

# CHAPTER THREE:

Student Loan Scheme - State of Play

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## 3.0 Introduction

This chapter has information about:

- the students borrowing through the loan scheme in 2008 and the amounts they borrowed
- borrowers and their loan balances with Inland Revenue on 30 June 2009.

It looks at the characteristics of the groups who have used the loan scheme, as well as at changes over time.

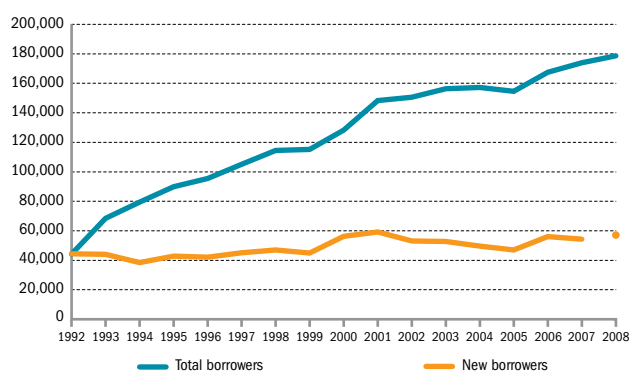
The information on borrowing is largely drawn from the Ministry of Social Development. Information on new borrowers up to 2007 is drawn from the integrated dataset maintained by Statistics New Zealand, while Inland Revenue has supplied data on the repayments and loan balances of all borrowers, including those who have left study.

## 3.1 Students borrowing

The total number of people who have taken out a student loan each year since the scheme began is 833,000. This represents about 24 percent of New Zealanders aged 15 or over.<sup>33</sup> In 2008, 179,000 students borrowed under the loan scheme, an increase of 2.7 percent on the 174,000 borrowers in 2007. This increase is likely to be largely due to the continued impact of interest-free loans introduced in 2006. Student loan borrowers in 2008 represented about 5.2 percent of the estimated population of New Zealand aged 15 and over.

Figure 13 shows the growth in borrower numbers and in the number of new borrowers since 1992.

**Figure 13** Student loan borrowers and new borrowers in each academic year



Source: Ministry of Social Development — Total borrowers; Statistics New Zealand, integrated dataset — New borrowers.

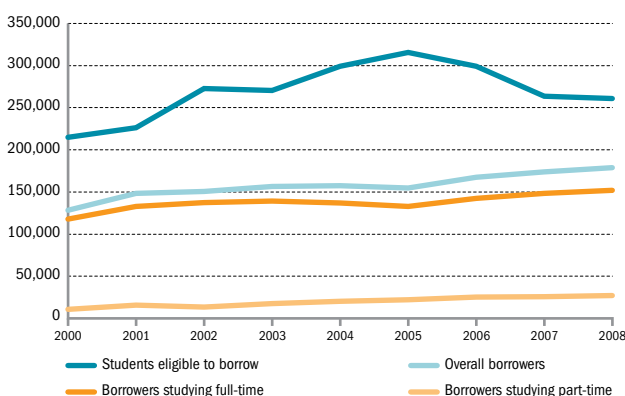
### Notes:

- Counts of new borrowers are based on the first year of borrowing recorded on the Student Loan Accounts Manager, Ministry of Social Development or Inland Revenue system.
- 2008 data on new borrowers was provided by the Ministry of Social Development and is provisional. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2008 data. The two sets of data are derived from different datasets and therefore are not directly comparable.

## Uptake of student loans in 2008

Figure 14 shows the number of students eligible to borrow and, of those, the number who actually do so. Also included in this graph is the number of students enrolled full-time and part-time who accessed the Student Loan Scheme. Between 2000 and 2002 there was a 58,100 increase in the number of students enrolled who were eligible for student loans. This reflects the increase in enrolments after the introduction of the interest-free loan policy. Since 2005, there has been a decrease each year in the number of students eligible for student loans, but of those who are eligible there has been an increasing number accessing the loan scheme. In 2008, 261,000 students were eligible to borrow from the loan scheme; of these, 179,000 students did so.

**Figure 14** Student loan uptake numbers



Source: Ministry of Social Development and Ministry of Education.

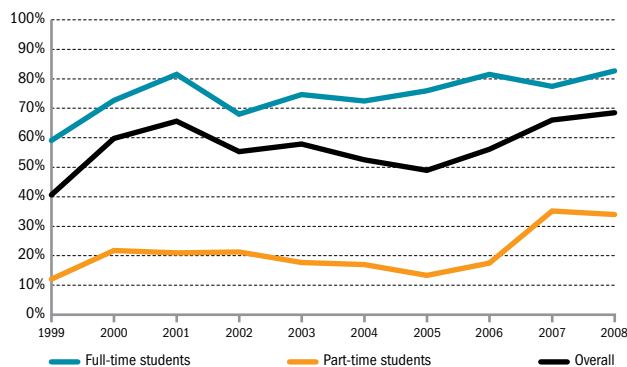
Figure 15 below shows the proportion of students eligible to borrow who do so. In 2008, the overall uptake rate was 69 percent of eligible students. This compares with 66 percent in 2007, 56 percent in 2006, 66 percent in 2001 and 41 percent in 1999. The changes in uptake rates are mostly the consequence of changes to loan policy. There was an increase in uptake between 1999 and 2001 after the introduction of no interest while studying and the 50/50 repayment rules,<sup>34</sup> and further increases in 2006, 2007 and 2008 after the introduction of the interest-free loan policy.

There was an increase in the uptake rates for part-time students from 17 percent in 2006 to 35 percent in 2007, followed by a slight decrease to 34 percent in 2008. The increase from 2006 to 2007 is the result of two factors. Firstly, it is due to an overall increase in the number of borrowers among part-time students as a result of the interest-free student loan policy. Secondly, it is due to a decrease in the number of part-time students eligible to borrow as a result of the alignment of student support with funded qualifications. This means that, since the beginning of 2007, students who enrol in qualifications that do not attract government funding do not qualify for student loans or student allowances.

33 Statistics New Zealand estimates that the population of New Zealand at 31 December 2008 who were aged 15 and over was 3.402 million.

34 Under the 50/50 repayment rules, 50% of the compulsory repayment was credited to the base interest charged, with any excess written off. The other 50%, together with any voluntary repayment, was credited to the inflation adjustment interest (CPI) charged and principal.

Figure 15 Student loan uptake rates



Source: Ministry of Education and Ministry of Social Development.

Note: Overall uptake rates reflect the mix of full-time and part-time borrowers.

## New borrower characteristics

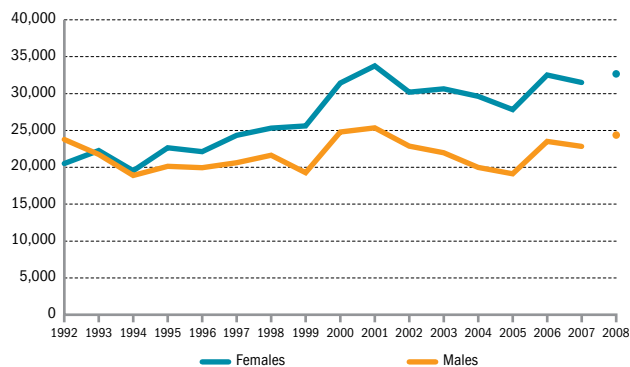
By looking at new borrowers it is possible to learn more about how the characteristics of those entering the loan scheme are changing over time. The term 'new borrower' refers to people entering the loan scheme for the first time. For example, a new borrower in 2008 entered the scheme for the first time in 2008; in 2007, a new borrower first entered the scheme in 2007. Figures 16, 17 and 18 present the gender, age and ethnic composition of new borrowers and Table 3 shows the average and median ages of new borrowers. Based on provisional data, the number of new borrowers in 2008 has grown 5.0 percent from 2007, an increase from 54,300 to 57,000. New borrowers constituted 32 percent of all borrowers in 2008.

