




# Annual Report **STUDENT** **LOANS** **SCHEME**

Incorporating the Financial Statements to 30 June 2004  
OCTOBER 2004

PREPARED BY:



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October 2004

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**STUDENTLOANScheme**  
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## Foreword

The Student Loan Scheme was established in 1992 as part of wider tertiary education reforms designed to raise the level of skills in the population in order to help improve the performance of the nation's economy. The scheme encourages participation in tertiary education by providing financial assistance to borrowers who are unable to pay the costs of their fees upfront or fund their course-related costs or living expenses from parental support, savings, part-time work or other sources.

Since the scheme has been operating, New Zealand has been very successful in raising the level of participation in tertiary education. Many factors have contributed to this success, including annual increases in government funding of tertiary education, our open access to tertiary education and the availability of the Student Loan Scheme.

The opportunity to undertake tertiary study is of benefit to all New Zealanders – those who seek to obtain qualifications for employment, high achievers wishing to develop their intellectual abilities, those who want to retrain for new careers and those who seek knowledge for its own sake. The benefits of a well-educated population are many, for both the individual and the community as a whole. New Zealand as a nation is better equipped to hold its own and compete internationally if its citizens have the competencies, knowledge and skills to contribute to the economic and social development of the country. For the individual, tertiary education provides increased employment opportunities, higher income and greater opportunities for personal development – all leading to a better quality of life.

As one might expect, increased participation in tertiary education has meant that the total level of borrowing under the loan scheme has increased. By 30 June 2004, the total student loan balance had reached nearly \$6 billion. Concern has been expressed as to the growth in the level of borrowing. However, the rate of growth has been slowing over recent years as the scheme matures. By 2015, it is expected that total repayments of debt each year will exceed drawings.

The average individual loan balance has continued to increase as individual students turn to the Student Loan Scheme to meet a greater proportion of their costs. To address this increase, the government has taken a number of measures to make tertiary education more affordable. Policies such as the 'no interest while studying' policy and the 'fee and course cost maxima', designed to limit fee increases by tertiary education providers, are helping to reduce the growth of student loan debt. The recent increases in the parental income thresholds for student allowances will further reduce borrowing by reducing the reliance of some students on the Student Loan Scheme.

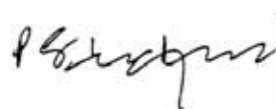
This report is intended to increase and update public understanding of the Student Loan Scheme and its implications for New Zealand. The three government agencies responsible for the Student Loan Scheme, the Ministry of Education, the Ministry of Social Development and Inland Revenue, work together to improve the quality of the available information about student loans with the help of other agencies such as the Office of the Controller and Auditor-General, The Treasury, and Statistics New Zealand. This report is the outcome of ongoing work in this field.



HOWARD FANCY  
Secretary for Education



DAVID BUTLER  
Commissioner of Inland Revenue



PETER HUGHES  
Chief Executive  
Ministry of Social Development

## Executive Summary

2003 was the twelfth year of operation of the Student Loan Scheme. The number of students in tertiary education has continued to increase and so has the number who took out a student loan. The provision of student loans is only one of the ways in which the government subsidises tertiary education. The largest component of the government's expenditure on tertiary education is through tuition subsidies which are paid to tertiary education providers according to the number of students they enrol. The government also provides student allowances and training incentive allowances for students and a variety of other grants to tertiary education providers. These streams of funding all make a contribution to the support of tertiary education in New Zealand.

Tertiary education brings with it many opportunities and benefits for individuals over time. Open access to the Student Loan Scheme, coupled with its income-contingent repayment features, has reduced the financial obstacles to tertiary education and lowered the risks of investing time and money in studies.

When the loan scheme was introduced it was feared that students would not be prepared to take on the level of debt necessary to pay for their tertiary study. This has not been the case – the majority of full-time domestic students have loans. In addition, a great many people – 141,471 – have completely repaid their loans.

We still don't have a good understanding of some of the longer-term, downstream effects of student loan debt on certain groups of borrowers. Good progress is being made, however, towards developing more solid information through the development of the integrated dataset that combines education data from the Ministry of Education, borrowing information from the Ministry of Social Development and repayment and income data from Inland Revenue.

This year's report includes an analysis of the repayment progress and post-study income of borrowers drawn from the integrated dataset. That analysis helps to put the effects of the loan scheme on borrowers into perspective.

Highlights from this year's report include:

- In the 2003 academic year, 156,250 students borrowed \$987 million through the Student Loan Scheme.
- The average amount borrowed in an academic year has increased from \$3,628 in 1992 to \$6,204 in 2002 and \$6,316 in 2003.
- At 30 June 2004, there were 418,761 people with loan balances owed to the Crown.
- The total value of student loan balances administered by Inland Revenue and the Ministry of Social Development through StudyLink, at 30 June 2004, was \$5,995 million.
- Over 50 percent of all loan balances administered by Inland Revenue at 30 June 2004 were under \$10,000.
- Less than 6 percent of all borrowers had a loan balance greater than \$40,000 at 30 June 2004.
- The average cumulative student loan balance has increased from \$5,525 in 1993/94 to \$13,680 in 2002/03 and \$14,242 in 2003/04. The median<sup>1</sup> student loan balance was under \$10,000 as at 30 June 2004.
- The total value of interest write-offs recorded in the year to 30 June 2004 was \$204.5 million, compared with \$198.1 million at 30 June 2003.
- Since the commencement of the scheme, \$2,317 million in repayments of interest and principal has been collected.
- As at 30 June 2004, 141,471 borrowers had repaid their loans in full since the scheme began in 1992. 18,002 loans were repaid in 2003/04.
- The level of overdue loan repayments as at 30 June 2004 was \$139.1 million, of which 28 percent (\$39 million) was under instalment arrangement for payment.
- The forecast overall average loan repayment time is estimated at 9.3 years, compared with a forecast repayment time of 10.3 years in June 2002. Male borrowers are estimated to repay within 7.2 years and females within 10.8 years. The median repayment time is around eight years.
- The Student Loan Scheme has a provision for doubtful debt due to death or bankruptcy of borrowers. At 30 June 2004, the total provision for doubtful debt was \$825.7 million.

1. The median loan balance is calculated by ranking all loan balances from lowest to highest and selecting the middle value.

# INTRODUCTION

STUDENT LOAN SCHEME ANNUAL REPORT

## Introduction

### The role of tertiary education

New Zealand has a distinctive tertiary education system. New Zealand is one of the few countries in the world that has open access to tertiary education; every New Zealander with the ability and desire to take part in tertiary education can do so. If this country is to maintain its progress socially and economically, we must make the most of all our people's potential. By providing this opportunity, we will be opening up new horizons for individuals that will enable them to contribute to our knowledge society.

The Tertiary Education Strategy 2002/07 states that "New Zealand now needs a tertiary education system that makes a strong contribution to the achievement of national goals. It needs to be dynamic, outward-looking and strongly linked with the communities of interest that it serves. It needs to equip New Zealanders with the skills and knowledge they, and the nation, need to prosper."<sup>2</sup>

New Zealand is currently undergoing a series of reforms to ensure that the contribution that tertiary education makes to New Zealand's economic, social and environmental development is maximised.

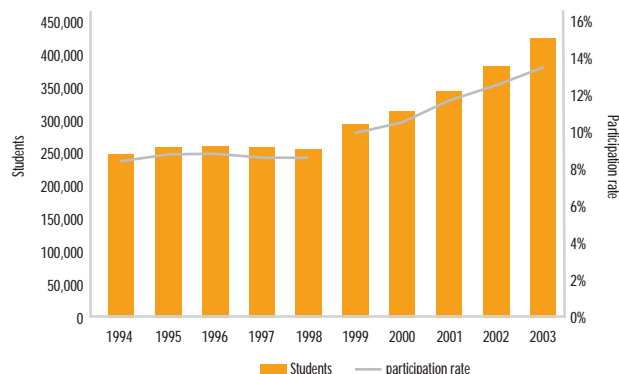
### Participation in tertiary education

Participation in tertiary education in New Zealand in recent years has been characterised by both growth and diversity.

In the 10 years since 1994, the number of tertiary students has grown by 86 percent, while the percentage of the population 15 and over participating in tertiary education has risen from 8.9 percent in 1994 to 13.4 percent in 2003. There were 428,000 students enrolled in formal tertiary education in 2003. Currently, participation is at its highest rate ever.

Over 90 percent of this growth in student numbers has occurred since 1999, and most of this has been due to increased rates of participation, rather than to population increases. Further, this growth has not been uniform, with private training establishment (PTE) (until mid 2001), international, wānanga, industry training and most recently community education students all significantly increasing their share of the tertiary education sector.

Fig 1 (Table 22) Participation in tertiary education 1994-2003



Notes:

1. Data prior to 1999 excludes PTE and other tertiary education providers (OTEPs) students.
2. Data for 1994–2003 relates to domestic students enrolled at any time during the year.
3. Participation rate is the percentage of the population aged 15 and over who were students that year.
4. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Between 1992, when the Student Loan Scheme began, and 2003, the number of New Zealanders formally enrolled in public tertiary education institutions rose by 136 percent.

Tertiary education has also become increasingly diverse, both in terms of the types of learning available, and the types of learners participating. In the space of 10 years, the sector has gone from one characterised largely by formal public institution-based learning in universities, polytechnics and colleges of education, to a sector catering for a much wider range of people, and in a much wider variety of settings.

Most noticeable has been the appearance and rise of wānanga and their success in providing programmes and an environment which attract first-time Māori students into tertiary education. Around 15 percent of all students and 43 percent of all Māori students were enrolled at a wānanga in 2003. Another significant rise in growth has been in industry training. From its inception in the early 1990s, industry training grew to just under 90,000 trainees at the end of 2003.

Recent years have also seen a major development in e-learning, both intra- and extramural, and in 2003 a significant number of learners undertook part or all of their study without face-to-face interaction with a teacher. International education is a much bigger part of the tertiary landscape in 2003 than in 1994, with export education now a significant, income-earning industry with international

2. Tertiary Education Strategy 2002/07, Ministry of Education, May 2002, page 5.

students contributing \$327 million to the revenue of the public tertiary education institutions or 11.9 percent of their total revenue.

In 1994, the average age of a tertiary student was 27.6, with 51 percent aged under 25. By 2003, the average age was 30.9 with 38 percent of students under 25. The number of students aged 25 to 39 has grown 82 percent since 1994, while the number of students over 40 has increased 180 percent. While students aged 18 to 24 continue to have the highest rates of participation (at 36.3 percent), 25 to 39 year-olds outnumbered that age group for the first time in 2003, becoming the largest age group represented in tertiary education in New Zealand.

The share of women in tertiary education has increased from 52 percent in 1994 to 59 percent in 2003. In 2003, 15 percent of all women aged 15 and over participated in tertiary education, compared with 12 percent of men.

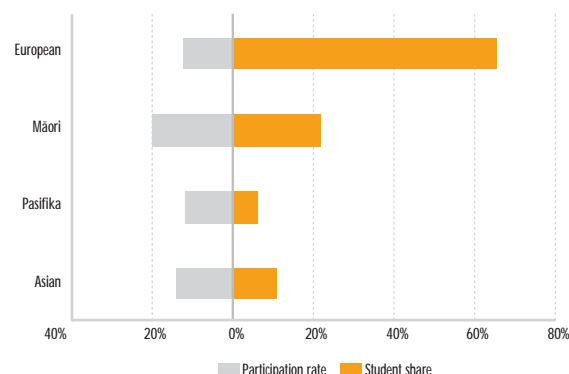
In 1994, over three in four (or 76 percent) of tertiary students were European. By 2003 this share had fallen to two in three (66 percent), despite the number of domestic European student numbers increasing by 91,000 over this period.

