

# Table of Contents

<b>Foreword</b> .....	<b>2</b>
<b>Financial Support For Tertiary Study</b> .....	<b>3</b>
<u>Participation in Tertiary Education</u> .....	3
<u>What is the Government's financial contribution?</u> .....	3
<u>Student Loan Scheme</u> .....	4
<b>The Administration Of The Scheme</b> .....	<b>5</b>
<u>1992–1999: The Ministry of Education's role</u> .....	5
<u>2000: The Department of Work and Income's Role</u> .....	5
<b>The Elements Of The Student Loan Scheme</b> .....	<b>6</b>
<u>Eligibility</u> .....	6
<u>What can be borrowed?</u> .....	6
<u>Interest</u> .....	7
<u>Base interest write-offs for 1999/2000 tax year</u> .....	8
<u>Loan repayments</u> .....	8
<u>Repayment rate and repayment threshold</u> .....	9
<u>Non-residents</u> .....	9
<b>The Costs Of The Student Loan Scheme</b> .....	<b>10</b>
<u>Recent Policy Changes</u> .....	10
<b>General Student Loan Scheme Statistics</b> .....	<b>13</b>
<b>Student Loan Scheme Financial Report For Period Ended 30 June 2000</b> .....	<b>16</b>
<u>Table 1: Range Of Student Loan Debt</u> .....	16
<u>Table 2: Average Student Loan Debt with Inland Revenue*</u> .....	17
<u>Table 3: Base Interest Write-Offs</u> .....	17
<u>Table 4: Small Balance Write-Offs</u> .....	17
<u>Table 5: Deceased and Bankrupts</u> .....	17
<u>Table 6: Administration Costs</u> .....	18
<b>Appendix A-1</b> .....	<b>19</b>
<b>Appendix A-2</b> .....	<b>20</b>
<b>Appendix B</b> .....	<b>21</b>
<b>Appendix C</b> .....	<b>22</b>
<b>Appendix D</b> .....	<b>23</b>

## Foreword

### *Te whakapuakitanga*

The Student Loan Scheme was established in 1992 to assist students to overcome financial barriers to undertaking tertiary study.

From 1992 to 1999 the Ministry of Education was responsible for administering the application and delivery aspects of the Student Loan Scheme. From 1 January 2000, administration of the delivery of the Scheme was transferred to the Department of Work and Income. The Ministry of Education has retained responsibility for providing strategic policy advice to government, and Inland Revenue has retained the responsibility for assessing and collecting loan repayments under the Student Loan Scheme Act 1992.

In addition to reporting the Scheme's financial position for the period ending 30 June 2000, this report provides an overview of the Government's policy for student financial support. The report also provides general information about borrowers' use of the Scheme since its inception and combines information from the Ministry of Education, Department of Work and Income, and Inland Revenue.

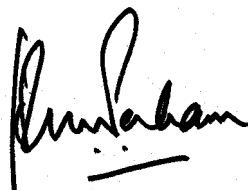
Together with tuition subsidies and student allowances, the Student Loan Scheme forms a package of financial measures designed to support the participation of all New Zealanders in tertiary education. The aim of the Scheme is to ensure that no student is denied access to tertiary education because they lack sufficient finance. Repayment is deferred until the borrower earns sufficient income, with a considerable proportion of interest charged during the period of low income being written-off.

Recent changes to Student Loan Scheme policy will make tertiary education more affordable and will assist both current students and those who are no longer studying. Full-time, full-year students and low-income students will pay no interest on their loans while they are studying in 2000 and beyond. In addition, new repayment provisions will accelerate the repayment to principal for any current student who does not qualify for a full interest write-off and all former borrowers. This will reduce the length of time that it will take for borrowers to repay their loan. There is also ongoing work underway to improve the reporting of the Loan Scheme.

Nāku noa, nā



HOWARD FANCY  
*Secretary for Education*



JOHN PERHAM  
*Commissioner of Inland Revenue*



CHRISTINE RANKIN  
*Chief Executive Officer  
Department of Work and Income*

# Financial Support For Tertiary Study

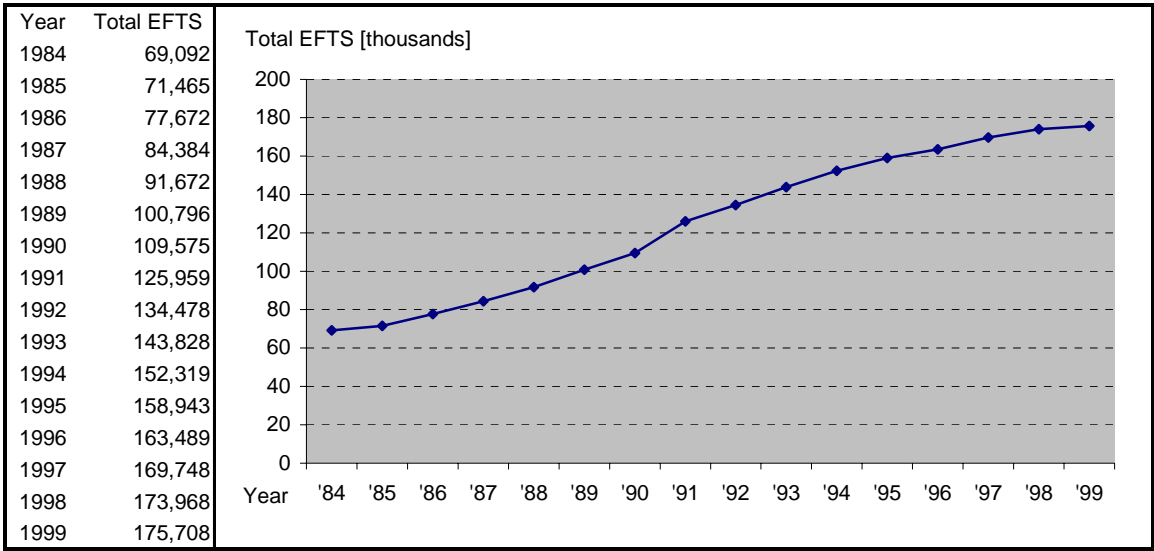
## Participation in Tertiary Education

The provision of quality tertiary education that New Zealanders are able to access throughout their lives is key to New Zealand’s social and economic development as a knowledge society.

Recognition of the importance of tertiary education is seen in the enormous growth in the number of students undertaking tertiary study. In the last ten years alone, the number of total equivalent full-time students in tertiary education has almost doubled, and student numbers are still growing albeit more slowly in recent years.

The huge increase in the number of students undertaking tertiary study is reflected in the following table .

