0.5%	0.5%	103.5%
Total		167,554	1,072	\$6,401	100%	100%	100%

Notes:

1. A student studying at more than one qualification level has been counted in each qualification level.
2. Data in this table is provisional.

Source: Ministry of Social Development

2.14 Student loan borrowers by loan component and ethnic group

The table below gives a breakdown of each ethnic group's borrowing in each student loan component.

Table 9 Student loan borrowers by ethnic group, amount and component borrowed 2004

	Number of students	Course fees \$million	Course-related costs \$million	Living costs \$million	Administration fees \$million	Total amount borrowed \$million
European	87,853	343	51	186	4	585
Māori	29,868	113	24	44	2	182
Pasifika	11,502	42	9	23	1	75
Asian	20,871	88	8	39	1	137
Other	5,512	22	3	9	0	35
Unspecified or 3 or more ethnic groups	23,071	79	13	36	1	131

Note: A student identifying with two ethnic groups has been counted in each group.

Source: Ministry of Education and Ministry of Social Development

2.15 Comparison of loans with allowances

In 2004, there were 20,555 people who borrowed living costs under the Student Loan Scheme and who also received student allowances, compared with 21,862 in 2003. The decline reflects the reduction in the uptake of allowances in 2004 and also the trend towards an increase in the number of part-time enrolments.

Those who borrowed for living costs and also received allowances represented 17 percent of all 2004 borrowers, compared with 14 percent the previous year, and 26 percent of all who borrowed under the living costs entitlement. Conversely, 49 percent of allowances recipients used the Student Loan Scheme to supplement their living costs in 2004, compared with 34 percent in 2003.

Table 10 Student allowances compared with student loan living costs (LC) borrowings 2004

	Number of students	Allowances received \$million	Living costs borrowed \$million	Total Allowances + LC \$million	Average Allowances \$	Average Living Costs \$	Average Allowances + LC \$
Student Allowances only	40,271	271	0	271	6,742	0	6,742
Student Allowances and Living costs	20,555	112	36	149	5,460	1,765	7,225
Living costs only	57,335	0	257	257	0	4,489	4,489
TOTAL (Living costs and/or Allowances)	118,161	384	294	677	3,247	2,485	5,733

Source: Ministry of Education and Ministry of Social Development

Those who received student allowances only received \$6,742 on average in 2004. Those who also used the living costs entitlement under the Student Loan Scheme borrowed \$1,765 on average and received \$7,225 under both schemes on average, while those who relied solely on the living costs entitlement under the Student Loan Scheme received \$4,489 during the year on average.