Māori student numbers have increased significantly between 1994 and 2003. There were 91,600 Māori students in 2003, up 240 percent on 1994. Over all levels of study and when adjusted for age differences, over 20 percent of Māori aged 15 and over participated in tertiary education in 2003, the highest rate of any ethnic group (13.4 percent for all groups). Much of this participation is from first time students at lower levels. Participation by Māori at bachelors level and higher, however, remains lower than the average for the tertiary education sector.

However, unlike 2000 and 2001, Māori were not the fastest growing group in 2003. The number of domestic Asian students grew by nearly a third (or 32 percent) in 2003 to reach 44,880, and this group now represents over one in 10 domestic tertiary students. When adjusted for the younger profile of New Zealand's Asian population, participation in tertiary education by Asian New Zealanders aged 15 and over was 13.8 percent, similar to the New Zealand total rate of 13.4 percent.

There were over 25,400 Pasifika students in 2003, up 13 percent from 2002. When adjusted for age differences, Pasifika people participate at a lower rate than other groups (11.6 percent compared with 13.4 percent).

Fig 2 (Table 28) Participation in tertiary education by ethnic group 2003



Notes:

1. A student identifying with more than one ethnic group has been counted in each group.
2. Participation rate is the percentage of the population aged 15 and over who were students.
3. Student share is the percentage of all tertiary students who belong to each ethnic group.
4. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Allowing for students enrolled at more than one level, the majority of students (72 percent) were enrolled at levels below bachelors level in 2003. Around 30 percent were studying at bachelors level, and 6 percent were enrolled in postgraduate level qualifications. Certificate level study continues to dominate growth, accounting for 93 percent of growth in 2003. While the number of domestic students also rose at bachelors and postgraduate levels, the rate of participation has remained relatively constant at these levels in recent years. A total of 630 students were enrolled at doctorate level in 2003, up 140 or 8 percent on 2002.

In terms of head count, polytechnics are now the largest type of tertiary education provider with 42 percent of all students in 2003, compared with 32 percent for universities, 15 percent for wānanga, 14 percent for PTEs and 3 percent for colleges of education. Polytechnic student numbers grew by 40,384 (or 29 percent) to reach 178,000 students in 2003. However, it is important to note that much of the growth in 2003 was in community education courses where the student may only have been enrolled for a short time during the year. If the number of students was converted to equivalent full-time students (EFTS), the universities, with 41 percent of EFTS in 2003, constitute the largest provider type.

With 58,530 students in 2003, PTE student numbers were 11 percent lower than in 2002, while college of education student numbers remained fairly similar to 2002 levels at 13,460. Universities had a modest increase of around 1,000 students (or 1 percent).

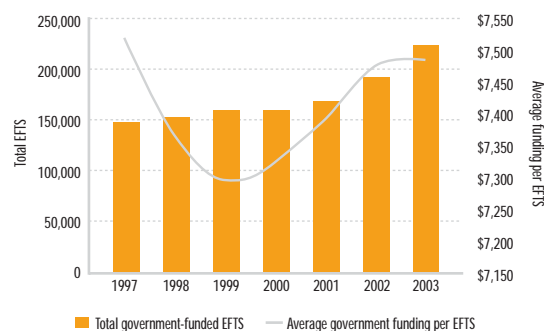
International student numbers continued to grow strongly in 2003, increasing by 8,260 (or 21 percent) over 2002. The number of international students has increased from under 6,000 in 1994 to 47,130 in 2003, with over 90 percent of this increase in the last five years.

### The government's financial contribution

The main mechanisms that the government uses to provide financial assistance to students participating in tertiary education are tuition subsidies<sup>3</sup> paid to tertiary education providers, student allowances and student loans.<sup>4</sup> At \$1,751 million in 2002/03, tuition subsidies are the largest component, representing 49.2 percent of all government spending on tertiary education. Student allowances are available to students who meet income-based and age-related eligibility criteria. The Student Loan Scheme can be accessed by all New Zealand students enrolled in approved qualifications<sup>5</sup> and enables students and their families to meet other costs of their tertiary education.

Participation in tertiary education increased significantly in the 1990s. Total government spending on tertiary education also grew significantly. To make sure that the increased participation was funded, the share of the cost to be met by students rose. Students and the government paid more in total dollar terms throughout the period. The government's level of funding per equivalent full-time student (EFTS) fell, however. In universities, the value of tuition subsidies per EFTS dropped 24 percent in real terms<sup>6</sup> between 1991 and 1999. Since 2000, however, the progressive funding reductions have stopped. Between 2000 and 2003, funding rates were increased by 9.8 percent in nominal terms. However, due to a greater proportion of students enrolling in programmes that attract a lower per student funding rate, the actual average increases are less than this figure.

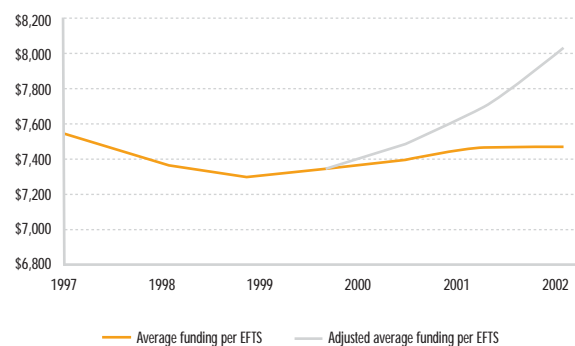
Fig 3 (Table 29) Total government-funded EFTS and average funding per EFTS in public TEIs 1997–2003



Source: Ministry of Education

To assess the effect of this move to lower funding categories, the average funding per EFTS was recalculated assuming that enrolment patterns had remained constant from the year 2000 onwards. Figure 4 below compares the actual per EFTS funding with this adjusted average funding figure. The impact of changing enrolment patterns in reducing the rate of increase in the actual per EFTS funding from 2000 is apparent.

Fig 4 (Table 29) Average funding per EFTS and adjusted average funding per EFTS in public TEIs 1997–2003



Source: Ministry of Education

3. The government expects students and their families to share the costs of tertiary education. Therefore, funding paid by the government to tertiary education providers is referred to as a 'tuition subsidy'.

4. There are a number of other government awards to students which are not within the scope of this report, eg Step Up Scholarships, Top Achiever Doctoral Scholarships, the Prime Minister's Scholarships and Training Incentive Allowances.

5. This includes industry trainees undertaking courses at tertiary education providers if they meet the appropriate eligibility criteria.

6. This calculation is derived from *Shaping the Funding Framework*, Tertiary Education Advisory Commission, November 2001. Refer to page 16.

The following table details some of the increase in the total support the government has provided over the last seven years.

**Table 1** Government financial support for tertiary study 1996/97–2003/04

Fiscal year	Student allowances <sup>7</sup> \$million	Tuition subsidies <sup>8</sup> \$million	Student loans <sup>9</sup> \$million
1996/97	327	1,130	542
1997/98	344	1,144	657
1998/99	378	1,167	624
1999/2000	376	1,262	701
2000/01	391	1,344	873
2001/02	401	1,551	934
2002/03	387	1,751	952
2003/04	379	1,908	997

Notes:

- Figures quoted are in nominal dollars.
- This table excludes funding for industry training and programmes such as Training Opportunities, Youth Training, Modern Apprenticeships, Gateway and Skill Enhancement.

Source: Annual Reports of the Ministry of Education, the Ministry of Social Development and the Tertiary Education Commission

Student allowances expenditure has decreased again in 2003/04. This decrease can be attributed to a lower uptake in student allowances than in previous years. To a large extent, the lower uptake results from the student allowances parental income thresholds remaining fixed while incomes have grown.<sup>10</sup> The declining unemployment rate may also have had the effect of lifting the incomes of some families, resulting in lower allowances entitlements for their children.

Other tertiary education-related spending went to fund a variety of activities, including the Training Incentive Allowance for some beneficiaries, community education and administrative support as well as the Unemployment Benefit Student Hardship and the Accommodation Supplement during vacations.

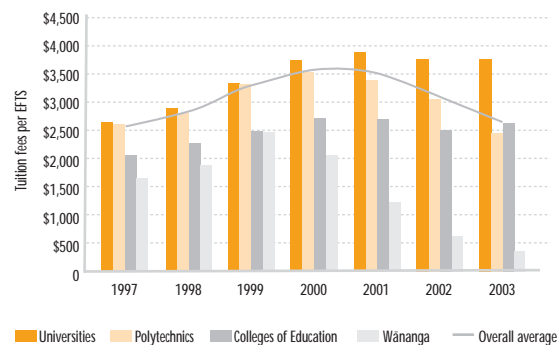
Government expenditure on tertiary education – excluding the capital spending on student loans – is expected to be 2.1 percent of the country's Gross Domestic Product (GDP) in the 2003/04 fiscal year, an increase from 2.0 percent in 2002/03. When you add in the capital expenditure on

student loans, government spending on tertiary education reaches 2.8 percent of GDP in 2003/04, the same as in 2002/03.

## Trends in tertiary fees

The average tuition fee per EFTS in public tertiary education institutions increased by 38.3 percent between 1997 and 2000 and then dropped by 24.9 percent between 2000 and 2003. These trends reflect the reductions in funding rates until 1999 (that led to compensating fee increases), the fee stabilisation policy implemented in 2001, and the move to zero or reduced fees in some providers since 2001, especially in polytechnics and wānanga.

**Fig 5** (Table 30) Domestic tuition fees per EFTS in TEIs by tertiary education provider type 2000–2003



Source: Ministry of Education

## The role of the Student Loan Scheme

The Student Loan Scheme plays an important role in supporting the government's goals for tertiary education and hence its social and economic goals. Introduced in 1992, the scheme is designed to support the participation of all New Zealanders in tertiary education by providing students with access to finance for tuition fees and other education-related costs. The scheme provides money on more generous terms than are available for similar unsecured loans from the private sector.

Debt repayment is income-contingent, which means that borrowers are not required to repay any money until they earn sufficient income.<sup>11</sup> The repayment threshold is currently \$16,172, increased from \$15,964 on 1 April 2004. The amount of repayment required in any income year is determined by the amount of income earned over this threshold. The minimum rate of repayment is 10 cents per dollar earned over the repayment threshold. Voluntary repayments can also be made at any time and are

7. Student allowances amounts are the before tax or gross amounts.  
 8. As the confirmed figures are not always available in the current year, the Supplementary Estimates figures are used and updated in the succeeding year.  
 9. Student loan amounts are capital amounts. For the purposes of calculating its operating expenditure, the government expenses 11.4 percent of the total amount provided for student loans.  
 10. In Budget 2004, the government increased the parental income thresholds with effect from 2005. In the future, the thresholds will be adjusted annually for inflation.

11. The exception to this is Student Loan Scheme borrowers who are resident overseas. Refer to Table 15 on page 56 in Appendix 1 for the repayment obligations of non-residents.

encouraged. 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. (See Interest write-offs on page 32 and on page 57 in Appendix 1.)

### Ongoing work in the area of student support and related areas

#### New student support initiatives announced in Budget 2004

In September 2003, the government published a public discussion document, *Student Support in New Zealand*, in which it made a commitment to make further improvements to the student support system.

The government received 114 submissions in response to the discussion document. These responses will help the government make further changes in how it supports students through their tertiary study.

As a first step in improving the tertiary education system, the government has made a number of policy changes to the Student Loan Scheme and student allowances as part of Budget 2004. The key changes will:

- increase the parental income thresholds for student allowances so that more people will qualify for allowances, and
- remove discrimination in the Student Allowances Regulations so they comply with the New Zealand Bill of Rights Act.

Further information on these changes to the student support system which will be introduced in 2005 can be found in a guide on the Ministry of Education and StudyLink websites.

While several of the student support changes affect the Student Loan Scheme directly, the key element of the student support package – increasing the student allowances parental income thresholds – has an indirect impact on the Student Loan Scheme in that some students will not need to rely as heavily on borrowing through the scheme.

#### Increased student allowance parental income thresholds

Extending access to the Student Allowances Scheme is designed to help reduce the cost of tertiary education for students from low- to middle-income families by reducing their reliance on the Student Loan Scheme. It is estimated that this policy will reduce the amount of money drawn down under the Student Loan Scheme by \$19.9 million per year.