### Growth in Total EFTS (Equivalent Full Time Students)



### What is the Government’s financial contribution?

The Government provides a significant financial contribution to all students participating in tertiary education through tuition subsidies. In addition, financial support is provided to students from low-income backgrounds through student allowances. The Student Loan Scheme can be accessed to enable students and their families to meet the remaining costs of their tertiary education.

This increase in participation is also reflected in Government expenditure.

The following table details the support Government provided in recent years.

<b>Year</b>	<b>Student Allowances (\$Million)</b>	<b>Tuition Subsidies (\$Million)</b>	<b>Student Loan Advances (\$Million)</b>
1996/97	327	1,130	542
1997/98	344	1,144	657
1998/99	378	1,167	624
1999/00	376	1,262	715

### *Student Loan Scheme*

Introduced in 1992, the Student Loan Scheme is designed to support the participation of all New Zealanders in tertiary education by providing access to finance for tuition fees and other education-related costs. The Scheme provides money on terms more generous than are available for similar unsecured loans from the private sector.

The Scheme is income-contingent, which means that borrowers are not required to repay any money until they earn sufficient income. The repayment threshold is currently \$14,768. The amount of repayment that needs to be made is determined by the amount of income earned over this threshold. The Scheme also recognises that some borrowers may not be earning sufficient income to allow them to meet the interest charged each year. If this is the case, borrowers may qualify for an interest write-off, this is explained in more detail later in the report.

In general, the Scheme appears to be successful in assisting students who are willing to make an investment in their education. For example:

- Between 1994 and 1999, participation in tertiary education, excluding that at Private Training Establishments (PTE's), grew by a total of 7%.
- Groups with traditionally lower participation rates in tertiary education, such as Maori and Pacific Islanders, have shown large increases in participation, albeit from a very low base. Between 1994 and 1999, the total growth rates in enrolments were 38% and 40% respectively.
- Postgraduate enrolments in tertiary education institutions grew by almost 33% between 1994 and 1999.

## **The Administration Of The Scheme**

### *1992–1999: The Ministry of Education’s role*

From the inception of the Student Loan Scheme in 1992 until the end of 1999, the Ministry of Education was responsible for managing both the strategic policy responsibilities and the administration and delivery of the Scheme. This included advancing funds to students<sup>1</sup>, monitoring the Scheme, and providing advice on the Scheme’s policy.

Although the delivery and administration of the Scheme was transferred to the Department of Work and Income as of 1 January 2000, the Ministry of Education retained the strategic policy responsibilities for the Scheme.

Inland Revenue continues to be responsible for maintaining loan accounts after the end of each year, including the assessment and collection of loan repayments under the Student Loan Scheme Act 1992.

### *2000: The Department of Work and Income’s Role*

The Department of Work and Income is responsible for the administration and delivery of allowances (from 1 January 1999) and student loans (from 1 January 2000). It has integrated these with other income support schemes, such as Community Wage (student) and the supplementary assistance schemes. Loans which began before 1 January 2000 and finished after that date (transitional loans) continue to be managed for the Department by EDS Ltd’s Students Loans Accounts Manager (SLAM).

The Department delivers student financial support using a centralised model, with significant use of technology to communicate and interact with students and their education providers.

Problems and concerns raised by students and institutions around the delivery of loans early in 2000 resulted in a Ministerial review being undertaken by Karen Erenstrom Associates. The Department acknowledges that it did not perform satisfactorily. The recommendations from this review have been accepted and form the basis of a package of improvements to systems and procedures that are being implemented for 2001.

Further information on the Scheme and the responsibilities of each of the agencies can be found at their respective web sites:

Ministry of Education—[www.minedu.govt.nz](http://www.minedu.govt.nz)

Inland Revenue—[www.ird.govt.nz](http://www.ird.govt.nz)

Department of Work and Income—[www.winz.govt.nz](http://www.winz.govt.nz)

<sup>1</sup> Tertiary providers (under contract to the Ministry of Education) received and processed loan applications and monitored compliance with course requirements. In addition, the Student Loan Accounts Manager (EDS Ltd, also under contract to the Ministry) established loan accounts and handled loan transactions during the period of study.

## **The Elements Of The Student Loan Scheme**

### *Eligibility*

Borrowers must sign a contract with the Crown. Students aged under 18 need parental consent before they can borrow. Undischarged bankrupts and prisoners are not eligible to apply for a student loan.

To be eligible for a loan a student must be:

- a New Zealand citizen or a permanent resident of New Zealand; and
- enrolled in an approved qualification at an approved tertiary provider; and
- studying full-time for not less than 12 weeks, or part-time for a full year.

Further information about entitlements and how to apply for student financial support can be found on the Department of Work and Income web site at [www.winz.govt.nz/student/index](http://www.winz.govt.nz/student/index).

### *What can be borrowed?*

A student loan is made up of four components. The four components and their maximum entitlements are as follows:

#### *Compulsory fees or tuition fees*

Student loan fee entitlements are directly credited to tertiary education providers.

Students at public tertiary education institutions<sup>2</sup> can borrow the full amount of their fees, while students at Private Training Establishments are limited to a maximum of \$6500 for their fees for each year of study.

Where compulsory, student association fees can be borrowed as part of the compulsory fees loan entitlement. Otherwise, student association fees can be borrowed as part of a student's course-related costs component.

#### *Course-related costs*

Students can borrow up to \$1000 each year to help cover expenses related to their studies such as equipment, textbooks, and field trips. To access this entitlement, students are required to provide documented justification of their expenditure, which can be either a statement from their education provider giving details of the items needed for their course and an estimate of the expected cost, or receipts for expenses incurred.

<sup>2</sup> These are the Universities, Colleges of Education, Polytechnics, and the three Wananga that are recognised under the Education Act 1989.

### ***Living costs***

Full-time students studying for not less than 12 weeks can access a living cost entitlement of \$150 per week of the course, less any net entitlement to student allowances. The living cost entitlement is made available in weekly instalments in arrears.

Students nominate the amount they wish to draw each week up to the maximum entitlement. If they nominate less than their full entitlement, any remaining entitlement that is unused each week cannot be claimed at a later date. This policy was implemented to prevent the accumulation of lump sum payments.

### ***Administration fee***

Each time a new loan is taken out, an administration fee of \$50 is charged. This is added to the student's loan balance when the student makes their first drawing from the loan account. If a student cancels the loan within 7 days of the loan account being established, and s/he repays any money that has been drawn down, the \$50 administration fee (and any interest on it) will be waived. Otherwise, the administration fee is always included in the loan balance.

### ***Interest***

As loan drawings are made, interest on the outstanding balance, including the administration fee, accumulates on a daily basis. The interest is compounded annually at the end of each tax year, and is then added to a borrower's loan balance. The interest rate for the 2000/01 income year is 7%.