### Gender

The gender composition of new borrowers shows that, other than in 1992 and 1993 (the first two years the Student Loan Scheme was introduced), females have made up the greater proportion of new borrowers each year. In 2008, based on provisional data, of those entering the loan scheme for the first time there were 8,280 more females than males.

Between 2007 and 2008, there was a 3.6 percent increase (from 31,500 to 32,600) in the number of females entering the Student Loan Scheme for the first time. This compares with a 6.8 percent increase (from 22,800 to 24,400) in the number of males entering the scheme for the first time over the same period. We can also see from Figure 16 that although females have made up a larger proportion of new student loan borrowers since 1993, each gender shows similar fluctuations over this time. This suggests that many of those factors which influence new borrowers entering the loan scheme have similar effects on both males and females.

Figure 16 New borrowers by gender



Source: Statistics New Zealand, integrated dataset — Ministry of Social Development •

Notes:

- Counts of new borrowers are based on the first year of borrowing recorded on the Student Loan Accounts Manager, Ministry of Social Development or Inland Revenue system.
- 2008 data on new borrowers was provided by the Ministry of Social Development and is provisional. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2008 data. The two sets of data are derived from different datasets and therefore are not directly comparable.

### Age

The average and median ages of new borrowers entering the scheme every year has remained stable over the last five years as shown in Table 3. The average age of new borrowers increased from 23 years in 1992, reaching 26 in 1999 and then dropping to an average of 25 years in 2007 and 2008. Over the last six years the median age of new borrowers has remained at 20 years of age.

Table 3 Average and median ages of new borrowers 1992-2008

Year	Average	Median	Number of new borrowers
1992	23	21	44,256
1993	23	21	43,965
1994	23	20	38,412
1995	24	20	42,735
1996	25	21	42,012
1997	25	21	44,928
1998	25	21	46,884
1999	26	21	44,841
2000	25	21	56,169
2001	26	21	59,040
2002	26	21	53,046
2003	26	20	52,584
2004	26	20	49,569
2005	26	20	46,923
2006	26	20	56,013
2007	25	20	54,315
2008	25	20	57,008

Source: Statistics New Zealand, integrated dataset and Ministry of Social Development.

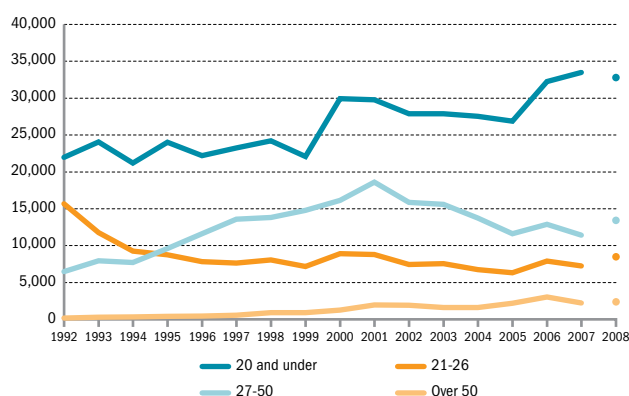
Notes:

- Counts of new borrowers are based on the first year of borrowing recorded on the Student Loan Accounts Manager, Ministry of Social Development or Inland Revenue system.
- 2008 data on new borrowers was provided by the Ministry of Social Development and is provisional. The two sets of data are derived from different datasets and therefore are not directly comparable.
- All counts from Statistics New Zealand integrated dataset have been randomly rounded to base 3.
- Prior to 2008, age is calculated as at 1 July.

Figure 17 shows that new borrowers aged 20 years and under have represented the largest number of new borrowers in each year since the Student Loan Scheme began. In 1992, this age group represented 49 percent of new borrowers. By 2008, this age group represented 58 percent of the total number of new borrowers. Between 2005 and 2006, there was an increase of around 5,370 in the number of new borrowers aged 20 and under. This is most likely due to a number of factors including the introduction of the interest-free loan policy in 2006 and changes in the school leaver eligibility in 2005, which made more school leavers eligible for university.

The proportion of new borrowers aged over 50 has been steadily increasing from 0.3 percent in 1992 to 4.2 percent in 2008. However, this demographic remains a small proportion of all new borrowers.

Figure 17 New borrowers by age



Source: Statistics New Zealand, integrated dataset — Ministry of Social Development ●.

#### Notes:

- Counts of new borrowers are based on the first year of borrowing recorded on the Student Loan Accounts Manager, Ministry of Social Development or Inland Revenue system.
- 2008 data on new borrowers was provided by the Ministry of Social Development and is provisional. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2008 data. The two sets of data are derived from different datasets and therefore are not directly comparable.
- Prior to 2008, age is calculated as at 1 July.

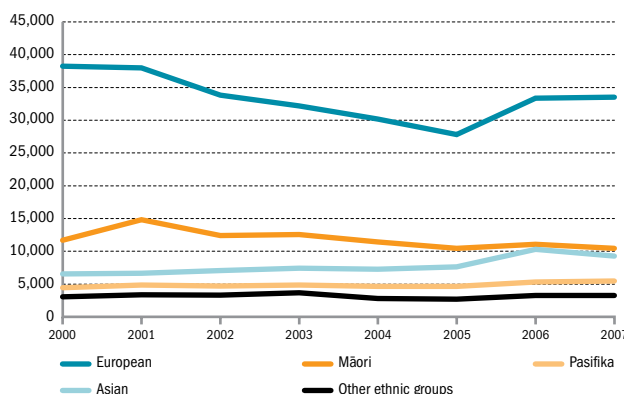
## Ethnicity

Students are a diverse demographic and this is reflected in the ethnic composition of those entering the loan scheme for the first time. Figure 18 illustrates the ethnic composition of new borrowers and changes in composition between 2000 and 2007.<sup>35</sup>

Of new borrowers between 2000 and 2007:

- 54 percent identified themselves as European
- 19 percent identified themselves as Māori
- 13 percent identified themselves as Asian
- 7.9 percent identified themselves as Pasifika.

Figure 18 New borrowers by ethnic group



Source: Statistics New Zealand, integrated dataset.

#### Notes:

- At the time of production of this report, 2008 new borrower ethnicities were not available.
- Counts of new borrowers are based on the first year of borrowing recorded on the Student Loan Accounts Manager, Ministry of Social Development or Inland Revenue system.
- Students can be included in more than one ethnicity category. As a result, the sum of all the ethnicity counts will be greater than the total count of new borrowers.

## Borrower characteristics

### Study status

Before 2004, loan eligibility was restricted to those studying on a full-time basis and to part-time students studying for a full year. In 2004, eligibility to borrow tuition fees was extended to include part-time, part-year students studying a course load of 0.3 equivalent full-time student units or more. Further changes in 2005 also increased access to student loans. Under these changes, students whose study load was at least 0.25 equivalent full-time student units, but less than 0.3 equivalent full-time student units, were entitled to borrow if their course would be likely to lead to employment or contribute to the borrower's current employment. In 2007, the vocational and employment criteria for student loan eligibility for part-time, part-year students undertaking a course load of between 0.25 and 0.30 equivalent full-time student units were removed, allowing more students to qualify for student loans.

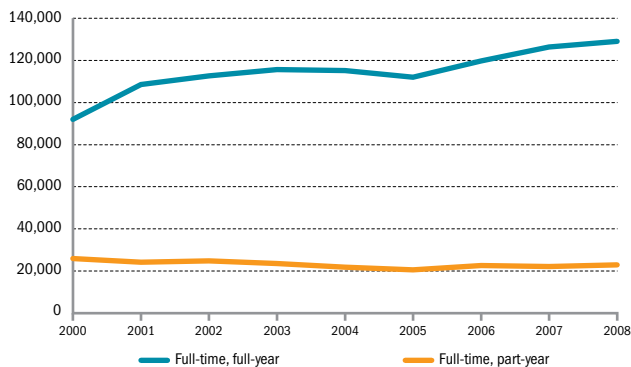
- Approximately 50 percent of all domestic students in 2008 were enrolled on a part-time basis, compared with nearly 45 percent in 2000.
- In 2008, 26,800 part-time students (34 percent) who were eligible to borrow did so.
- In 2008, 152,000 full-time students (83 percent) who were eligible to borrow did so.