From 1 January 2005, the lower student allowance parental income threshold will be raised from \$28,080 to \$33,696. The upper threshold will be raised from \$50,752 to \$62,148 (for students living away from home). Furthermore, parental income thresholds will be adjusted annually for inflation (with the initial adjustment for inflation occurring on 1 April 2005).

Raising parental income thresholds will allow more students to get full and partial allowances and reduce the need for these students to borrow through the Student Loan Scheme. In particular, increasing the lower threshold to \$33,696 will mean 12,000 more students each year who currently get a partial allowance will qualify for a full allowance. Increasing the upper threshold to \$62,148 will mean 28,000 more students each year will get a partial allowance, and approximately 3,000 students each year who currently get a partial student allowance will get a higher allowance.

#### Student loans for part-time, part-year study

Part-time, part-year students studying a course load of 0.3 equivalent full-time student (EFTS) units or more can apply for a student loan for their tuition fees. The government is allowing students studying between 0.25 and 0.3 EFTS to access student loans for tuition fees from 1 January 2005. The right of these students to borrow is subject to conditions.

- The course has to meet certain conditions (eg have a job-related element).
- The student must be in employment or studying for a qualification that will lead to employment.

The government wants to make sure students who cannot get finance for their course fees from other sources (eg low-income workers) can access tertiary education. The government also wants to make sure students at this course-load level can get help for study that leads to relevant employment.

#### Access to the Student Loan Scheme for some insolvent students

Currently, undischarged bankrupts are not able to access the Student Loan Scheme. Furthermore, if a borrower is declared bankrupt the student loan is written off. The government is putting a new debtor status in place – the No Asset Procedure – as an alternative to bankruptcy for people who become insolvent but who have few assets. This procedure will be introduced by the Insolvency Law Reform Bill, which is expected to be enacted in 2005 or 2006.

Assuming the legislation is enacted in 2005, No Asset debtors will be able to access the Student Loan Scheme from 1 January 2006. This will allow No Asset debtors to benefit from tertiary education.

Unlike bankrupts, if a student loan borrower is judged a No Asset debtor, his or her student loan will not be written off. The purpose of this measure is to reduce any incentive for student loan borrowers to enter the procedure to avoid paying back their loans.

### Future student support policy work

In the discussion document *Student Support in New Zealand*, the government indicated a number of principles that will underpin any future changes to student support. The principles are:

- to maintain high levels of participation in, and completion of, tertiary education
- to ensure that New Zealand's tertiary education system makes the best possible contribution to national development
- to ensure equity and fairness
- to ensure that government investment in student support and tertiary education is financially sustainable
- to ensure that tertiary education is affordable for students, and
- to ensure consistency with the wider social-assistance system.

These principles, and the submissions that the government received in response to the discussion document, will inform future policy development in this area.

### Improved modelling

As part of the development of the fair value model for the Student Loan Scheme, the Ministry of Education and other agencies are developing a more sophisticated model of borrowing, repayments and other aspects of the Student Loan Scheme. The new model, called the Student Loans Integrated Model (SLIM), is built on the integrated dataset which contains unit record data from the Ministry of Education, Inland Revenue and the Ministry of Social Development for each student loan borrower (including former loan borrowers). The results of this modelling will be more robust than earlier models and will give agencies, researchers and the general public a clearer understanding of the probable future status of the Student Loan Scheme and its outcomes. It will enable agencies to assess much more accurately such things as the impacts of the scheme on different ethnic groups or women, and the borrowing and repayment behaviour of borrowers studying in different fields of study or studying at different levels. It will be used to evaluate the likely impacts of policy changes on various groups.

### Reporting the fair value of the Student Loan Scheme

The fair value is defined as the price a willing buyer would offer a willing seller to purchase the scheme. This does not imply that there is any wish to 'sell' the Student Loan Scheme asset; rather, the fair value is a hypothetical figure, based on what a tax liable buyer with perfect information would be prepared to pay a willing and fully informed seller, if the asset were to be sold.

The fair valuation model considers the current debt owed by borrowers with various characteristics, and takes account of assumptions regarding their future income. The hypothetical buyer values future income or costs lower so future repayments and write-offs are worth less in real terms than at present. In addition, the future income is further offset by administration costs incurred to meet the costs of the repayment system. These factors lead the hypothetical buyer to discount the loan scheme. The fair valuation of the scheme differs from the economic cost to the Crown because the discount rate applied differs between the two calculations. While the economic cost uses the before tax long-term borrowing rate to reflect the cost to the Crown of the scheme, the fair valuation uses the after tax long-term borrowing rate plus a risk premium to reflect the tax-paying status of the potential buyer and the added risk to that buyer of the uncertainty of the timing of future cash flows. The fair valuation of the scheme recognises that the Crown forgoes revenue due to death, bankruptcy and other write-offs and defaults.

The fair valuation of the scheme at 30 June 2004 is \$5,734 million. This is 84.1 percent of the face value of the Student Loan Scheme's closing balance on the same date.

The fair value has been built on findings from the SLIM model.

### Fee/course cost maxima policy

Since 2001, the government has stabilised tuition fees as part of its commitment to help keep tertiary education affordable for students. The fee stabilisation policy has been replaced from 2004 with the fee/course cost maxima (FCCM) policy. FCCM are being introduced to:

- provide certainty for students as to future costs, whilst also
- giving some flexibility to providers in terms of their fee setting.

There are four dimensions to the FCCM policy as it has now been finalised:

- an increase in tuition subsidy rates
- an annual fee movement limit
- a set of maximum fee levels, and
- the triennial setting of tuition subsidy rates.

These dimensions balance the interests of students, providers and the government.

While the FCCM policy is not a student support policy, it will have the effect of reducing the reliance of students on the Student Loan Scheme. The policy has, therefore, had an impact on the modelling and forecasting of loan balances.

The fee/course cost maxima policy applies until the end of 2006.

As part of the decisions the government made concerning the FCCM, a decision was also made to remove the \$6,500 cap on Student Loan Scheme tuition fee borrowing at Private Training Establishments (PTEs), effective from 1 January 2005. Instead, students' tuition fee borrowing entitlement will be limited to the amount charged by the provider or the relevant fee maximum, whichever is the lesser.

The costs of the  
**STUDENT**LOANS**SCHEME**

## The Costs of the Student Loan Scheme

This section looks at the costs and value of the Student Loan Scheme, including:

- the assumptions and processes used in the models that produce the cost and valuation estimates
- estimates of debt and repayment times
- the provision made for estimated future non-recovery of loans (doubtful debts), and
- the progress towards calculating the fair value of the scheme and the results to date.

The Student Loan Scheme is a significant government asset. The portfolio is forecast to grow to \$13,000 million by the year 2014/15. This forecast is slightly higher than earlier estimates of the value of the scheme in 2014/15,<sup>12</sup> reflecting the impact of changes in the forecast of student loan borrowings.

The costs of the scheme are shared between students and the government in the following manner:

- Borrowers meet a share of the government's estimated cost of capital through interest payments.
- Part of the administration costs is met by borrowers through a one-off administration fee of \$50 in each year of borrowing.
- The government meets the costs resulting from fluctuations in uptake and transactions.
- The government also covers the cost of system changes to implement new policies or improve delivery.

The government writes off the following sums, which represent a cost to the Crown:

- all or part of the base interest charge for borrowers who meet write-off eligibility criteria
- all interest for borrowers who were studying during the year and meet certain criteria
- debt of deceased or bankrupt borrowers, and
- small balances.

## Calculating the costs of the Student Loan Scheme

The Tertiary Education Student Loan Analysis (TESLA) model was developed for the Ministry of Education to forecast student loan debt and repayment periods and to assist with the evaluation of policy options. The TESLA model generates a representative student population from a profile of borrower characteristics. Each individual in this model has student loan characteristics. The characteristics of this group of representative borrowers give an overall annual estimate of debt, repayments, interest and write-offs. (See Appendix 4 for further details of this model, including the assumptions on which it is built.)

Over time, it is planned that the new Student Loans Integrated Model (SLIM) will be used in place of TESLA for forecasting and costing work associated with the Student Loan Scheme.

### The Doubtful Debt Provision

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death,<sup>13</sup> and loans discharged because of bankruptcy. The provision was set at 15 percent in 1992 when the Student Loan Scheme was first incorporated into the Crown Financial Statements. It was revised to 10 percent from 1996 until 2001, as a result of estimates made using the TESLA model. The Ministry of Education revised the DDP in June 2002 in consultation with The Treasury and Inland Revenue. The provision was set at 11.4 percent for 2001/02.<sup>14</sup> The DDP was reviewed again in 2002/03 and this year. The difference in each of those years was still within the margin of error for the 11.4 percent figure. Thus, no change has been made to the DDP for the financial years 2003/04 or 2004/05. At 30 June 2004, the DDP stood at \$826 million, compared with \$724 million at 30 June 2003. The provision is sensitive to the assumptions on borrowers' and borrowing characteristics and income growth profiles.

### The fair valuation of the Student Loan Scheme

The fair value of the Student Loan Scheme is defined as the price a willing buyer would offer a willing seller to purchase the scheme. Further information on the fair valuation is to be found on page 13 of this report.

The fair valuation of the scheme at 30 June 2004 is \$5,734 million. This is 84.1 percent of the face value of the Student Loan Scheme's closing balance on the same date. Last year, the fair value calculated as at 30 June 2003 was \$5,592 million (91.8 percent). The 2004 fair value represents an increase of \$142 million compared with the fair value as at 30 June 2003, a rise of 2.5 percent.

12. In 2003, the estimate of the value of the scheme in 2014/15 was \$12,500 million. Refer to Table 2.

13. There are no write-offs for 'defaulters'. Debt that accumulates due to people not meeting their repayment obligations can be written off as a death write-off if the person dies with outstanding debt.

14. The DDP is sensitive to assumptions about the level of debt that will be repaid by those in arrears, and the future real income growth of borrowers. The DDP is estimated to be within the range of 10.4 percent to 12.4 percent, with a mid point estimate of 11.4 percent.

The main reasons for the change from 91.8 percent to 84.1 percent in the ratio of fair value to the face value of total loan balance were:

- the changes in economic assumptions (which accounted for 3.6 percentage points of the fall), and
- the update to the income model (which accounted for 3.4 percentage points of the fall).

The economic value of the Student Loan Scheme

The gross economic cost of the scheme to the Crown is equivalent to the resources the Crown forgoes by lending money under the scheme. It incorporates the cost of loans written off due to death, bankruptcy and other write-off policies and accounts for the timing of loan repayments discounted using a gross discount rate equal to a 'risk-free rate', based on projected yields of government stock. The economic value of the scheme is the face value less the gross economic cost.

Using the same methodology as the Fair Value, the Economic Value of the scheme as at end of June 2004 is calculated to be \$5,834 million. This represents 85.5 percent of the face value of the Student Loan Scheme's closing balance on the same date.

Last year, the Economic Value as at 30 June 2003 was \$5,681 million (92.2 percent). The 2004 Economic Value represents an increase of \$153 million compared with the economic value as at 30 June 2003, a rise of 2.7 percent.

The Economic Value is sensitive to the underlying economic model assumptions. For example, a 1 percent increase in the discount rate would decrease the Economic Value by approximately \$300 million.

The effective interest rate

The full interest rate for the income year 2004/05 is 7.0 percent, comprising 5.5 percent base interest and 1.5 percent for the inflation component. Not all borrowers incur the full interest rate because many are eligible for an interest write-off or interest reduction. The effective interest rate is estimated to be 2.8 percent for 2004/05. This figure represents the average interest rate charged per borrower, calculated as the total net interest incurred by all borrowers as a percentage of total debt. More than 50 percent of interest accrued during 2004 is expected to be written off. Over 287,000 borrowers benefited from an interest write-off in the year ending 31 March 2004. The overall amount of interest written off for that period was in excess of \$208 million. More than half of that amount (\$107 million) was written off as a result of the 'no interest while studying' policy.