At the end of February each year, loan balances (including interest that has accrued) for loan accounts completed in the previous calendar year are transferred to Inland Revenue. Interest continues to compound, subject to write-off provisions.

### ***Student loan interest rates***

The interest rate policy used from the 1996/97 to 1999/2000 income tax years was based on risk sharing. Under this policy, borrowers met the cost of borrowing, plus a margin to cover administration and other costs associated with the low-risk borrowers. The Crown met the remaining costs associated with high-risk borrowers and interest write-offs (i.e. of non-repayment, borrowing costs, bad debts, and administration costs).

The methodology for setting student loan interest rates is currently being examined. As an interim measure, the Government has frozen the student loan interest rate for the 2000/01 income year at 7%.

The total interest rate is made up of a base interest rate and an inflation adjustment rate. The two rates are important when working out interest write-offs.

The table below shows the interest rates in recent years.

### ***Student Loan Interest Rates***

	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/2000</b>	<b>2000/01</b>
Base interest rate	6.2%	5.9%	6.2%	5.3%	6.1%
Inflation adjustment rate	2.2%	2.3%	1.8%	1.7%	0.9%
Total interest rate	8.4%	8.2%	8.0%	7.0%	7.0%

For the 1999/2000 income year, some borrowers qualified for base interest write-offs. These are described below.

For the 2000/01 year, however, policy changes mean there will be more generous write-off provisions. These recent policy changes are described on pages 10, 11 and 12.

### *Base interest write-offs for 1999/2000 tax year*

The base interest rate is the component of the interest charged that may be written off for borrowers on low incomes in relation to their loan balance. To qualify for a base interest write-off borrowers must not have had a loan transferred to Inland Revenue during the tax year, and must be a New Zealand resident for tax purposes.

Base interest write-offs are calculated at the end of each tax year. If a borrower's repayment obligation is less than the amount of base interest due for that year, the amount of base interest that exceeds the repayment obligation is written off.

Where the borrower has no income or income less than the repayment threshold, the borrower has no repayment obligation and all the base interest charged is written off.

### *Loan repayments*

Under the Student Loan Scheme Act 1992, the taxation system is used to assess and collect loan repayments. The amount a resident borrower is required to repay is based on their income. Any borrower earning over the repayment threshold during the tax year is required to make repayments towards their loan.

For most borrowers receiving salary, wages, a student allowance, or income support, repayment deductions are made from their income by their employers along with other PAYE deductions. Employers then forward the repayment deductions to Inland Revenue together with their regular PAYE deductions.

Borrowers with self-employment income who are earning over the repayment threshold are generally required to make repayments directly to Inland Revenue in three instalments if their repayment obligation for the previous year, less any repayment deductions made by employers, was more than \$1000.

Collection of overdue loan repayments is done through the systems in place for the collection of overdue taxes.

From 1 April 2000 a person whose only income is from salary, wages, income support, or Student Allowances is not required to file a tax return. Their repayment obligation is calculated by Inland Revenue at the end of each tax year based on information received from employers.

More detailed information regarding repayments can be found at <http://www.ird.govt.nz/studloan/index.htm>.

Additional voluntary repayments of any amount can be made to Inland Revenue at any time, even prior to the loan being transferred to Inland Revenue.

Students can also make voluntary repayments to the Department of Work and Income during the year in which they are borrowing student loan money. In this instance, the minimum repayment is \$100.

### *Repayment rate and repayment threshold*

For borrowers resident in New Zealand for tax purposes, the Student Loan Scheme is income-contingent, which means that the amount borrowers must repay each year is related to the borrower's net income. When their net income is over the repayment threshold (\$14,768 for the 2000/01 tax year), they must repay at the rate of 10 cents in every dollar earned over this amount.

### *Non-residents*

Student loan borrowers must contact Inland Revenue before they depart New Zealand if they are:

- going overseas for more than three months; and
- will not be having repayment deductions made from any of their New Zealand incomes; and/or
- will not be making interim repayments when they fall due

Inland Revenue will then determine whether the borrower is resident or non-resident<sup>3</sup> for tax purposes.

Non-resident borrowers' annual loan repayments are based on their loan balance at the time of departure, plus interest. Generally their annual repayment will be \$1000 (or 1/15<sup>th</sup> of their loan balance if it is over \$15,000), plus the estimated interest chargeable on their loan for the year. Repayments are payable in four equal instalments through the year (30 June, 30 September, 31 December and 31, March).

In contrast, residents file tax returns if required in the normal manner (including income earned overseas). It is important to note that from 1 April 1999 most people whose only income is from salary, wages, a student allowance, or income support are no longer required to file a tax return. Their repayment obligation is calculated by Inland Revenue at the end of each tax year based on information received from employers.

As of 30 June 2000, 274,891 student loan borrowers had debit loan balances with Inland Revenue. Of these, 10,926 had registered as non-residents.

More detailed information regarding the obligations of borrowers going overseas can be found at <http://www.ird.govt.nz/studloan/index.htm>

<sup>4</sup> This refers to those who completed their course, or withdrew from the course without receiving a refund for any or part of their tuition fees.

## **The Costs Of The Student Loan Scheme**

The Student Loan Scheme is a significant Government asset. The portfolio is forecast to grow to \$15.5 billion (undiscounted) by the year 2015.

The costs of the Scheme are shared between the students and the Government in the following manner:

- borrowers meet the Government's estimated cost of capital through the student loan interest rate; and
- administration costs are met by borrowers through a one-off administration fee of \$50 for each loan and a 0.4% margin added to the interest rate (part of the total 0.9% margin). The interest rate also includes a 0.5% margin to cover the costs associated with the lowest-risk borrowers who, despite their low risk, may still have interest written off, die, or become bankrupt (balance of the total 0.9% margin).

The Government writes off the following sums:

- borrowers' unpaid base interest each year;
- debt from deceased or bankrupt borrowers; and
- small balances.

In 1995 it was estimated that the Government's true cost of lending was 11 cents in the dollar over the lifetime of each loan, taking into account the likelihood that not all debt will be repaid. Once the changes to the repayment regime come into full effect this figure is likely to increase and reflect the cost of writing off more interest.

### *Recent Policy Changes*

#### *Repayment obligation*

The Government has rescinded the decision of the former government to increase the student loan repayment rate to 15 cents in the dollar on borrowers' income over \$50,000 per annum.

#### *Interest rate for the 2000/01 income year*

The Government has decided not to follow the formula previously used to determine the Student Loan Scheme interest rate. Instead, it has chosen to freeze the interest rate at 7% for the 2000/01 income year. This decision was made to further ease the financial burden on borrowers.