Figures 19a and 19b present the numbers of borrowers by study status from 2000 to 2008.

Figure 19a shows that the numbers of full-time, part-year students have remained comparatively stable from 2000 to 2008. Full-time, full-year student numbers have most notably increased after 2005. This is likely due to the introduction of the interest-free student loan policy in 2005.

<sup>35</sup> Students can be included in more than one ethnicity category. As a result, the sum of all the ethnicity counts will be greater than the total count of new borrowers.

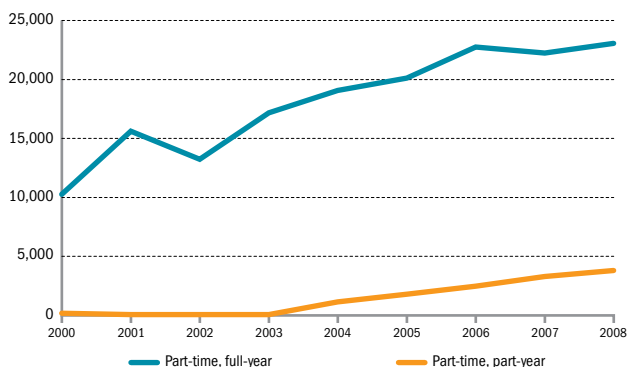
**Figure 19a** Borrowers with full-time study status



Source: Ministry of Social Development.

Figure 19b shows that the number of part-time, full-year borrowers increased markedly over the last seven years, from 13,200 in 2002 to 23,000 in 2008. The number of part-time, part-year borrowers has also increased significantly since 2004, from 1,100 in 2004 to 3,800 in 2008. This is mainly due to policy changes aimed at increasing access to the Student Loan Scheme for part-time, part-year students.

**Figure 19b** Borrowers with part-time study status

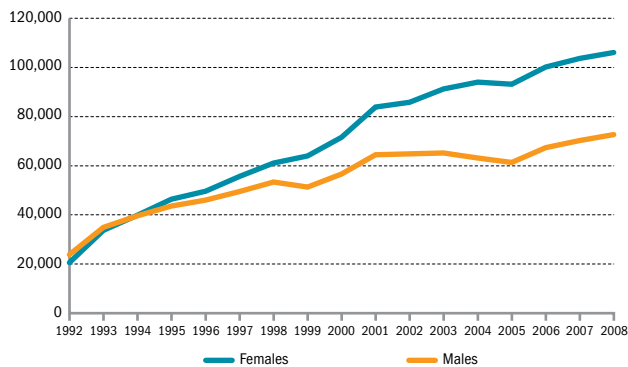


Source: Ministry of Social Development.

### Gender

Figure 20 shows the number of borrowers by gender since the loan scheme began. With the exception of 1992 and 1993, females have outnumbered males as participants in the Student Loan Scheme over this time. In 1992, there were 20,500 females accessing the Student Loan Scheme, constituting 46 percent of all borrowers. This compares with 23,700 males. From 1994 to 2005, females as a proportion of borrowers steadily increased from 50 percent in 1994 to 60 percent in 2005. Since 2005, the gender composition of borrowers has remained at around 60 percent females and 40 percent males. In 2008, the number of females accessing the loan scheme was 106,000, compared with 73,000 males.

**Figure 20** Number of borrowers by gender



Source: Ministry of Social Development and Ministry of Education.

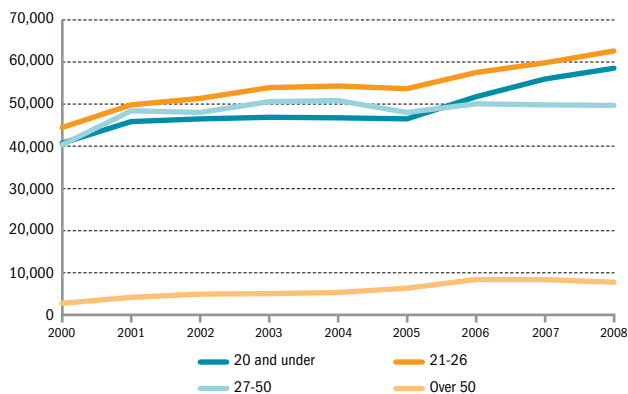
### Age

The age composition of borrowers reflects trends in tertiary enrolments. Figure 21 shows the number of student loan borrowers by age group for each year of borrowing since 2000. Over this time, there has been a general trend of increasing numbers enrolled in tertiary education, including increasing enrolments by older people, such as those in the 50 and over age group. Up until 2005, the age composition of borrowers remained stable. Since 2005, this composition has been changing. There has been significant growth in enrolments by younger people in the 20 and under and the 21 to 26 year age groups. There are a number of factors contributing to this change. One factor is the introduction of interest-free student loans in 2006 and another is the changes to the secondary school assessment system which increased the number of young people qualified to enter university.

Between 2007 and 2008, the number of borrowers in the 27 to 50 age group did not increase significantly while the number in the over-50 age group decreased by 7.5 percent. In the 21 to 26 age group, the number of borrowers increased by 4.8 percent, from 59,700 to 62,600. The 20 and under age group increased by 4.8 percent, from 55,900 to 58,500. The 20 and under age group was the largest group each year between 2000 and 2008.

In 2008, 68 percent (121,000) of all student loan borrowers were under the age of 27. Those borrowers aged 27 to 50 represented 28 percent (49,700) of borrowers. The over-50 age group totalled 7,720 and constituted 4.3 percent of all borrowers.

**Figure 21** Number of borrowers by age



Source: Ministry of Social Development.

Note: This data is provisional.

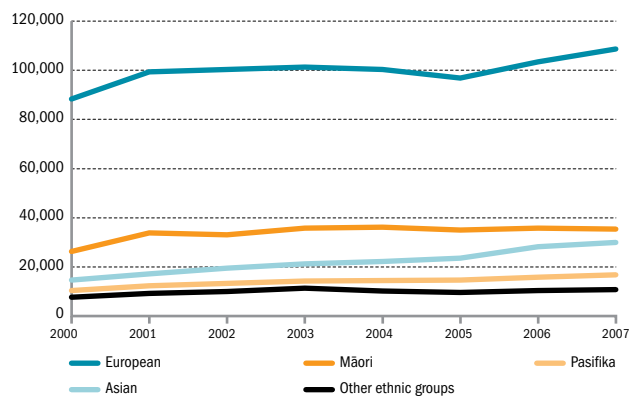
## Ethnicity

Figure 22 illustrates the ethnic composition of borrowers and changes in composition between 2000 and 2007.<sup>36</sup>

Of borrowers between 2000 and 2007:

- 55 percent identified themselves as European
- 19 percent identified themselves as Māori
- 12 percent identified themselves as Asian
- 7.7 percent identified themselves as Pasifika.

Figure 22 Borrowers by ethnic group



Source: Statistics New Zealand, integrated dataset.

Notes:

1. At the time of production of this report, 2008 borrower ethnicities were not available.
2. Students can be included in more than one ethnicity category. As a result, the sum of all the ethnicity counts will be greater than the total count of borrowers.

## 3.2 Amounts borrowed

### Total borrowings

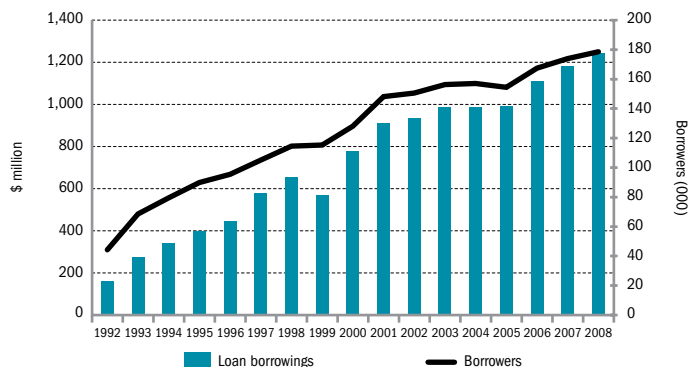
Since the loan scheme began, students have borrowed a total of \$12,519 million. The total amount borrowed and the number of borrowers each year are shown in Figure 23. The total amount borrowed each year grew significantly during the 1990s as the loan scheme developed and enrolments increased. This increase in the amount borrowed was also a consequence of the steady rise in fee levels over that period. In 1999, the amount that could be borrowed for course-related costs was reduced, leading to a fall in total borrowing that year. The following year that reduction was reversed. This contributed to a rise in total borrowing by 37 percent between 1999 and 2000 (from \$566 million to \$776 million).