Student loan expenditure forecast

In the most recent student loan forecast, it is estimated that the average annual increase in the number of loan borrowers for the period 2004 to 2008 will be 3.4 percent per annum. The June 2003 estimate of the rate of growth in the number of borrowers was 3 percent. The increase in the forecast rate of growth in the number of borrowers reflects the policy change allowing greater access to course fee borrowings for part-time, part-year students. The average annual increase in the total amount borrowed is expected to be 5.4 percent per annum over the years 2004 to 2008. The previous estimate was a 5.6 percent average annual increase in the total borrowings.

One of the reasons for the reduction in the forecast increase in gross debt levels is the expansion in numbers of part-time borrowers whose drawings will be lower and so will dampen the increase in amount borrowed by each student.

For the period 2004 to 2008, the average increase in the average amount borrowed per borrower is expected to be around 2 percent per annum.

The latest forecasts can be read on the following Ministry of Education website: [www.minedu.govt.nz/goto/studentloans](http://www.minedu.govt.nz/goto/studentloans).

Overall student loan debt projection

The following long-term debt projection, made using the TESLA model, shows the estimated overall gross student loan debt at the end of each fiscal year.

Table 2 Forecast gross debt levels

Fiscal year	2009/10 \$million	2014/15 \$million	2019/20 \$million
June 2004 debt projections	10,500	13,000	15,100
June 2003 debt projections	10,200	12,500	14,400
Projection change	300	500	700

Source: Ministry of Education – TESLA model

The main contributing factors to the increase in projected long-term debt levels were Consumer Price Index forecast adjustments.

The estimates of overall student debt level are very sensitive to assumptions on participation in tertiary education. Reasonable variations in participation projections lead to estimates of total debt by 2019/20 ranging from \$14,600 million to \$15,800 million. Projections of total debt are less sensitive to variations in income assumptions. If the real income growth of borrowers is adjusted by 0.2 percent per annum, the change in projected debt level for 2019/20 is around \$400 million.

## Estimated average student loan repayment periods<sup>15</sup> by gender and ethnic group

Males and European borrowers have the shortest repayment times while women have longer repayment times due to different income projection patterns in the model for these groups. Repayment times are sensitive to changes in the income assumptions used in the TESLA model. An annual increase in borrowers' real income growth of 0.2 percent results in repayment times that are shorter by up to half a year.

**Table 3** Estimated average repayment times by gender and ethnic group

	Males	Females	Overall
European	6.6 years	10.3 years	8.7 years
Māori	7.3 years	10.5 years	9.2 years
Other	8.9 years	12.7 years	11.0 years
<b>All groups</b>	<b>7.2 years</b>	<b>10.8 years</b>	<b>9.3 years</b>

Note: Other includes Asian, Pasifika peoples and other ethnic groups.

Source: Ministry of Education – TESLA model

The average repayment period has fallen to 9.3 years from 9.6 years last year and 10.3 years at 30 June 2002. Slightly lower repayment periods for most of the gender and ethnic groups have been estimated. The main factors contributing to this decrease were the forecast changes regarding future loan borrowings and changes in The Treasury's long-term interest rate projections.

The TESLA model shows that the median loan repayment time is around eight years. A quarter of borrowers repay their loans within four years while three-quarters of all borrowers take less than 12 years to repay.

15. The number of 'repayment years' for each individual in the model is the number of years, prior to the final year of borrowing, when a repayment is made without borrowing, plus every year, after the final year of borrowing, until the debt is paid off.

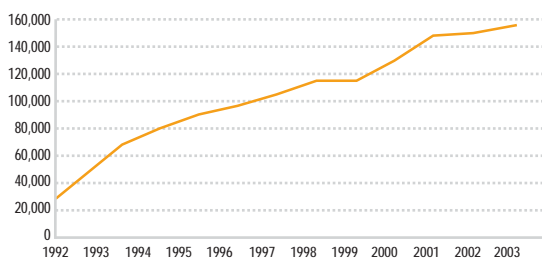
General  
**STUDENTLOANScheme**  
Statistics

## General Student Loan Scheme Statistics

### Uptake of student loans<sup>16</sup>

In 2003, 156,250 students borrowed under the Student Loan Scheme. The number of borrowers in 2003 is a 3.8 percent or 5,675 increase on the 150,575 who borrowed in 2002. This is more than double the rate of increase between 2001 and 2002. A total of 44,202 students borrowed in 1992, the first year of operation of the scheme. Loan uptake has increased every year apart from 1999 when policies aimed at curbing unnecessary borrowers were introduced.

Fig 6 (Table 31) Student loan borrowers in each academic year 1992–2003



Source: Ministry of Education and Ministry of Social Development

The proportion of students eligible to draw down a student loan who have chosen to do so has increased over recent years. In 1999, it was 50 percent, while in 2001 the proportion was 56 percent and in 2002, 57 percent. In 2003, around 60 percent of eligible students drew down a student loan.

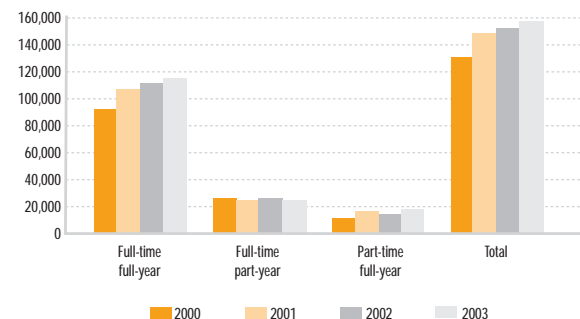
In 2004, some part-time, part-year students became 'loan eligible'. As a result of this policy change, the overall uptake rate is expected to decrease to around 55 percent in the future. This is because, although a larger number of students will be eligible to apply for a loan, a smaller proportion of them are expected to borrow, due to part-time students facing lower costs and often being able to afford to finance their study themselves.

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

In 2003, student loans were available to full-time students studying an approved course of at least 12 weeks and part-time students studying for a full academic year. From the beginning of 2004, loan eligibility has been extended to provide tuition fees for part-time, part-year students studying a course-load of 0.3 equivalent full-time student (EFTS) units or more.

The graph below shows the number of students who received student loans in each of the last four years according to their study status.

Fig 7 (Table 32) Student loan borrowers by study status 2000–2003



Source: Ministry of Social Development

### Average annual amount borrowed

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

Students studying with private training establishments (PTEs) borrow more on average than students studying in public tertiary education institutions (TEIs), because tuition fees tend to be higher for study with private providers. There is currently a cap of \$6,500 on borrowing for fees by PTE students but this will be removed from 1 January 2005 as the fee/course cost maxima<sup>17</sup> policy is fully phased in. University students borrow more than students in other public institutions.

16. An improved methodology for counting borrowers has been introduced by the Ministry of Social Development. The effect of this change on the 2003 figures is very small. The 2000–2002 data on the StudyLink website has been updated in line with the new methodology so will not correspond with 2000–2002 figures in this report which have not been updated. For the purpose of these graphs and tables, a student is defined as a person who received at least one payment from StudyLink in the year specified.

17. Under this policy, the amount available for borrowing under the compulsory fee component of the scheme will be the fee charged by the provider or the relevant fee maximum, whichever is the lesser. More information about the fee/course cost maxima policy is on pages 13–14.

**Table 4** Average amount<sup>18</sup> borrowed 1992–2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total	3,628	3,979	4,309	4,432	4,649	5,494	5,714	4,917	6,058	6,135	6,204	6,316
Percentage Increase		9.7%	8.3%	2.9%	4.9%	18.2%	4.0%	-13.9%	23.2%	1.3%	1.1%	1.8%

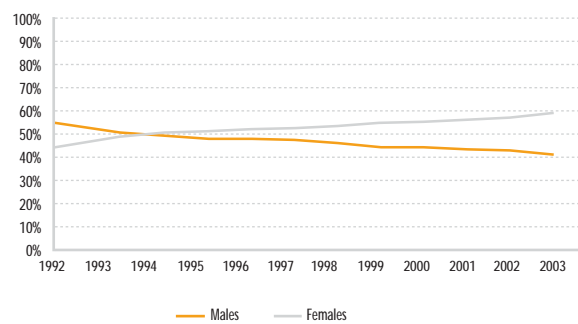
Source: Ministry of Education and Ministry of Social Development

The average amount borrowed showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. The decrease in average borrowing for 1999 was due to the decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999<sup>19</sup> and to other changes which restricted the purposes for which finance from the scheme could be used.<sup>20</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 implemented in 2001 and continued in 2002 and 2003 meant that tuition fees charged by most tertiary education providers did not increase in those years; the fee stabilisation offer was accepted by all TEIs and most PTEs, which meant that fees remained unchanged for most courses. One of the effects of fee stabilisation has been to reduce the rate of increase in the level of borrowing.

### Student loan borrowers by gender

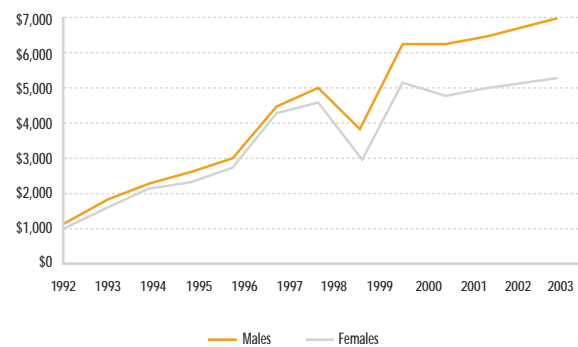
There are significantly more females than males enrolled in tertiary education. In 2003, 57 percent of tertiary students were female, a slight decrease from 2002. The proportion of borrowers who were female in 2003 was 58 percent, although women tend to borrow less than men.

**Fig 8** (Table 35) Percentage of borrowers by gender 1992–2003



Source: Ministry of Education and Ministry of Social Development

**Fig 9** (Table 36) Average annual amount borrowed by gender 1992–2003



Source: Ministry of Education and Ministry of Social Development

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

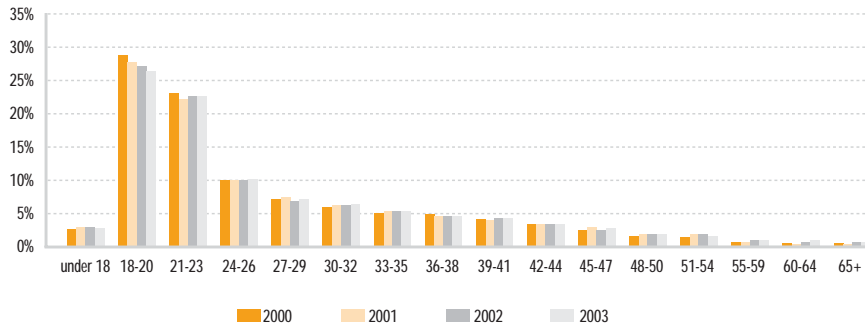
19. The entitlement was changed back to \$1,000 in 2000.

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

## Student loan borrowers by age

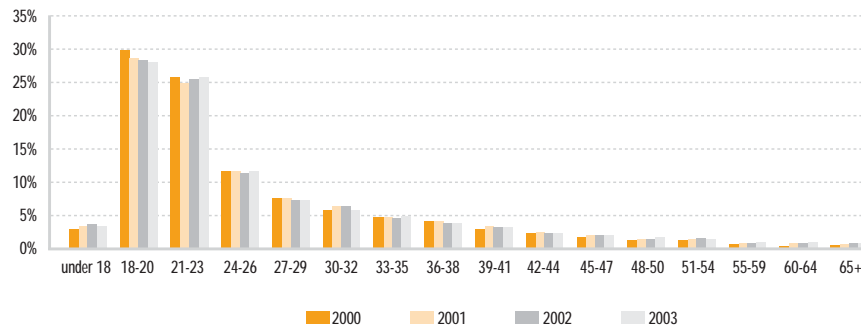
The following graphs show the profile of all student loan borrowers by age at the time when the loan was advanced. Seventy-two percent of all current student loan borrowers are under the age of 30 and 1.9 percent are 55 or over (see Table 37). While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have increased significantly since 2000, from 1,136 borrowers to 3,016 borrowers in 2003, a rise of 165 percent.