#### *Full interest write-off provisions*

Late last year the Government announced its intention not to charge interest on student loans for full-time, full-year students, and part-time and/or part-year students, on low incomes. The threshold for low-income students has been set at \$24,596. The threshold was set at this level to provide low-income earners with additional incentives to undertake tertiary study.

Until now, interest has accumulated on loans while borrowers are studying, during which time they generally earn little and are therefore unable to make repayments. Interest charges end up compounding at the full rate (currently 7%) each year. By the time students have completed their study, the interest accrued could represent a significant part of the debt. If the same

amount were borrowed each year for three years, the total interest could be up to 12.8% of the debt owed (over 4 years this could be up to 15.8%).

The new policy changes will mean that borrowers will either receive a full interest write-off or may be eligible for the new base interest write-off, depending on a student's study status. This is implemented as an interest write-off by Inland Revenue after the end of each tax income year.

To qualify for a full interest write-off, a borrower must have undertaken an approved course of study<sup>5</sup> and have been:

- a full-time, full-year student (as defined below); or
- a student whose income in the income year for which the write-off applies is \$24,596 or less; and
- a New Zealand resident for income tax purposes.

For the purpose of interest write-offs, full-time<sup>5</sup>, full time, Full-year students are defined as those engaged in study for 32 weeks or longer in a 52-week period that ended during the income year, and that is equivalent to 0.8 EFTS in one year. This definition includes students enrolling in consecutive courses within one academic year, with two or more providers, where their total enrolment for that year is greater or equal to 0.8 EFTS and 32 weeks. Part-time students are those students who are not a full-time, full-year student.

Note that for the 2000/01 year, (and for following years, those students whose study status data cannot be automatically matched with Inland Revenue data) students will need to supply Inland Revenue with the information it requires to confirm the student's study status.

### ***New repayment provisions***

For any current student who does not qualify for a full interest write-off and for all former borrowers, new repayment provisions will mean that from the 2000/01 income year 50% of the compulsory repayment obligation will be credited to the base interest charged, with any excess being written off. The other 50%, together with any voluntary repayment, will be credited to the inflation adjustment interest (CPI) charged and principal. This will reduce the length of time that it will take to repay a loan.

At the writing of this report, the legislative amendments to give effect to the new interest write-off and repayment provisions are presently before Parliament and are expected to be enacted later this year. The changes will be backdated to 1 January 2000 for loans taken out after that date, and to 1 April 2000 for 1999 and earlier loans.

<sup>9</sup> Average is based on the number of borrower's and the amount borrowed.

The amount by which any particular borrower will be better off under this new policy will depend on:

- the person's income, which determines the amount of the compulsory repayment obligation, and
- the amount of the loan, which determines the amount of the base interest charged.

To qualify for the proposed new base interest write-off, borrowers must:

- have supplied Inland Revenue with the appropriate confirmation of their income; and
- be resident in New Zealand for income tax purposes<sup>6</sup>.

Appendix B shows the maximum savings for the 2000/01 income year for a range of loan balances and income levels. Appendix C and D provide guidelines for borrowers to determine whether they qualify for an interest write-off or reduction, and to calculate their 2000/01 base interest reduction.

### ***Effects of the new interest write-off policy changes***

The effects of the full interest and new base interest write-offs are as follows:

- most borrowers will pay either no interest or less than the full interest charge;
- full-time, full-year students and part-time or part-year students whose income is \$24,596 or less will pay no interest while they are studying, and the amounts they borrow will stay constant in nominal terms;
- all former borrowers and part-time or part-year students whose income is \$24,596 or more and whose base interest is less than half their compulsory repayment obligation will be better off; and
- only two categories of borrowers will continue to be in the same position as they are currently:
  - former borrowers whose income is under the repayment threshold will see their loan increase by the CPI component<sup>7</sup>, and the amount outstanding will stay constant in real terms; and
  - former borrowers, and part-time and/or part-year students whose income is \$24,596 or more, whose base interest is equal to or more than half their compulsory repayment obligation.

The changes are to come into effect from the 2000/01 income year.

### ***Transitional loan borrowers***

Most loans commence and terminate within the same calendar year. However, it is possible for loans to span two calendar years and there are approximately 8,600 borrowers whose loans commenced in 1999 and terminated this year. The loans for these borrowers will be treated as prior-year borrowing. This means that only interest charged on or after 1 April 2000 may be written off.

## General Student Loan Scheme Statistics

Information in this report that is provided on a sector basis should be used with care, as there have been a number of changes in the institutions that make up each sector<sup>8</sup>. All financial data is expressed in nominal dollars without adjustment for inflation.

*Table 1: Loan Borrowers By Academic Year*

Year	Number of Loan Borrowers
1992	44,202
1993	68,411
1994	79,338
1995	89,817
1996	95,411
1997	105,038
1998	114,387
1999	115,142

In the 1999 academic year, out of an estimated 279,522 formal students, there were 254,247 (90.1%) students eligible for student loans. Of the students eligible, 134,310 (52.8%) were full-time and 119,937 (47.2%) were part-time.

*Table 2: Uptake Of Student Loans By Attendance Status*

Percentage of New Zealand students taking out loans\*

	1994	1995	1996	1997	1998	1999
Part-time	12.4	14.6	17.5	16.3	18.1	13.6
Full-time	64.4	66.1	65.5	69.4	70.5	73.7
Total Students	39.6	42.2	44.5	47.0	49.7	47.9

\* Excludes Private Training Establishments

The uptakes rates above have been traditionally computed with reference to the July 'snapshot', which undercounts students for the year as not all students are enrolled during July. For example, students may enrol in a course that runs from September to December.