From 2001 to 2005, the aggregate amount borrowed was relatively stable. There are three main reasons for this:

- The controls on fees since 2001 meant that fees – the largest component of borrowing – stabilised.
- Enrolment growth began to slow.
- Although there was an increase in enrolments by part-time students, they have smaller entitlements and are therefore more likely to finance their studies privately.

In 2006, the introduction of interest-free student loans for New Zealand-resident borrowers and some changes to the conditions for borrowers overseas contributed to an increase in the number of borrowers. The increase in borrower numbers was 8.4 percent between 2005 and 2006, 3.8 percent between 2006 and 2007 and 2.7 percent between 2007 and 2008. The increase in the amount borrowed was 12 percent between 2005 and 2006, 6.6 percent between 2006 and 2007 and 5.2 percent between 2007 and 2008. In 2008, 179,000 students borrowed a total of \$1,241 million from the loan scheme.

Figure 23 Total loan borrowing by year



Source: Ministry of Social Development and Ministry of Education.

### Average and median borrowing in a year

Figure 24 illustrates the average amount borrowed from 1992 to 2008 and the median amount borrowed from 2000 to 2008. Since 2005, there has been a gradual increase in both the average and median amounts borrowed. In 2008, the average amount borrowed was \$6,953. This was an increase of \$161 (2.4 percent) on the previous year. This compares with an increase of \$182 (2.8 percent) from 2006 to 2007. The median amount borrowed in 2008 was \$6,000, an increase of \$132 (2.2 percent) from 2007.

The average amount borrowed<sup>37</sup> showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. As seen in Figure 24, there was a decrease in average borrowing in 1999. This was due to a decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999<sup>38</sup> and to other changes that restricted the purposes for which finance from the loan scheme could be used.<sup>39</sup> 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<sup>40</sup> implemented in 2001 meant that tuition fees charged by most tertiary education providers have remained stable since 2001. From 2004, fees have been regulated by the fee and course costs maxima policy.<sup>41</sup> Under this policy, providers are permitted to increase fees, but only within strict limits. The introduction of interest-free student loans in 2006 and some growth in fees have contributed to an increase in both the average and median amounts borrowed.

36 Students can be included in more than one ethnicity category. As a result, the sum of all the ethnicity counts will be greater than the total count of borrowers.

37 The average amount borrowed includes all amounts drawn down from a loan account but not the \$50 administration fee or the interest charged. It is calculated by dividing the total amount borrowed by the number of borrowers in the same year. The \$50 administration fee and interest are excluded 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.

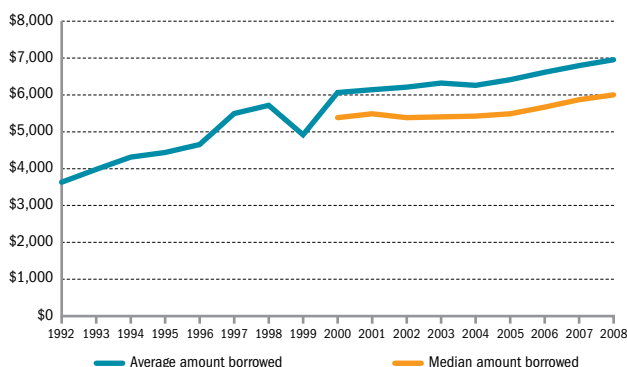
38 The entitlement was changed back to \$1,000 in 2000.

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

40 See the glossary in appendix 4 for details of the fee stabilisation policy.

41 See the glossary in appendix 4 for details of the Fee and Course Costs Maxima policy.

**Figure 24** Average amount borrowed 1992-2008 and median amount borrowed 2000-2008



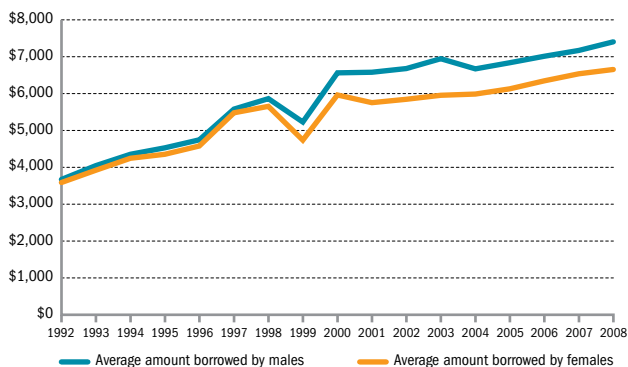
Source: Ministry of Social Development and Ministry of Education.

Note: Median loan balances were not calculated until 2000.

### Gender differences

Figure 25 shows the average amount borrowed by gender per year. Although females have represented a larger portion of borrowers than males since 1995 (as shown in Figure 20), males have borrowed more on average each year since 1992 than have females. We can also see from Figure 25 that each gender has experienced similar fluctuations in the average amount borrowed over time. This tells us that many of those factors which influence the average amount borrowed have had similar impacts upon both genders. Since 2000, there has been a pronounced trend for males to borrow more, on average, than females. This is thought to be due to the different behavioural responses of males and females to the introduction in 2000 of no interest while studying.

**Figure 25** Average amount borrowed by gender and year



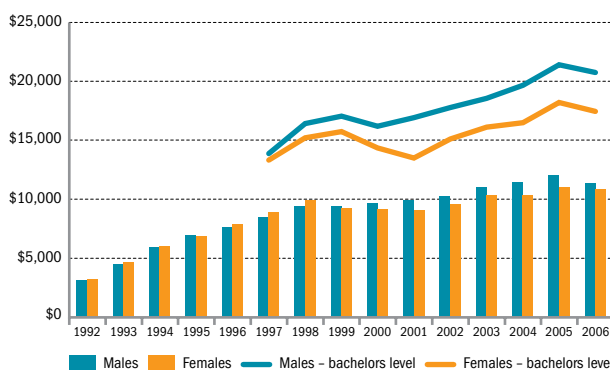
Source: Ministry of Social Development and Ministry of Education.

Figure 26, drawn from the integrated dataset on student loans and allowances, gives the median leaving balances of males and females in the leaving cohorts from 1992 to 2006. In some years, women have left study with higher median loans than men despite the fact that women tend to borrow less on an annual basis.

The greatest volume of borrowing has tended to be by students at bachelors-degree level.<sup>42</sup> Figure 26 tracks the loan balances of those who studied at this level and left between 1997 and 2006. According to Figure 26, male borrowers who studied bachelors-degree-level qualifications leave study with higher leaving loan balances than female borrowers who studied at bachelors-degree

level. The level of the loan balance depends on many factors such as the field of study enrolled in, the provider attended and the individual's pass rate. One of the explanations for this difference in leaving loan balance across gender groups can be explained by the higher pass rate of female students in bachelors-degree-level studies. Higher pass rates mean that students complete their studies more quickly and borrow less.

**Figure 26** Median leaving loan balance for 1992-2006 leavers by gender - all borrowers and those who studied at bachelors level 1997-2006



Source: Statistics New Zealand, integrated dataset.

Note: 2006 is the latest leaving cohort available.

### Loans by component

Most borrowers use the loan scheme to pay for the compulsory fees charged by the tertiary education provider. In 2008:

- 93 percent borrowed to pay fees
- 59 percent borrowed to help meet course-related costs
- 50 percent borrowed towards meeting their living costs
- 26 percent borrowed to pay fees only
- 64 percent of those eligible to borrow fees did so.