Fig 10 (Table 37) Percentage of female borrowers by age 2000–2003



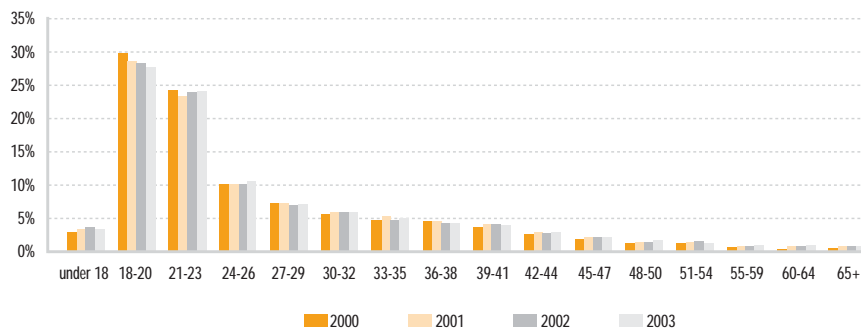
Source: Ministry of Social Development

Fig 11 (Table 37) Percentage of male borrowers by age 2000–2003



Source: Ministry of Social Development

Fig 12 (Tables 37) Percentage of all borrowers by age 2000–2003



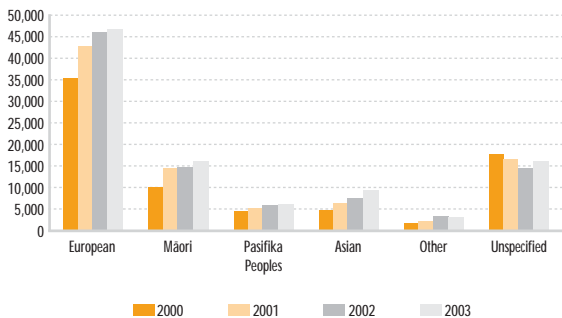
Source: Ministry of Social Development

### Student loan borrowers by ethnic group<sup>21</sup>

The number of Māori who used the Student Loan Scheme in 2003 was 26,333, compared with 24,509 in 2002 and 16,987 in 2000. The 2003 figure is a 7.4 percent increase on 2002. Māori represented 12 percent of all borrowers in 2003, compared with 16 percent in 2001 and 2002 and 13 percent in 2000. Of borrowers with a declared ethnicity, 20 percent were Māori, compared with 19 percent of borrowers with a declared ethnicity in 2002 and 18 percent in 2000. The 2003 figure is comparable to the proportion of all students who were Māori (20 percent).

In 2003, 5 percent of all borrowers were Pasifika students, down from 7 percent in 2002 and lower than the 2001 uptake of 6 percent. Of those with declared ethnicity, 7.9 percent were Pasifika, compared with 7.7 percent in 2002 and 7.2 percent in 2000. Pasifika peoples represented 5.9 percent of those formally enrolled in tertiary education during 2003, compared with 5.8 percent during 2002. The number of Pasifika students borrowing is increasing, however, having risen by 5.3 percent from 9,843 in 2002 and 10,367 in 2003.

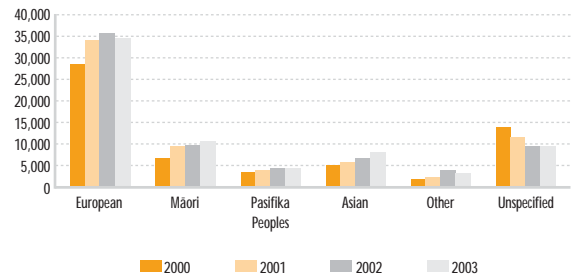
Fig 13 (Table 38A) Female student loan borrowers by ethnic group 2000–2003



Note: A student identifying with more than one ethnic group has been counted in each group.

Source: Ministry of Social Development

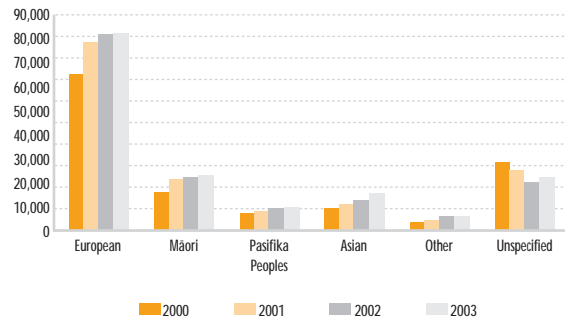
Fig 14 (Table 38A) Male student loan borrowers by ethnic group 2000–2003



Note: A student identifying with more than one ethnic group has been counted in each group.

Source: Ministry of Social Development

Fig 15 (Table 38A) Total student loan borrowers by ethnic group 2000–2003



Note: A student identifying with more than one ethnic group has been counted in each group.

Source: Ministry of Social Development

21. The ethnicity question is optional for students. They can choose multiple ethnicities. The figures quoted in this section use the 'total response' method, which records, for each ethnicity, those who chose that ethnicity as part of a multiple ethnicities response, as well as those who chose that ethnicity as a sole response. See Table 38 in Appendix 5 for the applicable combination data.

**Table 5** Average amount borrowed each year by ethnic group 1992–2003

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

Note: This table excludes those with ethnicity not known or not declared.

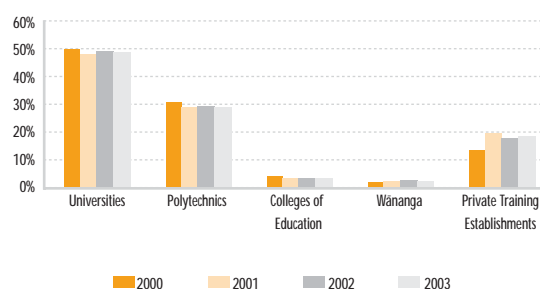
Source: Ministry of Education and Ministry of Social Development

On average, Māori have borrowed less than students in other ethnic groups, reflecting the high proportion of Māori enrolled in qualifications with zero fees, the number who have access to fee support through such schemes as the Manaaki Taurua scholarships and the higher propensity of Māori to enrol in qualifications at certificate level that are associated with lower borrowing.

### Students who borrowed fees<sup>22</sup> by provider type

Just under half of all those who borrowed fees under the compulsory fees component of the Student Loan Scheme in 2003 were enrolled at a university. This figure compares with the universities' share of all enrolments (31.9 percent).<sup>23</sup> This proportion has remained fairly stable since 2000. While the number of students attending polytechnics rose in 2003, there was a fall in the proportion of borrowers who were studying at polytechnics. One of the factors leading to that trend is the rising proportion of polytechnic qualifications with zero fees.

**Fig 16** (Table 34) Fee borrowers by provider type, 2000–2003



Notes:

1. Students who borrowed fees at more than one provider type are counted in each provider type.
2. Only students who borrowed fees are included in this figure because drawings under the other components of the Student Loan Scheme are not recorded by provider.

Source: Ministry of Social Development

Only 5.7 percent of wānanga students borrowed fees in 2003, whereas on 31 July 2003 15.3 percent of all students were enrolled at wānanga. The uptake of loans at wānanga is significantly lower than at other provider types, reflecting the availability of zero fee qualifications at wānanga and the high proportion of wānanga students enrolled on a part-time basis.

22. The methodology used to report provider type has been changed from prioritised provider type reporting, which counts only one of the provider types a student was enrolled with, to the total response method of recording provider type which counts each provider type the student was enrolled with.

23. On an equivalent full-time student (EFTS) basis, university enrolments constituted 41 percent of all enrolments.

### Student loan borrowers by level of qualification

As noted elsewhere in this report, men tend to borrow more than women. Table 6 also illustrates the difference between the borrowing levels of men and women. In 2003, the difference was especially marked in the case of diplomas, where men borrowed on average \$8,892, compared with \$5,450 for women. To a large extent, the difference reflects the numbers of male students enrolling in diploma level qualifications in applied or vocational areas that have higher fees and/or course costs

**Table 6** Student loan borrowers by level of qualification, gender, proportion of borrowers and borrowings, average and total amounts borrowed 2003

Qualification level	Gender	Number of student borrowers	Proportion of all loan borrowers	Proportion of all loan borrowings	Average amount borrowed \$	Compared with average borrowings	Total borrowed \$million
Doctorates	Female	397	0.3%	0.2%	5,680	90%	2.3
	Male	523	0.3%	0.3%	5,553	88%	2.9
	<b>Total</b>	<b>920</b>	<b>0.6%</b>	<b>0.5%</b>	<b>5,608</b>	<b>89%</b>	<b>5.2</b>
Masters, Honours, Postgraduate Dip, Postgraduate Cert.	Female	5,469	3.5%	3.0%	5,481	87%	30.0
	Male	4,144	2.7%	2.5%	6,027	95%	25.0
	<b>Total</b>	<b>9,613</b>	<b>6.2%</b>	<b>5.6%</b>	<b>5,716</b>	<b>91%</b>	<b>55.0</b>
Bachelor Degrees, Graduate Cert. and Diplomas	Female	45,925	29.4%	29.3%	6,306	100%	289.6
	Male	32,640	20.9%	22.5%	6,788	108%	221.6
	<b>Total</b>	<b>78,565</b>	<b>50.3%</b>	<b>51.8%</b>	<b>6,506</b>	<b>103%</b>	<b>511.2</b>
Diplomas	Female	12,787	8.2%	7.1%	5,450	86%	69.7
	Male	9,213	5.9%	8.3%	8,892	141%	81.9
	<b>Total</b>	<b>22,000</b>	<b>14.1%</b>	<b>15.4%</b>	<b>6,892</b>	<b>109%</b>	<b>151.6</b>
Certificates	Female	29,725	19.0%	15.3%	5,066	80%	150.6
	Male	20,814	13.3%	12.1%	5,759	91%	119.9
	<b>Total</b>	<b>50,539</b>	<b>32.3%</b>	<b>27.4%</b>	<b>5,351</b>	<b>85%</b>	<b>270.4</b>
Other	Female	48	0.0%	0.0%	6,615	105%	317.5
	Male	146	0.1%	0.1%	5,957	94%	869.8
	<b>Total</b>	<b>194</b>	<b>0.1%</b>	<b>0.1%</b>	<b>6,120</b>	<b>97%</b>	<b>1,187.3</b>
<b>Total</b>	Female	91,151	58.3%	54.5%	5,901	93%	537.9
	Male	65,099	41.7%	45.5%	6,896	109%	448.9
	<b>Total</b>	<b>156,250</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6,316</b>	<b>100%</b>	<b>986.8</b>

#### Notes:

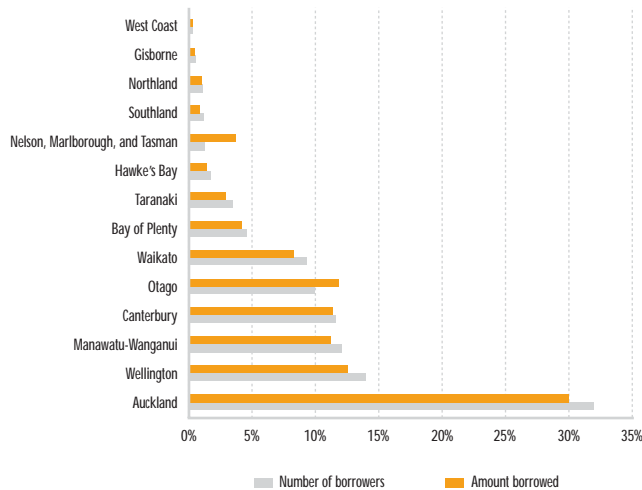
1. For the purpose of this table, student is defined as a person who received at least one payment under the Student Loan Scheme from StudyLink in the year specified.
2. Some students were enrolled in qualifications at more than one level. Therefore, the columns in this table will not sum to the totals shown in the table.
3. Data in this table is provisional.