*Table 3: Uptake Of Student Loans By Gender And Attendance Status*

Percentage of New Zealand students taking out loans\*

		1994	1995	1996	1997	1998	1999
Males	Part-time	13.1	15.3	18.9	15.6	16.6	12.9
	Full-time	68.8	69.7	68.4	72.6	73.3	74.8
Total percentage of male students taking out loans		43.0	45.3	47.9	49.5	52.3	50.3
Females	Part-time	11.5	13.7	16.2	15.5	17.5	14.1
	Full-time	59.7	62.4	62.4	64.0	64.8	72.7
Total percentage of female students taking out loans		36.1	39.2	41.3	43.0	45.1	46.1

\* Excludes Private Training Establishments

*Table 4: Percentage Of Loan Clients Across The Tertiary Sector*

Education sector	1992	1993	1994	1995	1996	1997	1998	1999
Polytechnic	36.7	41.1	39.1	39.3	39.1	39.6	39.8	40.6
College of Education	5.5	5.2	4.9	5.4	5.5	5.6	4.3	4.5
University	56.3	51.4	53	50.8	49.6	46.8	45.3	42.1
Wananga	0.1	0.1	0.3	0.4	0.5	0.7	0.9	1.2
Private Training Establishment	1.4	2.2	2.7	4.1	5.3	7.3	9.6	11.5
Total	100	100	100	100	100	100	100	100

*Table 5: Percentage Of Loan Clients By Gender*

Gender	1992	1993	1994	1995	1996	1997	1998	1999
Male	53.7	50.9	49.9	48.5	48.1	47.1	46.6	44.5
Female	46.3	49.1	50.1	51.5	51.9	52.9	53.4	55.5

*Table 6: Percentage Of Loan Clients By Ethnicity*

Ethnicity	1992	1993	1994	1995	1996	1997	1998	1999
European/Pakeha*	76.4	72.5	69.6	71.7	65.4	61.7	59.1	56.6
Maori	12.8	15	15.6	16	16.2	16.4	17.1	19.0
Pacific Islanders	5.4	5.6	5.5	5.6	5.8	6.2	6.6	7.4
Asian (Chinese and Indian only)	2.4	2.6	3.0	4.0	5.8	6.8	6.8	6.1
Other	2.1	3.2	0.8	2.7	3.9	4.8	5.4	5.8
Not known	0.8	1.2	5.5	n.a	2.9	4.1	5.1	5.1
All Ethnic Groups	100	100	100	100	100	100	100	100

\* Includes students of unknown ethnicity in 1995

*Table 7: Average Annual Amount Borrowed In Each Year<sup>9</sup>*

	1992	1993	1994	1995	1996	1997	1998	1999
Total	\$3,628	\$3,979	\$4,309	\$4,432	\$4,649	\$5,494	\$5,714	\$4,917

*Table 8: Average Annual Amount Borrowed In Each Year By Gender*

Gender	1992	1993	1994	1995	1996	1997	1998	1999
Male	\$3,665	\$4,043	\$4,397	\$4,526	\$4,739	\$5,576	\$5,862	\$5,221
Female	\$3,586	\$3,920	\$4,241	\$4,353	\$4,576	\$5,478	\$5,654	\$4,734

*Table 9: Average Annual Amount Borrowed In Each Year By Attendance Status*

Status	1992	1993	1994	1995	1996	1997	1998	1999
Full-time	\$3,976	\$4,350	\$4,759	\$4,916	\$5,196	\$6,076	\$6,311	\$5,274
Part-time	\$1,568	\$1,543	\$1,737	\$1,890	\$2,063	\$2,176	\$2,308	\$2,228

*Table 10: Average Annual Amount Borrowed In Each Year By Ethnicity*

Ethnicity	1992	1993	1994	1995	1996	1997	1998	1999
European/Pakeha	\$3,767	\$4,111	\$4,450	\$4,577	\$4,811	\$5,704	\$5,889	\$5,048
Maori	\$3,122	\$3,461	\$3,837	\$3,994	\$4,325	\$5,338	\$5,557	\$4,613
Pacific Islanders	\$3,168	\$3,734	\$4,157	\$4,376	\$4,841	\$5,836	\$6,298	\$5,278
Asian (Chinese and Indian only)	\$3,573	\$4,023	\$4,269	\$4,145	\$3,996	\$4,490	\$4,875	\$4,645
Other (excluding 'not known')	\$3,064	\$3,801	\$4,105	\$3,690	\$3,993	\$4,807	\$5,252	\$4,909

*Table 11: Average Annual Amount Borrowed Per Full-Time Student By Sector*

Sector	1992	1993	1994	1995	1996	1997	1998	1999
University	\$4,276	\$4,714	\$5,094	\$5,249	\$5,499	\$6,285	\$6,461	\$5,688
Polytechnic	\$3,409	\$3,815	\$4,297	\$4,470	\$4,757	\$5,654	\$5,859	\$4,671
College of Education	\$3,729	\$4,109	\$4,438	\$4,546	\$4,634	\$5,686	\$5,670	\$4,417
Wananga	\$2,754	\$2,339	\$2,691	\$3,629	\$4,069	\$5,595	\$6,136	\$4,675
Private Training Establishment	\$4,898	\$4,766	\$5,538	\$5,481	\$6,151	\$7,335	\$7,791	\$6,319

*Table 12: Average Annual Amount Borrowed Per Part-Time Student by Sector*

Sector	1992	1993	1994	1995	1996	1997	1998	1999
University	\$2,060	\$1,777	\$1,905	\$2,127	\$2,210	\$2,174	\$2,308	\$2,292
Polytechnic	\$1,316	\$1,322	\$1,415	\$1,540	\$1,708	\$1,727	\$1,711	\$1,663
College of Education	\$1,984	\$1,467	\$1,547	\$1,531	\$1,642	\$1,666	\$1,625	\$1,611
Wananga	--	--	\$1,012	\$1,509	\$1,776	\$1,822	\$1,788	\$2,346
Private Training Establishment	--	\$3,684	\$4,259	\$3,686	\$3,948	\$4,695	\$4,705	\$4,886

Note: Averages are not shown where the number of student loan clients is less than 20.

## Student Loan Scheme Financial Report For Period Ended 30 June 2000

### *Fiscal Years 1992/93 to 1999/00*

The table attached as Appendix A-1 and Appendix A-2 in this report sets out the Loan Scheme's financial position for each fiscal year from 1992/93 to 1999/2000 and also shows the forecast provision to 30 June 2003.

The provision for Student Loans in the Government accounts was initially an annual appropriation in Vote Education under the category "Capital Contributions to Other Persons and Organisations".

Following the transfer of the Scheme's delivery to the Department of Work and Income, on 1 January 2000 provision for Student Loans now occurs as an annual appropriation within Vote Work and Income, under the category "Student Loans Draw Down".

### *Table 1: Range Of Student Loan Debt*

Table 1 shows the number and value of a range of student loan balances held by Inland Revenue as at 30 June 2000.