Amounts drawn by component as a percentage of total borrowing are as follows:

- Since 2000, the total amount drawn to pay for fees is 62 percent of all money drawn from the loan scheme. In 2008, money used to pay for fees was 64 percent of all money drawn in 2008.
- Since 2000, the total amount drawn to pay for course-related costs is 9.0 percent of all money drawn from the loan scheme. In 2008, money used to pay for course-related costs was 8.1 percent of all money drawn in 2008.
- Since 2000, the total amount drawn to pay for living costs is 29 percent of all money drawn from the loan scheme. In 2008, money used to pay for living costs was 28 percent of all money drawn in 2008.

The increase in the proportion of money drawn to pay for fees is largely because entitlements were not frozen for fees but were frozen for course-related costs and living costs.

Table 4 shows the average and median amounts drawn by loan components for the period 2000 to 2008. Over this period, the average amount borrowed to pay for fees increased by 24 percent, from \$3,817 in 2000 to \$4,743 in 2008.

42 This includes certificates and diplomas at level 7 on the National Qualifications Framework.

**Table 4** Average and median amounts borrowed by loan component 2000–2008

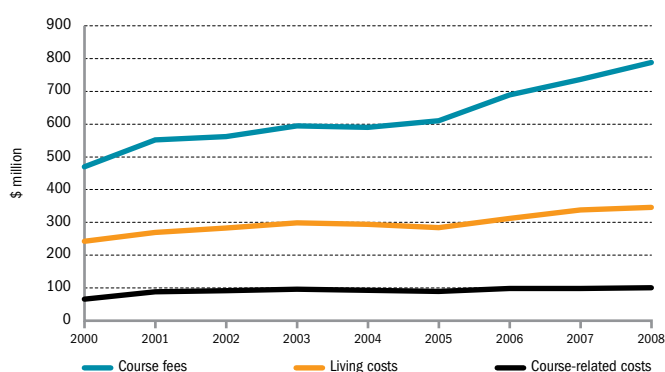
	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Course fees \$</b>									
Average	3,817	3,986	4,025	4,107	4,051	4,253	4,408	4,576	4,743
Median	3,690	3,807	3,787	3,792	3,906	4,068	4,230	4,455	4,618
<b>Living costs \$</b>									
Average	3,410	3,472	3,617	3,745	3,770	3,824	3,839	3,866	3,875
Median	3,150	3,300	3,580	3,800	3,907	4,050	4,129	4,256	4,256
<b>Course-related costs \$</b>									
Average	896	935	940	936	938	943	950	948	955
Median	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Source: Ministry of Social Development.

In 2008, students were entitled to borrow up to \$1,000 for course-related costs and up to \$150 per week for living costs less any student allowances they receive.

Since the beginning of 2007, fees can be borrowed for government-funded courses only.

Figure 27 shows the total amounts drawn by loan component. Course fees have always been the largest component of student loan borrowings. After 2005, there was a significant increase in the total amount borrowed for fees with the introduction of the interest-free policy in 2006.

**Figure 27** Total amounts drawn by loan component

Source: Ministry of Social Development.

## Provider type

Table 5 presents the fees borrowed by provider type and their proportion of the total fees borrowed for the last five years. Over the last five years, over half of students who borrowed fees were enrolled at universities and close to one-quarter were enrolled in institutes of technology or polytechnics.

**Table 5** Students who borrowed fees by provider type 2005–2008

	2005		2006		2007		2008	
	Borrowers	%	Borrowers	%	Borrowers	%	Borrowers	%
<b>Universities</b>	77,114	52.8	83,552	52.6	89,394	54.8	92,665	55.0
<b>Institutes of technology and polytechnics</b>	36,400	24.9	38,077	24.0	39,281	24.1	41,372	24.5
<b>Private training establishments</b>	29,136	19.9	34,485	21.7	31,834	19.5	32,027	19.0
<b>Wānanga</b>	3,465	2.4	2,826	1.8	2,712	1.7	2,524	1.5
<b>Total</b>	<b>146,115</b>	<b>100.0</b>	<b>158,940</b>	<b>100.0</b>	<b>163,221</b>	<b>100.0</b>	<b>168,588</b>	<b>100.0</b>

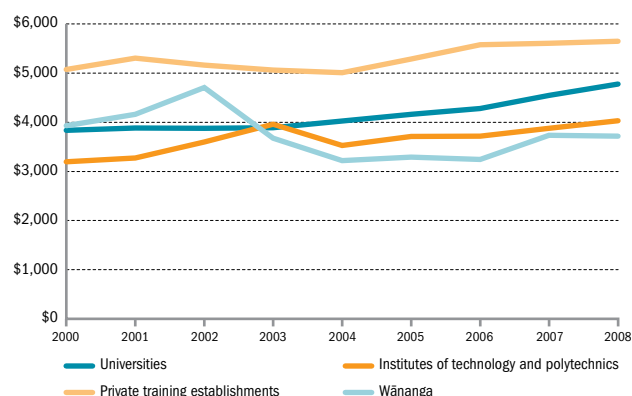
Source: Ministry of Social Development.

Notes:

1. A student studying at more than one provider type has been counted in each provider type. As a result, the totals used in this table will be greater than the individual number of students who borrowed fees.
2. Universities include college of education students.

Figure 28 illustrates the average course fees borrowed by provider type. Between 2007 and 2008, the highest average increase in course fees was at universities, with a 5.1 percent increase (\$231). This was followed by institutes of technology and polytechnic borrowers, whose average course fees borrowed increased by 3.5 percent (\$132). The average increase in course fees borrowed across all providers between 2007 and 2008 was 3.6 percent (\$163). It is important to note that the average course fee depends on the composition of the programmes offered by the tertiary providers as well as the number of borrowers.

Figure 28 Average course fees borrowed by provider type



Source: Ministry of Social Development.

Note: Colleges of education are now included with universities.

## Qualification level

Table 6 shows the breakdown of borrowers by level of qualification enrolled in and gender, and average borrowing by qualification level and gender from 2006 to 2008. In 2008, the number of borrowers enrolled in bachelors-degree-level and above qualifications, such as doctorates, masters, honours, bachelors degrees, postgraduate and graduate certificates and diplomas, increased by 9.0 percent from 2007. In contrast, the total number of borrowers enrolled in diploma, certificate and other non-degree programmes decreased by 5.1 percent. In 2008, at all qualification levels, males borrowed more on average than females, a pattern that is consistent over the last three years.

Table 6 Student loan borrowers by level of qualification, gender and average amounts borrowed 2006–2008

Qualification level	Gender	2006		2007		2008	
		Number of borrowers	Average amount borrowed	Number of borrowers	Average amount borrowed	Number of borrowers	Average amount borrowed
Doctorate	Female	573	\$5,390	645	\$5,628	665	\$5,954
	Male	581	\$5,433	604	\$6,083	645	\$6,131
	<b>Total</b>	<b>1,154</b>	<b>\$5,411</b>	<b>1,249</b>	<b>\$5,850</b>	<b>1,310</b>	<b>\$6,041</b>
Masters, honours, postgraduate certificates and postgraduate diplomas	Female	6,088	\$5,657	6,347	\$5,930	7,234	\$6,241
	Male	4,287	\$6,201	4,453	\$7,011	7,783	\$7,527
	<b>Total</b>	<b>10,375</b>	<b>\$5,882</b>	<b>10,800</b>	<b>\$6,450</b>	<b>15,017</b>	<b>\$6,908</b>
Bachelors degrees, graduate certificates and diplomas	Female	48,729	\$6,764	50,999	\$7,017	55,623	\$7,164
	Male	33,583	\$7,181	35,332	\$7,408	35,309	\$7,601
	<b>Total</b>	<b>82,312</b>	<b>\$6,934</b>	<b>86,332</b>	<b>\$7,172</b>	<b>90,932</b>	<b>\$7,334</b>
Diplomas	Female	12,959	\$5,368	12,433	\$5,735	15,528	\$5,715
	Male	8,177	\$7,943	8,057	\$7,724	10,416	\$8,468
	<b>Total</b>	<b>21,136</b>	<b>\$6,364</b>	<b>20,490</b>	<b>\$6,527</b>	<b>25,944</b>	<b>\$6,820</b>
Certificates	Female	30,621	\$5,477	27,471	\$5,537	29,748	\$5,501
	Male	19,591	\$5,745	18,839	\$5,742	19,848	\$5,599
	<b>Total</b>	<b>50,212</b>	<b>\$5,581</b>	<b>46,310</b>	<b>\$5,618</b>	<b>49,596</b>	<b>\$5,540</b>
Other	Female	4,642	\$6,683	9,078	\$6,256	649	\$7,158
	Male	3,101	\$7,395	5,074	\$8,312	641	\$9,996
	<b>Total</b>	<b>7,743</b>	<b>\$6,968</b>	<b>14,152</b>	<b>\$7,161</b>	<b>1,290</b>	<b>\$8,568</b>
<b>Overall</b>		<b>167,420</b>	<b>\$6,610</b>	<b>173,791</b>	<b>\$6,792</b>	<b>178,533</b>	<b>\$6,953</b>