Source: Ministry of Social Development (Qualification classification provided by Ministry of Education)

Those taking certificates borrowed less in 2003 than other qualifications while those taking diplomas and bachelors degrees borrowed more than the average.

## Student loan borrowers by study region

**Fig 17** (Table 39) Proportion of student loan borrowers<sup>24</sup> and amount borrowed by study region 2003



### Notes:

1. Study region is the region that the tertiary education provider gives as the study address.
2. For the purpose of this graph, a student is defined as a person who received at least one payment from StudyLink under the Student Loan Scheme in the year specified.
3. A student who studied in more than one study region is counted in each region they studied in.
4. Data in this figure is provisional.

Source: Ministry of Social Development

The distribution of borrowers by region broadly reflects the distribution of the population. In the 2001 Census, 32 percent of the population aged 15 to 64 lived in the Auckland region; around 32 percent of the borrowers were based in Auckland for their study and they were responsible for around 30 percent of borrowings. The Otago region had about 10 percent of borrowers but had only 5 percent of the population in 2001. The discrepancy reflects the fact that Otago draws a relatively high proportion of students from outside the region, so that the proportion of tertiary students in the population is somewhat higher. Average borrowings are higher in Otago than in most other regions. This may also be because a high proportion of students in that region are living away from their parental homes. The average living costs borrowing in the Otago region was over \$2,900, significantly higher than in Auckland and Wellington (both around \$1,700) and Canterbury (about \$2,000). The average fee component borrowed by those in Otago is also relatively high (nearly \$4,000). Taranaki and Northland are also areas with relatively high average compulsory fee borrowings. The figures for the Nelson/Tasman/Marlborough region are particularly high, reflecting the very high average fee borrowings of males in that region.

24. Table 39 in Appendix 5 gives the gender of borrowers in each region.

### Loan transactions by month in 2003

The following table shows the total amount borrowed or drawn down each month by component, and the total amount of administration fees, interest charged and repayments received, together with the amounts transferred to Inland Revenue (IRD), for all student loans processed by StudyLink between 1 January and 31 December 2003.

**Table 7** Loan transactions by month 2003

Month	Course fee	Course-related costs	Living costs	Admin fee	Interest	Repaid	Transferred to IRD
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
January	38.68	3.67	5.25	0.51	5.64	1.73	0.02
February	158.67	16.14	10.34	2.30	7.40	2.83	0.03
March	183.23	27.02	32.60	2.49	2.98	4.54	940.01
April	43.54	9.99	29.11	0.54	3.47	6.16	8.38
May	23.99	7.45	35.00	0.30	4.95	5.72	0.16
June	17.25	4.25	22.88	0.17	4.11	5.81	0.15
July	45.13	6.67	34.72	0.48	4.41	4.79	0.44
August	27.74	7.20	29.85	0.35	6.00	9.35	4.64
September	15.92	4.66	31.79	0.19	5.11	4.96	3.70
October	13.32	3.83	34.02	0.14	5.31	3.37	0.33
November	11.40	2.60	24.64	0.10	6.96	2.60	2.00
December	15.61	1.69	7.81	0.14	5.75	3.70	0.28
<b>Total</b>	<b>594.47</b>	<b>95.17</b>	<b>298.01</b>	<b>7.72</b>	<b>62.07</b>	<b>55.57</b>	<b>960.14</b>

**Notes:**

1. High levels of borrowing for fees and course-related costs in February and March reflect the start of the academic year for most students.
2. The majority of loans from the previous year are transferred to Inland Revenue in March.
3. The repaid figures include refunds made by institutions to students' loan accounts after students change their course of study, resulting in changes to the fees charged.
4. The amounts transferred to Inland Revenue include balances for deceased and bankrupt students which are transferred once this status is confirmed and not as part of the yearly transfer in February and March (following the year of study).

Source: Ministry of Social Development

**Table 8** Student allowances compared with student loan living costs (LC) borrowings 2003

	Number of students	Student allowances received	Living costs borrowed	Total allowances +LC	Average allowances	Average LC borrowed	Average allowances +LC
		\$million	\$million	\$million	\$	\$	\$
Student allowance only	42,174	278.404	N/A	278.404	6,601	N/A	6,601
Student allowances and living costs	21,862	114.196	41.137	155.332	5,223	1,882	7,105
Living costs only	57,785	N/A	257.135	257.135	N/A	4,450	4,450
<b>Total (living costs and/or students allowances)</b>	<b>121,821</b>	<b>392.600</b>	<b>298.272</b>	<b>690.871</b>	<b>3,223</b>	<b>2,448</b>	<b>5,671</b>

Source: Ministry of Social Development

### Comparison of loans with allowances

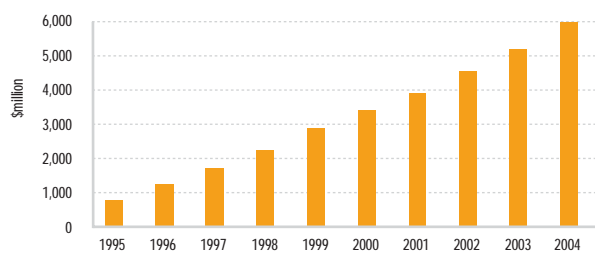
In 2003, there were 21,862 people who borrowed living costs under the Student Loan Scheme and who also received student allowances. This represented 14.0 percent of all 2003 borrowers and 27.4 percent of all who borrowed under the living costs entitlement. Conversely, 34.1 percent of allowances recipients used the Student Loan Scheme to supplement their living costs in 2003.

Those who received only a student allowance received \$6,601 on average in 2003 and those who also used the living costs entitlement under the Student Loan Scheme borrowed \$1,882 on average, and received \$7,105 under both schemes on average, while those who relied solely on the living costs entitlement under the Student Loan Scheme received \$4,450 during the year on average.

### Student loan debt

At 30 June 2004 the total balance of student loans was \$5,995 million, after the provision for doubtful debt was subtracted.<sup>25</sup>

**Fig 18** (Table 41) Value of student loans held by Inland Revenue at 30 June 1995–2004



Source: Inland Revenue

### Average student loan balance

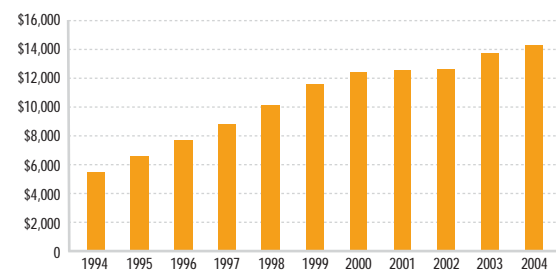
The median student loan balance at 30 June 2004 was just under \$10,000.<sup>26</sup> The average student loan balance now stands at \$14,242, compared with \$13,680 in 2003. This represents an increase of 4.1 percent between the 2003 and 2004 years.

The year-to-year change in the average loan balance depends on the combined effect of a number of factors:

- the volume of additional borrowings
- the number of new borrowers
- the volume of repayments made, and
- the number of borrower accounts closed as loans are repaid or as loan balances are cleared by write-offs.

All four factors are increasing in volume and/or numbers each year. The influence of each of the four factors is different. The combined effect of those four components on the resulting average debt figure can be unpredictable.

**Fig 19** (Table 42) Average student loan balance with Inland Revenue at 30 June 1994–2004



Source: Inland Revenue

25. This amount includes student loans held by the Ministry of Social Development as well as \$5,244 million with Inland Revenue.

26. The median loan balance is calculated by ranking all loan balances from lowest to highest and selecting the middle value.

### Range of student loan balances

There were 418,761 borrowers with outstanding debt held by Inland Revenue as at 30 June 2004, compared with 390,027 a year earlier and 360,612 in 2002. The total outstanding debt at that date was \$5,964 million,<sup>27</sup> an increase of \$697 million or 13.2 percent, compared with the total at the end of June 2003.<sup>28</sup> The following table shows the number and percentage of borrowers by student loan balances held by Inland Revenue as at 30 June 2004.

**Table 9** Range of loan balances held by Inland Revenue at 30 June 2004

Range of loan balances	Borrowers	Percentage	Cumulative percentage
\$1-\$1,999	42,996	10.27%	10.27%
\$2,000-\$3,999	43,411	10.37%	20.63%
\$4,000-\$5,999	47,539	11.35%	31.99%
\$6,000-\$7,999	41,848	9.99%	41.98%
\$8,000-\$9,999	36,122	8.63%	50.61%
\$10,000-\$14,999	66,354	15.85%	66.45%
\$15,000-\$19,999	40,051	9.56%	76.01%
\$20,000-\$24,999	29,753	7.11%	83.12%
\$25,000-\$29,999	20,416	4.88%	88.00%
\$30,000-\$34,999	15,412	3.68%	91.68%
\$35,000-\$39,999	10,430	2.49%	94.17%
\$40,000-\$44,999	7,578	1.81%	95.98%
\$45,000-\$49,999	5,201	1.24%	97.22%
\$50,000-\$54,999	3,527	0.84%	98.06%
\$55,000-\$59,999	2,403	0.57%	98.63%
\$60,000-\$79,999	4,393	1.05%	99.68%
\$80,000-\$99,999	982	0.23%	99.92%
over \$99,999	345	0.08%	100.00%
<b>Total</b>	<b>418,761</b>	<b>100.00%</b>	

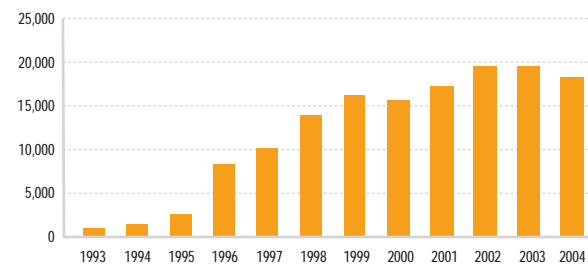
Source: Inland Revenue

Just over half of all loan balances are for amounts less than \$10,000. More than 66 percent of balances are less than \$15,000. Loan balances of \$40,000 or more make up less than 6 percent of all student loan borrowers, while less than 2 percent, or 8,123 borrowers, owe \$55,000 or more.

### Loan repayments

The number of loans fully repaid in the 2003/04 financial year was 18,002. The number who have repaid in full since the scheme began is 141,471, more than 25 percent of all who have used the scheme.

**Fig 20** (Table 46) Loans repaid to Inland Revenue updated at 30 June 1993-2004



Notes:

1. Because a student loan account can be finalised after the end of the fiscal year, the number of loans repaid for an earlier year may change.
2. While almost 20,000 loans were repaid during both the 2002 and 2003 years, as at 30 June 2004 only 18,002 loans had been finalised for the year ended 30 June 2004. It is expected that the number of loan accounts finalised for the year to 30 June 2004 will rise and in next year's report the figure for 2004 is likely to be higher.

Source: Inland Revenue

The total value of loan repayments collected by Inland Revenue since the scheme began is \$2,317 million. \$1,232 million has been collected via employers through the PAYE system with the balance of \$1,084 million coming directly from the borrowers. The majority of repayments have been made under the compulsory repayment regime while the remainder comprises repayments made on a voluntary basis.<sup>29</sup>

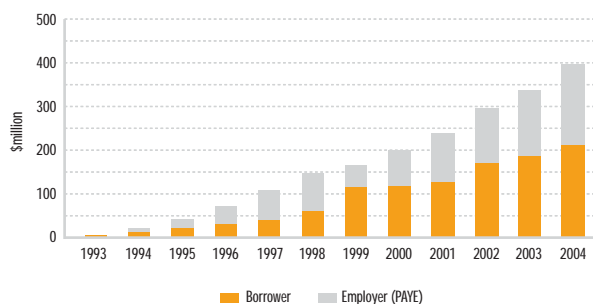
The following graph shows loan repayments split by borrower payments made directly to Inland Revenue, employer deductions and the combined totals repaid in each fiscal year.