Range of Loan Balances		Number of borrowers	Percentage	Cumulative Percentage
Under	\$ 5,999	103,877	37.8%	37.8%
\$ 6,000	\$ 9,999	52,102	19.0%	56.7%
\$ 10,000	\$ 14,999	40,427	14.7%	71.5%
\$ 15,000	\$ 19,999	25,174	9.2%	80.6%
\$ 20,000	\$ 24,999	17,889	6.6%	87.1%
\$ 25,000	\$ 29,999	11,534	4.2%	91.3%
\$ 30,000	\$ 34,999	8,620	3.1%	94.5%
\$ 35,000	\$ 39,999	5,414	2.0%	96.4%
\$ 40,000	\$ 44,999	3,942	1.4%	97.9%
\$ 45,000	\$ 49,999	2,298	0.8%	98.7%
\$ 50,000	\$ 54,999	1,470	0.5%	99.2%
\$ 55,000	\$ 59,999	833	0.3%	99.5%
Over \$59,999		1311	0.5%	100.0%
<b>Total Borrowers</b>		<b>274,891</b>		

As at 30 June 2000 the total value of loan repayments collected by Inland Revenue since the Scheme began was just over \$851.7 million. \$459.0 million had been collected via employers through the PAYE system with the balance of \$392.7 million coming directly from the borrower.

The level of overdue loan repayments at 30 June 2000 was \$38.82 million of which 44.6% (\$17.3 million) was under instalment arrangement for payment.

*Table 2: Average Student Loan Debt with Inland Revenue\**

The average student loan debt with Inland Revenue per borrower was:

<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
\$3,864	\$5,524	\$6,764	\$7,734	\$8,854	\$10,206	\$11,664	\$12,413

\*These figures do not include current-year borrowings which were still held by the loan account manager up to the transfer (28 February for loans related to courses ending in the previous calendar year).

*Table 3: Base Interest Write-Offs*

Since the Student Loan Scheme began, the total amount of base interest written off because of low-income levels relative to the borrowers' loan balance is \$80.56 million. The table below shows the base interest write-offs for the last 7 years.

<b>1993/94</b>	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>
(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
\$0.50	\$4.30	\$5.54	\$12.70	\$16.97	\$20.27	\$20.28

*Table 4: Small Balance Write-Offs*

Small balance write-offs occur where a person has paid all but the last few dollars of either the amount they were required to pay for the year, or when they are paying off their final loan balance. These amounts are written off under the Student Loan Scheme Act 1992, Sections 51 and 60 respectively. Since the Loan Scheme began the total value of small balance write-offs is \$75,520.

<b>1992/93</b>	<b>1993/94</b>	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>
\$375	\$48,345	\$40,187	-\$79,895*	\$9,355	\$19,480	\$24,877	\$12,796

\*During the 1996 year work on Inland Revenue's system was completed and the interest recalculated. This meant that some of the small balances previously written off were incorrect and the credit in this year reflects this.

*Table 5: Deceased and Bankrupts*

The total amount written off for deceased and bankrupt\* borrowers since the Scheme began is \$14.33 million.

	<b>1995/1996</b>	<b>1996/1997</b>	<b>1997/1998</b>	<b>1998/1999</b>	<b>1999/2000</b>
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Deaths	\$ 1.59	\$ 0.45	\$1.20	\$2.29	\$1.60
Bankrupts	\$ 0.75	\$ 0.25	\$1.11	\$2.30	\$2.79
<b>Totals</b>	<b>\$ 2.34</b>	<b>\$ 0.70</b>	<b>\$2.31</b>	<b>\$4.59</b>	<b>\$4.39</b>

\*These are borrowers who have gone bankrupt and have had their student loan debts written-off by the Government.

*Table 6: Administration Costs*

The table below identifies the administration costs for the Scheme for the period 1997/98 to 1999/2000 (see note 4 below).

	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>
	(\$M)	(\$M)	(\$M)
Ministry of Education	1.5	1.7	1.0
Tertiary institutions	5.0	5.2	2.8
Loan account manager	3.1	4.6	1.9
Administration cost (DWI)	—	—	24.5
<b>Total administration costs</b>	<b>9.6</b>	<b>11.5</b>	<b>30.2</b>
Inland Revenue	8.3	9.0	7.5
<b>Total administration costs</b>	<b>17.9</b>	<b>20.5</b>	<b>37.7</b>
Less loan fee revenue	5.5	5.6	6.6
<b>Net administration costs</b>	<b>12.4</b>	<b>14.9</b>	<b>31.1</b>

Notes:

1. Ministry of Education costs includes the costs associated with the transfer of the student loans function to DWI.
2. Loan account manager costs reflects costs associated with the changes made in 1998/99 to the Student Loan Scheme.
3. Loan accounts established in 1999 but which have continued to operate in the 2000 year have also been administered by SLAM under contract to the Department of Work and Income. Costs associated with this contract are covered under the administration costs to the Department of Work and Income.
4. Administration cost (DWI) – Due to the integrated delivery of student allowances and loans, it is not possible to separate the cost of the delivery of loans from the delivery of allowances. The administration cost noted above covers both loans and allowances from 1 January to 30 June 2000. It also includes a number of start up costs that will not reoccur. It should also be noted that more than two thirds of the annual cost occur in the first sixth months of each calendar year due to the timing of applications.
5. Caution should be exercised in making comparisons between the 1999/00 costs and earlier years, as the changes in delivery and the increase in the transparency of costs means that the different periods are not directly comparable.
6. The DWI figures exclude other overheads that fluctuate from year to year

## Appendix A-1

(\$Million)	ACTUAL							FORECAST*				
	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
<b>Opening balance</b>	-	92.9	281.7	568.4	921.6	1,382.4	1,863.7	2,449.8	2,970.7	3,520.8	4,080.7	4,667.2
<b>Additions</b>												
<b>Amount Borrowed</b>	92.9	240.4	330.7	406.3	441.8	541.8	657.3	623.7	701.3	843.7	930.1	996.5
<b>Accrued interest</b>		6.7	32.4	61.7	109.0	133.2	183.2	223.0	240.8	319.9	413.2	470.4
<b>Subtotal: Additions</b>	92.9	247.1	363.1	468.0	550.8	675.0	840.5	846.7	942.1	1,163.6	1,343.3	1,466.9
<b>Less repayments</b>												
<b>Capital repayments</b>		-8.6	-20.7	-35.3	-59.9	-88.4	-116.4	-147.5	-174.1	-217.0	-287.0	-351.0
<b>Interest repayments</b>			-4.8	-13.5	-24.7	-34.7	-52.2	-92.1	-107.4	-141.1	-190.6	-236.2
<b>Subtotal: repayments</b>	-	-8.6	-25.5	-48.8	-84.6	-123.1	-168.6	-239.6	-281.5	-358.1	-477.6	-587.2
<b>Write-offs and provision for doubtful debts</b>												
<b>Write-offs</b>	-	-	-	-2.3	-8.0	-13.4	-19.3	-24.8	-24.1	-157.5	-181.0	-199.0
<b>Change in provision for doubtful debts</b>	-	-49.7	-50.9	-63.7	2.6	-57.2	-66.5	-61.4	-86.4	-88.0	-98.2	-87.3
<b>Subtotal: write-offs and provision for doubtful debts</b>	-	-49.7	-50.9	-66.0	-5.4	-70.6	-85.8	-86.2	-110.5	-245.5	-279.2	286.3
<b>Net change</b>	92.9	188.8	286.7	353.2	460.8	481.3	586.1	520.8	554.1	560.0	586.5	593.4
<b>Student loan- closing balance</b>	92.9	281.7	568.4	921.6	1,382.4	1,863.7	2,449.8	2,970.7	3,520.8	4,080.7	4,667.2	5,260.6

**Notes:**

1. All forecast figures are based on BEFU may 2000.
2. With latest policy change, interest will be accrued but then written off for full-time, full year and low-income students.
3. The figures these tables are taken from the general ledger records of each agency and therefore reflects the combined position as at the balance date identified.
4. The transfer of the administration of the scheme occurred as at 1 January 2000 (half way through the 99/00 financial year). The figures for that year are combined MOE/DWI figures.