Source: Ministry of Social Development (qualification classifications from the Ministry of Education).

Notes:

1. Some borrowers were enrolled in qualifications at more than one level.
2. This data is provisional.

## Loans and student allowances

The government helps students meet their living costs by providing student loans and student allowances. The two schemes are interconnected. Full-time students can borrow up to \$150 per week for living costs from the loan scheme, less any student allowances they receive. From 1 January 2009, the living costs component of the student loan increased from a maximum of \$150 per week to \$155 per week. The maximum entitlement is adjusted annually for inflation with the first adjustment occurring on 1 April 2009.

In 2008:

- 12.8 percent of all borrowers borrowed living costs under the loan scheme and also received student allowances. In 2007, this group was 12.7 percent of all borrowers
- 34.9 percent of people receiving student allowances used the loan scheme to supplement their living costs, compared with 35.4 percent in 2007.

Table 7 presents the number of living costs borrowers and recipients of student allowances and the average living costs and allowances received in 2008.

**Table 7** Student allowances compared with student loan living costs borrowings in 2008

	Number of students	Average allowances	Average living costs loan	Average allowances and living costs loan
Student allowances only	42,796	\$6,742		\$6,742
Student allowances and living costs loan	22,906	\$5,866	\$1,811	\$7,677
Living costs loan only	65,944		\$4,592	\$4,592

Source: Ministry of Social Development.

On average, in 2008:

- those who received only student allowances received \$6,742
- those who received student allowances *and* used the living costs entitlement under the loan scheme borrowed \$1,811 from the loan scheme and received \$5,866 in student allowances – meaning they were paid a combined total of \$7,677 from both schemes
- those who relied solely on the living costs entitlement under the loan scheme borrowed \$4,592 on average.

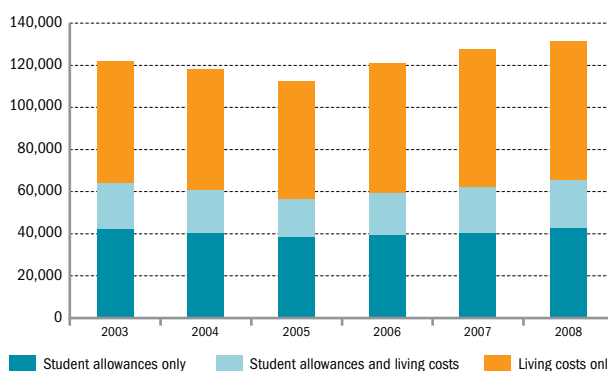
Figure 29 illustrates the number of students borrowing living costs and/or receiving student allowances. From 2003 to 2005, the number of student loan living costs borrowers and/or student allowances recipients decreased by 7.7 percent (9,435) to a total of 112,000 in 2005. From 2005, there was an increase in the number of living costs borrowers and/or student allowances recipients.

By 2008, the number of students benefiting from student allowances and/or living costs borrowing had increased by 17 percent from 2005 levels, with an additional 19,000 recipients.

In 2008:

- in total 132,000 students either borrowed the student loan living costs component or received student allowances or both. This is a 3.2 percent (4,100) increase over the 2007 level
- 43,000 students received student allowances only, an increase of 6.0 percent or 2,430 allowances only recipients on 2007 levels
- 23,000 students received student allowances and also borrowed living costs, an increase of 3.6 percent or 790 students over the 2007 level
- 66,000 students borrowed living costs, an increase of 1.4 percent or 885 borrowers over 2007.

**Figure 29** Students borrowing living costs loans and receiving student allowances



Source: Ministry of Social Development.

## 3.3 People repaying loans

### Loans with Inland Revenue

Inland Revenue's role in administering the Student Loan Scheme is the management of repayments from borrowers. StudyLink makes loans to students and transfers balances to Inland Revenue in the following year. Most repayments are made through the PAYE (pay as you earn) system, with the remainder coming from borrowers living overseas, self-employed borrowers in New Zealand, borrowers under the income threshold who make voluntary repayments, and borrowers who choose to make payments over the assessed repayment amounts. Borrowers whose loans are still with StudyLink can also make repayments. The financial statements in chapter 5 detail loan balances held with Inland Revenue and include information from both agencies.

### Loan balances

During 2008/09 the nominal value of loans with Inland Revenue for collection increased from \$8.6 billion to \$9.1 billion. The year-end nominal balance for borrowings with Inland Revenue is the total value of all obligations that borrowers have, including loan principal, interest and penalties. The change in the balance from year to year reflects the movements in and out of the scheme: new loans transferred to Inland Revenue in the current year, less

repayments and other adjustments such as loans written off due to death or bankruptcy. The nominal value is the basis for other calculations such as the carrying value and average and median balances. For details of the valuation of loans, please refer to the financial statements for the scheme in chapter 5.

The highlighted box below gives details of the loans with Inland Revenue by New Zealand-based borrowers and those overseas. The nominal value of student loans held by Inland Revenue since 2000, as well as the average and median loan balance, is shown in Figure 30. The range of balances is shown in Table 8.

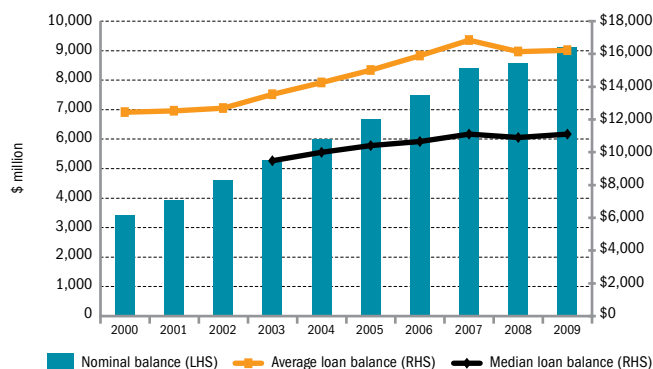
Summary of student loans with Inland Revenue at 30 June			
	2008	2009	% change
<b>Number of borrowers</b>			
Borrowers based:			
- in New Zealand	453,512	479,462	5.7%
- overseas	76,777	82,337	7.2%
<b>Total</b>	<b>530,289</b>	<b>561,799</b>	<b>5.9%</b>
<b>Nominal balances</b>			
Borrowers based:	\$ million	\$ million	
- in New Zealand	6,820	7,199	5.6%
- overseas	1,733	1,910	10.2%
<b>Total</b>	<b>8,553</b>	<b>9,109</b>	<b>6.5%</b>
<b>Average loan</b>			
Average loan	\$16,129	\$16,213	0.5%
<b>Median loan</b>			
Borrowers based:			
- in New Zealand	n/a	\$10,396	n/a
- overseas	n/a	\$17,125	n/a
<b>All borrowers</b>	<b>\$10,883</b>	<b>\$11,090</b>	<b>1.9%</b>
<b>Overdue repayments</b>			
Borrowers based:	\$ million	\$ million	
- in New Zealand	153	192	25.5%
- overseas	54	114	111.1%
<b>Total</b>	<b>207</b>	<b>306</b>	<b>47.8%</b>

**Source:** Inland Revenue.

Notes:

- It is not possible to calculate median loan balances retrospectively.
- The calculation method for nominal balances was changed in 2008. In previous years, accrued interest was included in the total, but from 30 June 2008 onwards it has been excluded. This means that total nominal, average and median balances from 2008 onward are not directly comparable with earlier years.