27. This amount does not include loan balances held by StudyLink.

28. The 13.2 percent increase includes \$973.8 million of additional loan borrowings transferred from MSD to IRD over the period 1 July 2003 to 30 June 2004.

29. It is not currently possible to calculate the amount of voluntary repayments made in a year.

**Fig 21** (Table 47) Value of student loan repayments received by Inland Revenue – borrower/employer split at 30 June 1993–2004



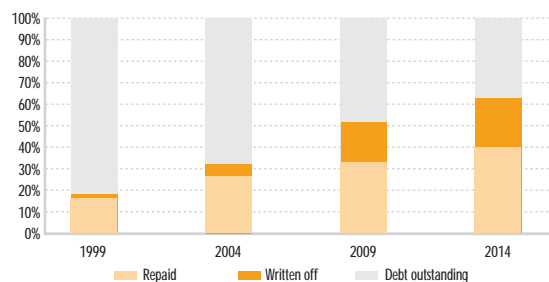
Notes:

1. Employer repayments are those paid by borrowers' employers to Inland Revenue by way of deduction from borrowers' incomes.
2. Borrower repayments are those made to Inland Revenue directly by the borrower.
3. A share of the borrower repayments related to voluntary repayments.
4. Borrowers are able to make voluntary repayments to Inland Revenue of any amount at any time.

Source: Inland Revenue

By 2015, it is expected that total repayments of debt each year will exceed borrowings through the loan scheme. More than a quarter of all debt incurred under the Student Loan Scheme since 1992 – through drawdowns, interest and penalties – has been repaid. About 8 percent has been written off. This means that 66 percent of all debt incurred remains outstanding. As the scheme has matured, these proportions have changed. In 1999, 16 percent had been repaid and less than 2 percent had been written off. By 2009, we expect that about a third of all debt incurred will have been repaid, nearly a fifth will have been written off and just under a half will still be outstanding. By 2014, it is forecast that 40 percent of all debt incurred will have been repaid, with more than 20 percent written off. This will leave less than 40 percent of all debt incurred outstanding. By 2029, half of all debt incurred is expected to have been repaid. The next graph shows the trend in the value of the debt against the trend in repayment.

**Fig 22** Proportion of loan repayments made, debt written off and debt outstanding 1999, 2004, 2009 and 2014



Source: Inland Revenue and Ministry of Education - TESLA model

### Overdue loan repayments

If a borrower does not pay the annual repayment obligation by the due date, the amount becomes overdue. A penalty of 2 percent per month is charged on the overdue amount, including any outstanding penalties, until the overdue amount is fully repaid. Once penalties begin to apply, interest is no longer charged on an overdue debt.

The level of overdue loan repayments as at 30 June 2004 was \$139.1 million, of which 28.3 percent (\$39 million) was under instalment arrangement for payment.<sup>30</sup>

The total amount overdue has increased from \$101.2 million in June 2003 to \$139.1 million in June 2004. This is an increase of 37.5 percent. The biggest contributor to this increase is the level of debt owed by borrowers with non-resident tax status. The average amount of overdue debt owed by overseas borrowers who have overdue debt at 30 June 2004 was \$7,091. This compares with an average amount of \$1,393 of overdue debt owed by those borrowers in New Zealand with overdue debt.

**Table 10** Overdue debt at 30 June 2002–2004

		Number of borrowers with overdue debt	Total number of borrowers	Amount overdue \$million	Total amount overdue \$million	% of total overdue debt	% of total borrowers with overdue debt
2002	Borrowers in NZ	35,015	42,872	40.7	75.2	54.1%	81.7%
	Borrowers overseas	7,857		34.5		45.9%	18.3%
2003	Borrowers in NZ	35,086	45,977	43.1	101.2	42.6%	76.3%
	Borrowers overseas	10,891		58.1		57.4%	23.7%
2004	Borrowers in NZ	41,638	53,075	58.0	139.1	41.7%	78.5%
	Borrowers overseas	11,437		81.1		58.3%	21.5%

Source: Inland Revenue

30. Instalment arrangement includes voluntary arrangements which are negotiated directly between the borrower and Inland Revenue, and enforced deductions which are made by a third party from monies payable to the borrower (eg deductions from salary/wages).

The nature of the repayment system for non-resident borrowers is such that many assessments are higher than those of borrowers still living in New Zealand. This means that if the assessment remains unpaid, the penalties are calculated on a higher overdue amount, thereby accelerating the increase in overall amounts overdue.

#### Non-resident borrower debt

The number of borrowers recorded as non-resident<sup>31</sup> as at 30 June 2004 was 25,379 (6.0 percent of all borrowers). Of these borrowers, 11,437 (45.1 percent) had overdue repayment obligations. Non-resident borrowers owe 58 percent of the total overdue debt, yet they make up just over 21 percent of all borrowers in default.

One of the contributing factors for the rising non-resident borrower debt is the difficulty in maintaining contact with borrowers who are overseas. Other factors, such as people working overseas for short periods to fund travel, can impede some borrowers' ability to pay. If an annual repayment obligation is not paid, then penalties are applied. Penalties accelerate the growth in overdue debt.

Inland Revenue has implemented a number of ways to improve their methods of keeping in contact with borrowers who are overseas.

During 2003, the Look at Account Service was launched on the Inland Revenue website. This service allows student loan borrowers to view their student loan balance, including any overdue amounts. The service has received positive feedback from borrowers.

In October 2003, a new repayment calculator was created for non-resident borrowers. This calculator enables non-resident borrowers to work out how much time and money they could save by paying a bit extra towards their loan.

In May 2004, Inland Revenue launched an online credit card repayment service for student loan borrowers. While the service is available to all student loan borrowers, it is expected to be of most benefit to overseas-based student loan borrowers because of the convenience, speed and cost-effectiveness of credit card repayment, especially when compared with other repayment options available for those living overseas, such as telegraphic transfer. Between late May and 30 June, nearly 300 payments, with a total value of over \$272,000, had been made using credit cards. Over 70 percent of these payments were from overseas credit cards. It is expected that the uptake of the service will increase over the coming months to 1,800 borrowers a month.

#### Duration of borrowers' absences overseas

There has been much comment about the number of student loan borrowers who leave New Zealand before fully repaying their loans. The following section comments on the likelihood that student loan borrowers will return to New Zealand. It should be read in conjunction with the information drawn from the integrated dataset on Student Loan Scheme Borrowers on graduates travelling overseas, found on page 41 of this report. The comments below relate to those who have declared to Inland Revenue that they have non-resident tax status.<sup>32</sup>

There is a long tradition of young New Zealanders travelling overseas following tertiary study. That is not necessarily a problem; those who travel and work overseas pick up skills, insights and perspectives that enhance their contribution to New Zealand on their return. There is only a problem with graduates going overseas after study if those people do not return to work in New Zealand in significant numbers.

A study of the time spent away from New Zealand by those with Student Loan Scheme debt confirms that the majority do return to New Zealand. Of the borrowers who left the country in 1996, nearly two-thirds had returned to New Zealand by June 2004.

Currently, about 60 percent of all those who have left New Zealand with student loan debt since the scheme began are still recorded as being overseas. Around two-thirds of all those borrowers still overseas have been away from New Zealand for less than four years and hence a significant majority of them are expected to return to New Zealand. Those who remain out of New Zealand for more than five years have a low propensity to return, however.<sup>33</sup>

These figures need to be put into context. More than 550,000 people have borrowed under the Student Loan Scheme since it began. Less than 5 percent of all those who have ever used the scheme were recorded as overseas in 2004.

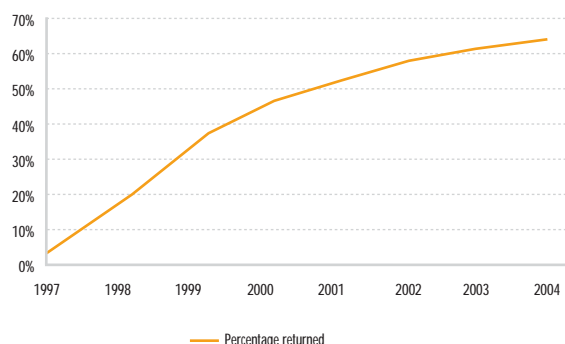
More research is to be conducted by Inland Revenue and the Ministry of Education over time on the characteristics of borrowers who travel overseas.

31. The number of borrowers overseas may be higher than reported due to borrowers leaving New Zealand without advising Inland Revenue

32. It is recognised that some people leave New Zealand without informing Inland Revenue. Therefore, there is an unquantified undercount of those overseas in this analysis.

33. While there is an inevitable loss of the investment made by the government in tertiary education whenever a highly qualified person emigrates, research shows that the number of immigrants with high qualifications matches the numbers emigrating. Refer to Hayden Glass and Wai Kin Choy (2001) *Braindrain or Brain Exchange?* The Treasury.

**Fig 23** (Table 45) Borrowers who left New Zealand in the year 1 July 1995 to 30 June 1996 and who have returned to New Zealand



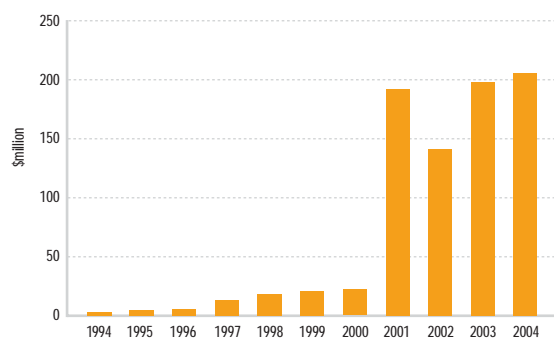
Source: Inland Revenue

### Interest write-offs

Since the beginning of the scheme, a total of \$816.6 million in interest charged has been written off. The number of borrowers entitled to an interest write-off has increased dramatically since the introduction in 2000/01 of full interest write-offs for full-time students and part-time students on low incomes. The income threshold for the full interest write-off for part-time students was \$25,909 for 2003/04 and \$26,140 for 2004/05. In 2000, the government also implemented the base interest reduction scheme or 50/50 rule which also increased the number of write-offs.

The following graph shows total interest write-offs by fiscal year.

**Fig 24** (Table 48) Value of interest write-offs<sup>34</sup> at 30 June 1994-2004



Note: The data in this graph relates to fiscal years (ie years ending 30 June). The data in Figure 25 relates to tax years (ie years ending 31 March). Therefore, there is an overlap between the fiscal year 2002 and the tax year 2003. Caution needs to be exercised in comparing the data in this graph with that in Figure 25.

Source: Inland Revenue

The decrease in the total amount written off for the fiscal year to June 2002 occurred because some of the write-off rules apply only to the base interest. During the fiscal year to June 2002, the base interest rate was set at 3.1 percent for nine months of this period (to 31 March 2002) and 5.1 percent for the last three months. The lower base interest rate in the tax year to 31 March 2002 meant the amounts written off were lower.

### Interest write-offs by type

Interest write-offs are calculated on a tax year basis (ie to 31 March of each year). The majority of interest write-offs in each tax year relate to the situation of the borrower in the previous calendar year. In the following graph, the write-offs for the year ending 31 March 2002 relate to the 2000 academic year, ie the 2001 income year, which was the first year in which full interest write-offs applied.

Except for the interest write-off given to full-time students, write-offs of interest depend on the borrower's level of income. The timing of when an interest write-off is applied to a borrower's loan account is dependent on when the borrower supplied income details to Inland Revenue. Interest write-offs can therefore be applied retrospectively. For instance, a write-off for the 2002 income year may be applied to a borrower's Inland Revenue account in 2004, if the 2002 return of income is filed late. One of the consequences of this rule is that the amount of interest written off for a particular year will change over the following few years, as late returns are processed. As a result, the amount shown as written off in the most recent year is likely to understate the final total amount written off.