# Appendix A-2

(Departmental Detail Breakdown)

(\$Million)	ACTUAL							FORECAST				
	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
<b>Opening balance</b>	-	92.9	281.7	568.4	921.6	1,382.4	1,863.7	2,449.8	2,970.7	3,520.8	4,080.7	4,667.2
<b>Additions</b>												
Draw downs (MOE/DWI)*				401.7	437.2	536.8	651.8	618.1	694.7	836.5	922.6	988.7
Administration fees(MOE/DWI)				4.5	4.6	5.0	5.5	5.6	6.6	7.1	7.6	7.8
<b>Amount Borrowed</b>	<b>92.9</b>	<b>240.4</b>	<b>330.7</b>	<b>406.3</b>	<b>441.8</b>	<b>541.8</b>	<b>657.3</b>	<b>623.7</b>	<b>701.3</b>	<b>843.7</b>	<b>930.1</b>	<b>996.5</b>
Accrued interest: MOE/DWI				20.9	29.5	32.0	39.9	42.0	40.1	35.4	43.5	49.7
Accrued interest: IRD				40.8	79.6	101.2	143.3	181.0	200.7	284.5	369.7	420.7
<b>Accrued interest</b>		<b>6.7</b>	<b>32.4</b>	<b>61.7</b>	<b>109.0</b>	<b>133.2</b>	<b>183.2</b>	<b>223.0</b>	<b>240.8</b>	<b>319.9</b>	<b>413.2</b>	<b>470.4</b>
<b>Subtotal: Additions</b>	<b>92.9</b>	<b>247.1</b>	<b>363.1</b>	<b>468.0</b>	<b>550.8</b>	<b>675.0</b>	<b>840.5</b>	<b>846.7</b>	<b>942.1</b>	<b>1,163.6</b>	<b>1,343.3</b>	<b>1,466.9</b>
<b>Less repayments</b>												
Capital repayments: MOE/DWI (principal, admin fee)				-7.6	-12.1	-16.1	-21.0	-26.1	-32.1	-26.1	-28.9	-31.1
Capital repayments: IRD				-27.7	-47.8	-72.3	-95.4	-121.4	-142.0	-190.9	-258.1	-319.9
<b>Capital repayments</b>		<b>-8.6</b>	<b>-20.7</b>	<b>-35.3</b>	<b>-59.9</b>	<b>-88.4</b>	<b>-116.4</b>	<b>-147.5</b>	<b>-174.1</b>	<b>-217.0</b>	<b>-287.0</b>	<b>-351.0</b>
Interest repayments: (MOE/DWI)				-0.1	-0.2	-0.2	-0.2	-0.3	-	-0.3	-0.3	-0.3
Interest repayments: IRD				-13.4	-24.5	-34.5	-52.0	-91.8	-107.4	-140.8	-190.3	-235.9
<b>Interest repayments</b>			<b>-4.8</b>	<b>-13.5</b>	<b>-24.7</b>	<b>-34.7</b>	<b>-52.2</b>	<b>-92.1</b>	<b>-107.4</b>	<b>-141.1</b>	<b>-190.6</b>	<b>-236.2</b>
<b>Subtotal: repayments</b>	<b>-</b>	<b>-8.6</b>	<b>-25.5</b>	<b>-48.8</b>	<b>-84.6</b>	<b>-123.1</b>	<b>-168.6</b>	<b>-239.6</b>	<b>-281.5</b>	<b>-358.1</b>	<b>-477.6</b>	<b>-587.2</b>
<b>Write-offs and provision for doubtful debts</b>												
Write-offs: MOE					-0.2	-	-	-	0.5	-	-	-
Write-offs: IRD				-2.3	-7.8	-13.4	-19.3	-24.8	-24.6	-157.5	-181.0	-199.0
<b>Write-offs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2.3</b>	<b>-8.0</b>	<b>-13.4</b>	<b>-19.3</b>	<b>-24.8</b>	<b>-24.1</b>	<b>-157.5</b>	<b>-181.0</b>	<b>-199.0</b>
Change in provision for doubtful debts: MOE/DWI				-8.7	9.8	-9.7	-6.2	-4.3	-22.8	-7.5	-7.0	-6.4
Change in provision for doubtful debts: IRD				-55.0	-7.2	-47.5	-60.3	-65.7	-109.2	-80.5	-91.2	-80.9
<b>Change in provision for doubtful debts</b>	<b>-</b>	<b>-49.7</b>	<b>-50.9</b>	<b>-63.7</b>	<b>2.6</b>	<b>-57.2</b>	<b>-66.5</b>	<b>-61.4</b>	<b>-86.4</b>	<b>-88.0</b>	<b>-98.2</b>	<b>-87.3</b>
<b>Subtotal: write-offs and provision for doubtful debts</b>	<b>-</b>	<b>-49.7</b>	<b>-50.9</b>	<b>-66.0</b>	<b>-5.4</b>	<b>-70.6</b>	<b>-85.8</b>	<b>-86.2</b>	<b>-110.5</b>	<b>-245.5</b>	<b>-279.2</b>	<b>286.3</b>
Net change	92.9	188.8	286.7	353.2	460.8	481.3	586.1	520.8	550.1	560.0	586.5	593.4
<b>Student loan- closing balance</b>	<b>92.9</b>	<b>281.7</b>	<b>568.4</b>	<b>921.6</b>	<b>1,382.4</b>	<b>1,863.7</b>	<b>2,449.8</b>	<b>2,970.7</b>	<b>3,520.8</b>	<b>4,080.7</b>	<b>4,667.2</b>	<b>5,260.6</b>

## Appendix B

*How much will the new base interest write-off saving be in the 2000/01 income year?*