**Figure 30** Nominal value of student loans and the average loan balances from 2000 and median loan balances from 2003 held by Inland Revenue at 30 June



**Source:** Inland Revenue.

Note: The calculation method for nominal balances was changed in 2008. In previous years, accrued interest was included in the total, but from 30 June 2008 onwards it has been excluded. This means that nominal balances from 2008 onward are not directly comparable with earlier years.

**Table 8** Range of loan balances held by Inland Revenue at 30 June 2009

Range of loan balances	Borrowers	Percentage	Cumulative percentage
\$1 - 1,999	53,684	9.6	9.6
\$2,000 - 3,999	50,467	9.0	18.5
\$4,000 - 5,999	58,452	10.4	28.9
\$6,000 - 7,999	50,966	9.1	38.0
\$8,000 - 9,999	43,771	7.8	45.8
\$10,000 - 14,999	87,094	15.5	61.3
\$15,000 - 19,999	55,953	10.0	71.3
\$20,000 - 24,999	43,602	7.8	79.0
\$25,000 - 29,999	30,372	5.4	84.4
\$30,000 - 34,999	23,813	4.2	88.7
\$35,000 - 39,999	14,107	2.5	91.2
\$40,000 - 44,999	15,448	2.7	93.9
\$45,000 - 49,999	9,111	1.6	95.6
\$50,000 - 54,999	6,465	1.2	96.7
\$55,000 - 59,999	4,770	0.8	97.6
\$60,000 - 79,999	9,111	1.6	99.2
\$80,000 - 99,999	2,955	0.5	99.7
\$100,000 - 119,999	618	0.1	99.8
\$120,000 - 139,999	734	0.1	99.9
> \$139,999	306	0.1	100.0
<b>Total</b>	<b>561,799</b>	<b>100.0</b>	

**Source:** Inland Revenue.

## Borrowers

At 30 June 2009, there were around 562,000 student loan borrowers, compared with around 530,000 last year. Based on historical data, Inland Revenue expects that 53 percent will not have a repayment obligation for 2009. They do not have a repayment obligation if they earned under the repayment threshold (many will still be studying), or if they are on a repayment holiday.

Figure 31 shows the growth in the number of borrowers who had loans with Inland Revenue since 2000.

**Figure 31** Borrowers with Inland Revenue at 30 June

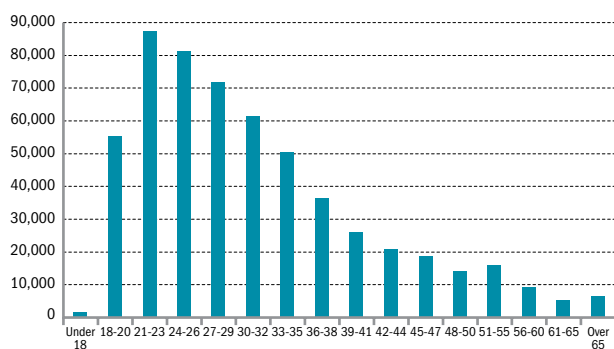


Source: Inland Revenue.

## Characteristics of people with loans

Of those with loan balances, 53 percent were under 30 years of age, 88 percent were under 45 years and 6.6 percent over 50 years. These proportions have been increasing each year as the loan scheme matures and the group of people who have made no progress in repaying their loans over an extended period gets older. Those aged under 30 years with student loans represent 33 percent of the population aged between 15 and 30 years, whereas borrowers over 50 years are less than 2.9 percent of the population in that age range.<sup>43</sup> Figure 32 shows the age distribution of borrowers.

**Figure 32** Borrowers with Inland Revenue at 30 June by age group



Source: Inland Revenue.

Information from the integrated dataset on student loans and allowances indicates that, of those who borrowed under the scheme after 1997 and had a student loan at 31 March 2008:

		% of borrowers	% of total loan balances
<b>Ethnicity</b>	European	50.5	53.4
	Māori	22.0	19.8
	Pasifika	8.1	8.4
	Asian	11.0	11.5
	Other	4.0	4.1
	Unknown	4.4	2.9
<b>Gender</b>	Male	42.9	45.5
	Female	57.1	54.5
<b>Provider/sub-sector</b>	University	40.4	51.1
	Polytechnic	30.9	24.3
	Wānanga	5.1	4.1
	Private training establishment	23.6	20.5
<b>Qualification</b>	Doctorates	0.7	1.2
	Masters	2.5	3.9
	Honours/Postgrad cert/dip	4.2	6.3
	Bachelors	35.2	43.7
	Diplomas	13.9	13.2
	Level 4 certificates	10.2	7.4
	Level 1-3 certificates	25.2	16.7
	Level unknown	8.2	7.7

As noted above, Inland Revenue has identified about 82,000 borrowers as being overseas-based, some 15 percent of all borrowers. Analysis of this group, using information from the integrated dataset, shows that overseas-based borrowers:

- were more likely to be male – while 45 percent of all borrowers were male, 50 percent of those assessed as overseas-based were male
- were less likely to be Māori – Māori represented 22 percent of all borrowers but only 14 percent of those based overseas. For borrowers of European ethnicity, the figures were 51 percent of all borrowers and 53 percent of overseas-based borrowers, and for Asian borrowers, the corresponding figures were 9 percent and 15 percent
- were more likely to have studied at a university and less likely to have studied at any other type of provider – 51 percent of those assessed as overseas-based were university leavers, against 36 percent among all borrowers
- were more likely to have been successful at completing a qualification – while 47 percent of borrowers overseas had completed a qualification, only 42 percent of all borrowers had successfully completed a qualification
- were more likely to have studied at bachelors-degree level or higher – among those overseas, 23 percent had completed a bachelors degree, while among all borrowers the figure was 17 percent.

43 As estimated by Statistics New Zealand, the population of New Zealand at 31 December 2008 aged between 15 and 30 years of age was about 900,000. The population over 50 years of age was about 1.29 million.

## Repayments

As shown in Table 9, this year Inland Revenue received \$619.1 million in loan repayments, \$69.0 million more than last year. About 73 percent of loan repayments were received through the PAYE system. Repayments received outside the PAYE system fell in 2005/06 and 2006/07 after the introduction of the interest-free loan policy. They have increased since then, but not at the same rate as PAYE deductions through employers.

The payments that come in outside the PAYE system are from borrowers overseas, self-employed people, borrowers under the income threshold, and from borrowers making extra repayments on their loan.

**Table 9** Value of gross loan repayments received by Inland Revenue – borrower/employer split 2004/05–2008/09

Repayments	2004/05 \$ million	2005/06 \$ million	2006/07 \$ million	2007/08 \$ million	2008/09 \$ million
PAYE system	239.3	313.9	344.2	394.4	452.1
From borrower	271.0	172.5	142.3	155.7	167.0
<b>Total</b>	<b>510.3</b>	<b>486.4</b>	<b>486.5</b>	<b>550.1</b>	<b>619.1</b>

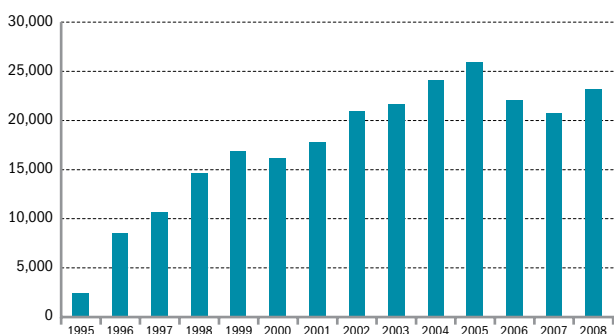
Source: Inland Revenue.