<b>Loan Balance</b>									
<b>Income</b>	<b>\$5,000</b>	<b>\$10,000</b>	<b>\$15,000</b>	<b>\$20,000</b>	<b>\$25,000</b>	<b>\$30,000</b>	<b>\$40,000</b>	<b>\$50,000</b>	<b>\$60,000</b>
\$15,000	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12
\$20,000	\$43	\$262	\$262	\$262	\$262	\$262	\$262	\$262	\$262
\$25,000		\$98	\$403	\$512	\$512	\$512	\$512	\$512	\$512
\$30,000			\$153	\$458	\$762	\$762	\$762	\$762	\$762
\$35,000				\$208	\$513	\$818	\$1,012	\$1,012	\$1,012
\$40,000					\$263	\$568	\$1,178	\$1,262	\$1,262
\$45,000					\$13	\$318	\$928	\$1,512	\$1,512
\$50,000			No Change			\$68	\$678	\$1,288	\$1,762
\$60,000							\$178	\$788	\$1,398
\$70,000								\$288	\$898
\$80,000									\$398
\$90,000									

NB: The above figures are the maximum savings for borrowers who do not qualify for a full interest write-off. The savings arise because, from the 2000/01 income year, only 50% of the repayment obligation will be credited to the base interest charged and any excess will be written off. The other 50% will be credited first to the CPI component (until now this has been capitalised as at 31 March each year) charged for the year, and second to the loan principal. This means that the loan balance will reduce faster.

The savings vary according to the size of the loan balance (which determines the amount of base interest charged) and the borrower's income (which determines the amount of the repayment obligation). The maximum amount saved is 50% of the compulsory repayment obligation. For simplicity, the above figures assume that no payments were made during the year. Because the maximum amount that can be saved is 50% of the repayment obligation, payments (which would reduce the interest charge) may not reduce the above savings.

The savings for any particular borrower can only be determined on the basis of his or her income and loan balance.

## Appendix C

### *Calculating your 2000/01 base interest reduction*

1. Take the total interest charged\* to 31 March 2001 \$.....(a)

2. Calculate the base interest component

$$= \frac{a \times 6.1}{7} \$.....(b)$$

3. Calculate 50% of your repayment obligation

Net income for 2000/01	\$
Deduct	<u>\$14,768</u>
	<u>\$.....(c)</u>

Multiply (c) by 5% (half the 10% rate) \$.....(d)

4. Enter figure at (b) \$.....

Subtract figure at (d) \$.....

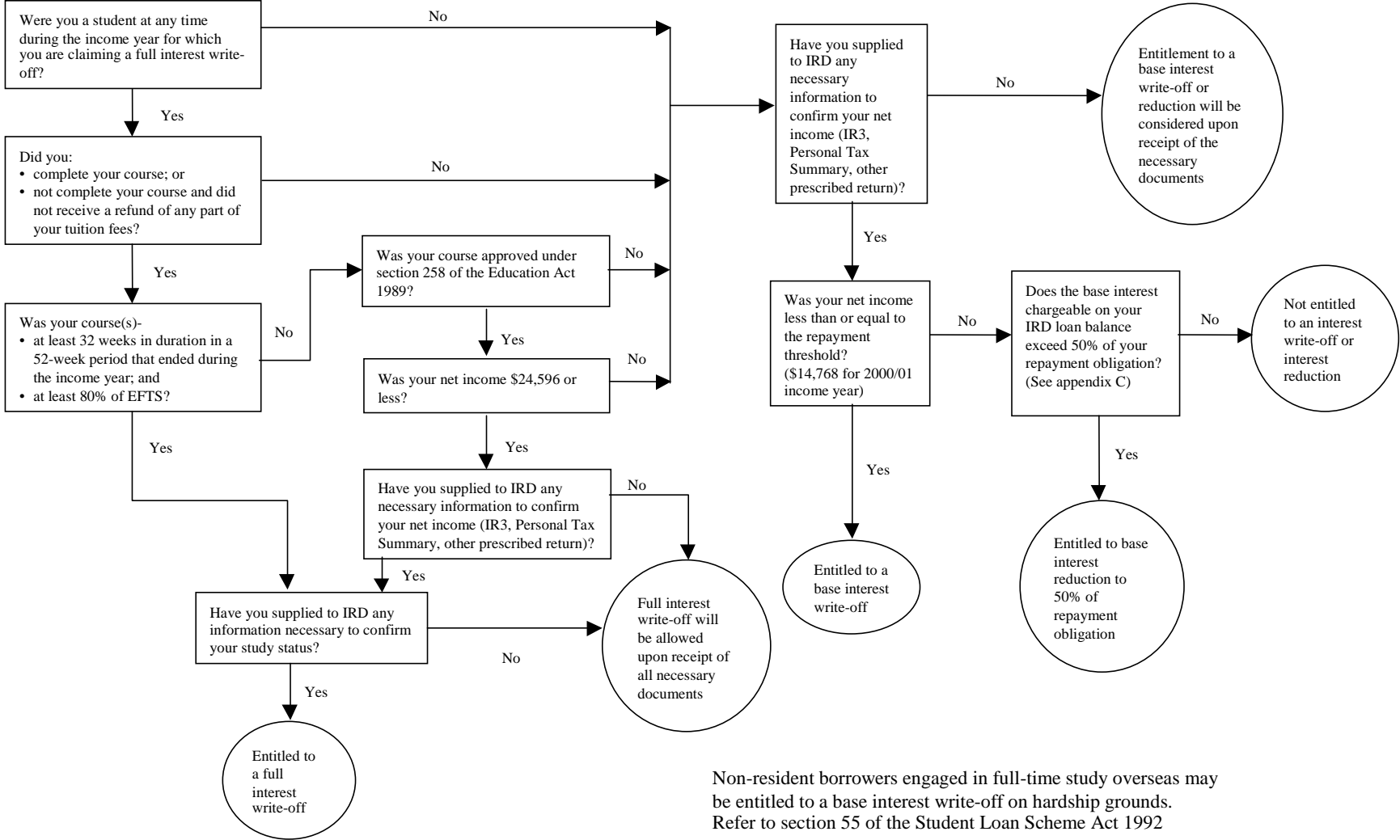
**base interest reduction is** \$.....

If the figure at (d) is greater than (b), you do not qualify for a base interest reduction.

\*From your loan statement from Inland Revenue. If you wish to make the calculation before 31 March 2001, multiply your loan balance by 6.1% for the **approximate** amount of your **base** interest and enter this figure at (b).

# Do you qualify for an interest write-off or reduction?

(NZ resident borrowers only)



Non-resident borrowers engaged in full-time study overseas may be entitled to a base interest write-off on hardship grounds. Refer to section 55 of the Student Loan Scheme Act 1992