The growth in repayments reflects the continuing increase in the number of students completing their studies and earning an income. Until recently this trend has been taking place in a strong labour market. This year Inland Revenue has also enhanced its proactive actions programme (using sample checking) to identify borrowers on an incorrect tax code and changing them where necessary to the correct tax code.

At the time this report was produced, over 260,000 borrowers had repaid their loan since the loan scheme began and 17,700 borrowers had repaid their loans this year. These numbers are expected to increase as more loans are finalised in the future. Because the finalisation of loans can be backdated, there is a time lag of about two years before definitive data on fully repaid loans becomes available.

Inland Revenue has collected a total of \$4,968 million in repayments since the loan scheme began. Including repayments made before balances were transferred to Inland Revenue, the total amount collected over this time was \$5,661 million. Figure 33 shows the number of loans fully repaid to Inland Revenue at 30 June.

**Figure 33** Loans fully repaid to Inland Revenue at 30 June

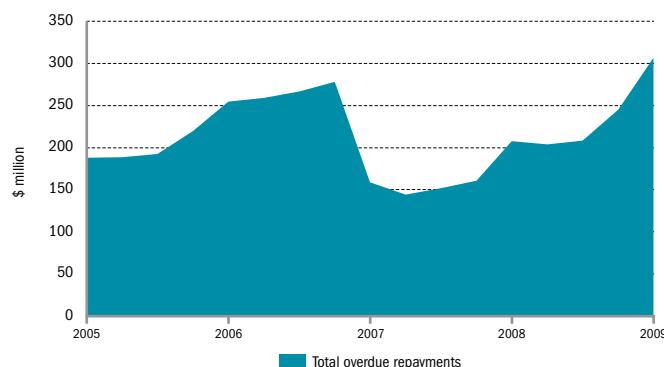


Source: Inland Revenue.

## Overdue student loan repayments

At the end of June 2009, \$306.0 million in student loan repayments was overdue. There were 114,000 borrowers with overdue repayments – representing 20 percent of all borrowers and 3.4 percent of the nominal value of outstanding loans. Of the borrowers with overdue repayments, 54 percent had less than \$2,000 owing. Figure 34 shows overdue payments from 2005 to 2009.

**Figure 34** Overdue student loan repayments at 30 June



Source: Inland Revenue.

The large reduction in overdue repayments in June 2007 was the result of the overseas borrower amnesty which ran from April 2006 to March 2008. Initially all eligible borrowers had their late payment penalties reversed or not applied to their account. Borrowers who did not apply for the amnesty received an amnesty penalty of either 5 percent of their loan balance at the end of March 2008 or an amount equal to their original late payment penalties, whichever was lower. Borrowers who have not met their amnesty payment obligations have also had an amnesty penalty applied to their account, but this was apportioned on the basis of the amnesty obligations they have met.

The new definition of an ‘overseas-based borrower’ and the introduction of the Customs data matching have allowed Inland Revenue to assess borrowers’ repayment obligations more accurately. This has meant that many overseas-based borrowers who previously did not receive an annual assessment are now being

assessed. The data match enables Inland Revenue to identify borrowers who have left New Zealand, by matching personal details against Customs' arrival and departure information.

A result of this change has been a large increase in overseas-based borrowers' overdue repayments. The arrears for this customer group rose by 110 percent compared with the same time last year. Of all the student loan borrowers with loan arrears, 30 percent (34,100) are overseas-based.

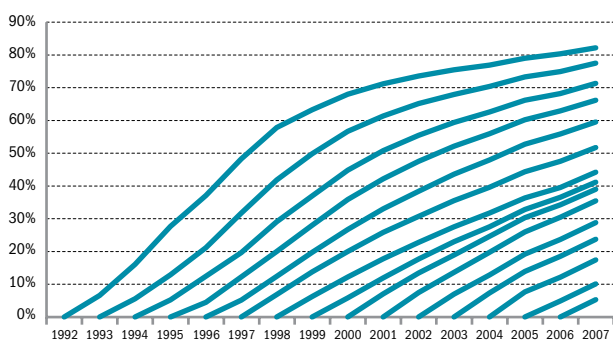
Although Inland Revenue has improved its ability to assess overseas borrowers, it is debt which is difficult to collect. However, the removal of the convenience fee on debit and credit card payments has had a positive effect by increasing payments from these borrowers. Inland Revenue expects to see continuing growth in this form of payment.

### Repayment rates

The main determinants of repayment rates are employment and income. As people's incomes rise, their repayment obligations increase. Therefore, repayment rates tend to start slowly and increase as they gain experience in the workforce.

The proportion of those who have repaid their loans year by year for each cohort of leaving borrowers is shown in Figure 35.

**Figure 35** Proportion of borrowers who have fully repaid each year for each cohort of leaving borrowers



Source: Statistics New Zealand, integrated dataset.

Looking at the group of people who left study at the end of 1997, we see that by 31 March 2008 – just over 10 years later:

- 52 percent had repaid in full, with men and women equally likely to have repaid
- those who had been successful in completing a qualification were more likely to have repaid in full – 59 percent, compared with 47 percent of those who hadn't completed
- borrowers of European ethnicity were more likely to have repaid in full than Māori or Pasifika (58 percent, compared with 41 percent and 35 percent respectively)
- those who studied at degree level or higher were more likely to have repaid in full than those whose study had been for a certificate or diploma – 58 percent, as opposed to 49 percent.

As noted in chapter 2 of this report, there are different methodologies with which to calculate the number of loans fully repaid. One methodology, used in Figure 35 above, is based on

the percentage of people who still had loan accounts open at the end of 2007. An alternative methodology is to calculate the percentage of loan accounts repaid rather than the percentage of people who had repaid. This alternative methodology takes into account the fact that some people repay their loan accounts and return to study at a later date and open a new loan account. This alternative methodology increases the percentage of fully repaid loans from 82 to 85 percent for 1992 leavers, from 44 to 51 percent for 1998 leavers, and 17 to 20 percent for 2004 leavers.

### Loan balance write-off due to death or bankruptcy

The loan balances of deceased borrowers are written off under section 60 of the Student Loan Scheme Act 1992. Write-offs do not necessarily occur in the same year as the death or bankruptcy of a borrower.

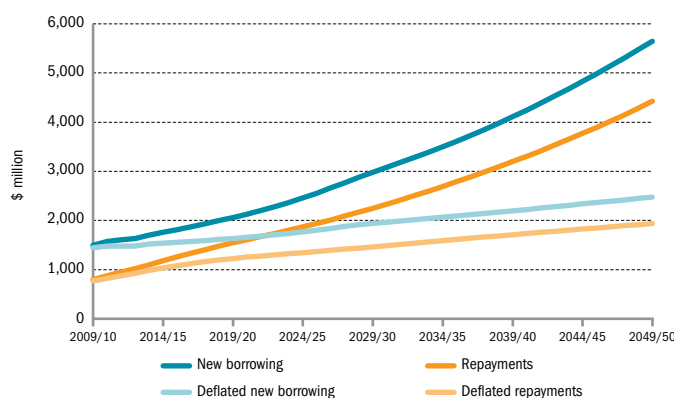
The total value of loans written off due to death was \$8.5 million.

The student loans of borrowers adjudicated bankrupt are written off under the Insolvency Act 1967. In 2008/09, \$11.1 million was written off due to bankruptcy.

### Projected repayment

Repayments are expected to increase in the future – by an average of nearly 9 percent a year over the next four years. Over the longer term, as borrowing grows, so will repayments. Figure 36 shows the expected growth in borrowing and in repayments over the next 40 years. The figures are presented in nominal terms and are also adjusted for forecast inflation to give an idea of the expansion of the scheme in 2009 dollar terms. Repayments are expected to be \$794 million in 2009/10.

**Figure 36** Long-term projections of new lending and repayments in millions of dollars, nominal and adjusted for inflation



Source: Ministry of Education, Student Loans Integrated Model.