There are three different types of interest write-offs<sup>35</sup> available to resident borrowers:

- full interest write-offs
- base interest write-offs, and
- base interest reduction.

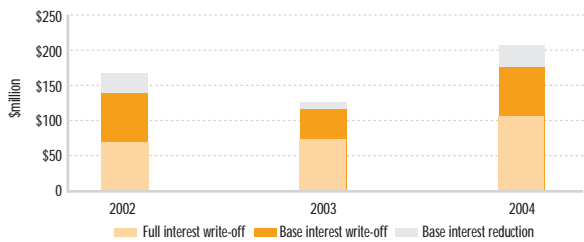
Interest write-offs were given to 287,029 borrowers during the income year ending 31 March 2004. The total amount written off for this period was \$208.5 million. \$106.9 million related to the full interest write-off for those in full-time study and for low-income, part-time students.

Borrowers whose income was less than the repayment threshold were credited with \$71 million in base interest write-offs. Borrowers earning over the repayment threshold were credited with \$30.6 million in base interest reductions.

34. The majority of interest write-offs for the 1999/2000 income year were credited to borrowers' loan accounts in October 2000. This means the values in the above table are understated for 1999/2000 and overstated for 2000/01.

35. See Appendices 1 and 6 for details on how these provisions work.

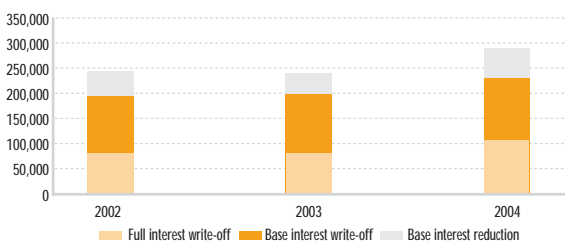
**Fig 25** (Table 49) Student loan interest write-offs by type and value at 31 March 2002–2004



Note: The data in this graph relates to tax years (ie years ending 31 March). The data in Figure 24 relates to fiscal years (ie years ending 30 June). Therefore, there is an overlap between the fiscal year 2002 and the tax year 2003. Caution needs to be exercised in comparing the data in this graph with that in Figure 24.

Source: Inland Revenue

**Fig 26** (Table 49) Student loan interest write-offs by type and number of recipients at 31 March 2002–2004



Source: Inland Revenue

**Interest write-offs for non-resident borrowers**

People who have finished studying in New Zealand and thus have stopped borrowing through the Student Loan Scheme and have taken up full-time study overseas may qualify for an interest write-off in certain circumstances.<sup>36</sup>

**Table 11** Number and value of non-resident interest write-offs to 31 March 2003–2004

Write-off type	2003		2004	
	Amount	Number of borrowers	Amount	Number of borrowers
Non-resident base interest write-off	\$297,430	336	\$264,504	312
Non-resident base interest reduction	\$10,108	23	\$8,800	11

Source: Inland Revenue

**Small balance write-offs**

Small balance write-offs occur where a person has repaid the loan but the last few dollars of the loan are still outstanding. These amounts are written off in accordance with sections 51 and 60 of the Student Loan Scheme Act 1992. The total value of small balance write-offs since the scheme began is \$169,450.

**Table 12** Value of small balance write-offs at 30 June 1993–2004

Year	Small balance write-offs
1993–1996	\$9,012
1997	\$9,355
1998	\$19,480
1999	\$24,877
2000	\$12,796
2001	\$18,473
2002	\$21,774
2003	\$29,190
2004	\$24,493
<b>Total</b>	<b>\$169,450</b>

Source: Inland Revenue

36. Refer to page 58 in Appendix 1 for details of the interest write-off provision for non-resident borrowers.

### Deceased and bankruptcy write-offs

The loan balances of deceased borrowers are written off under section 60 of the Student Loan Scheme Act 1992. \$4.4 million was written off for 192 deceased borrowers in the 2003/04 year.

The student loans of borrowers adjudicated bankrupt are written off under the Insolvency Act 1967. \$8.5 million was written off for 542 borrowers because of bankruptcy in the 2003/04 year, compared with 326 borrowers in the 2002/03 year.

Since the Student Loan Scheme was introduced, 2,855 borrowers have had a loan balance written off due to bankruptcy.<sup>37</sup>

The total amount written off for deceased and bankrupt borrowers since the scheme began is \$41.34 million.

**Table 13** Value of deceased and bankruptcy write-offs at 30 June 1998–2004

Year	Deceased \$million	Bankrupt \$million
1998	\$1.20	\$1.11
1999	\$2.29	\$2.30
2000	\$1.60	\$2.79
2001	\$2.33	\$2.83
2002	\$2.64	\$3.51
2003	\$2.26	\$3.52
2004	\$4.45	\$8.52

Source: Inland Revenue

The information held in this table shows the amount written off for bankrupt and deceased borrowers during the year to 30 June 2004. Some of these write-offs relate to deaths or bankruptcies in earlier years which were not finalised and applied until the year ending 30 June 2004.

The large increase in bankruptcy write-offs can be attributed to a number of different factors. In general, the size of the loan being written off for bankrupts is larger than those written off following bankruptcy in the past. For example, in the year ended June 2003, the Crown wrote off \$3.5 million for 326 borrowers (an average of \$10,736 for each borrower) compared with the year ended June 2004 when \$8.52 million was written off for 542 borrowers (an average of \$15,720 for each bankrupt borrower).

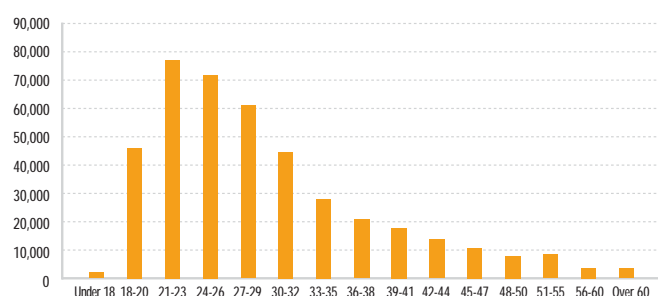
Another factor that impacts on the amount is the fact that it takes some time for a bankruptcy to be settled and hence for the actual write-off to occur. Finalisation of the bankrupt's account and the writing off of the loan balance cannot happen until the Official Assignee produces a final report on the case. In some cases, for various technical reasons, this is up to three years after the filing for bankruptcy.

### Borrowers in the population

As the Student Loan Scheme matures, an increasing proportion of the population has student loan debt. The 418,761 borrowers with student loan debt held by Inland Revenue on 30 June 2004 represented 13.2 percent of the population aged 15 and over. This compares with a proportion of 12.5 percent a year earlier and with 11.8 percent on 30 June 2002. On 30 June 2004, 3.2 percent of the population aged 15 and over had a student loan balance of greater than \$20,000, compared with 2.8 percent on 30 June 2003 and 2.5 percent a year earlier.

Over 60 percent of people who had loan balances with Inland Revenue on 30 June 2004 were under 30 years of age and 91 percent are under 45. Only 4 percent are over 50.

**Fig 27** (Table 43) Student loan borrowers with Inland Revenue by age at 30 June 2004



Source: Inland Revenue

The household savings survey<sup>38</sup> conducted by Statistics New Zealand in 2001 for the Retirement Commission gives an idea of the scale of student loan debt in relation to other forms of debt. The survey showed that student loan debt represented about 5 percent of all debt held by New Zealanders. Mortgages constituted 80 percent of total debt, bank debt 10 percent and credit card debt 3 percent. The median student loan debt of those surveyed (\$8,500) was higher than the median bank debt (\$3,000) and median credit card debt (\$1,000).

37. Inland Revenue does not bankrupt student loan borrowers solely on the basis of student loan borrowings or overdue repayment obligations.

38. Refer to Statistics New Zealand and the Retirement Commission, *The Net Worth of New Zealanders – a Report on their Assets and Debts*, www.stats.govt.nz, 2002.

## The integrated dataset on Student Loan Scheme borrowers

The integrated dataset on Student Loan Scheme borrowers combines:

- information collected by tertiary education providers on students and on their enrolments and courses
- information collected by StudyLink on students' borrowings under the Student Loan Scheme
- data on student loan balances and repayments from Inland Revenue, and
- Inland Revenue data on income and tax status.

The integrated dataset enables us to study the effects of the Student Loan Scheme by making linkages between those types of information and hence giving us a better understanding of, for example, the borrowing levels and repayment rates of different groups of borrowers.

The dataset currently contains matched records for the years 1997 to 2000. It is to be updated in December 2004 to include data from 2001 and 2002. It will then be extended annually with new waves of data. Over time, the integrated dataset will give us a longitudinal, multidimensional view of the scheme and hence will enable us to analyse and report on its impacts more fully.

The dataset also contains Inland Revenue data on income and debt for those who used the Student Loan Scheme between 1992 and 1996. That earlier data has not been matched to education or borrowing data.

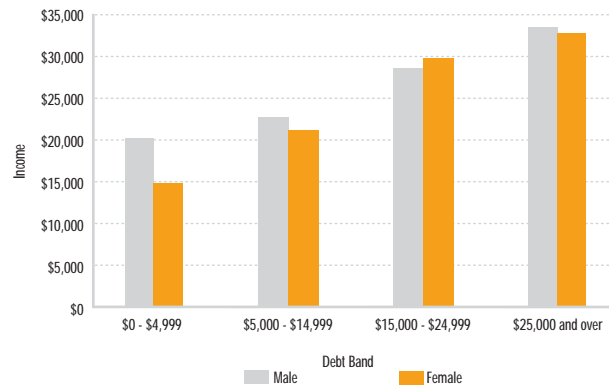
The data in the integrated dataset is not precisely comparable with the other statistical information in this report. There are a small number of records (about 7 percent) that could not be matched and hence that were excluded from the dataset. Therefore, the total number of records in the dataset is not exactly equal to the numbers in the agencies' databases.

The following graphs give some information drawn from the analysis of the dataset being undertaken by the Ministry of Education. This information complements the information set out elsewhere in this report.

### What the integrated dataset shows about the relationship between debt, qualifications and post-study income

Figures 28, 29 and 30 show the median earned income<sup>39</sup> in 2000 of those who last studied and borrowed in 1997 and relates that to the level of debt on finishing study.

**Fig 28** (Table 52) Median earned income in 2000 of those who last borrowed and studied in 1997, disaggregated by gender and by the level of 1997 debt balance



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

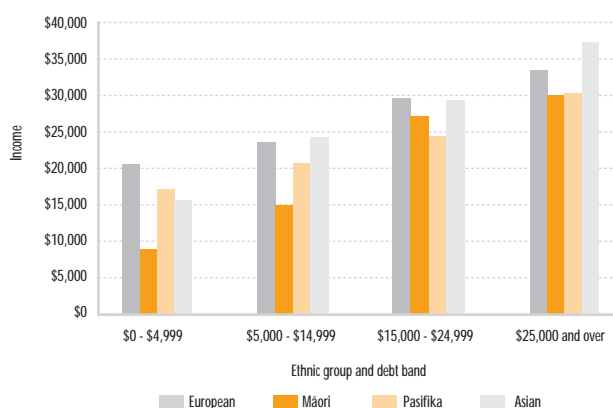
Those with higher debt on leaving study tended to have higher incomes three years after finishing study. The median income of those with debt over \$25,000 was \$32,890, compared with \$17,490 for those with debt under \$5,000. In part, this association reflects the fact that most higher level qualifications are of longer duration, meaning that those taking them are likely to have incurred higher debt. Those qualifications often lead to jobs that pay more.

The differences between the incomes of men and women are more pronounced among those who finish their studies with lower debt. Among those finishing with a debt of less than \$5,000, the median income of the men is more than \$5,000 or 36 percent higher than the median income for women. This margin is reduced to 3 percent for those finishing with debt over \$25,000 while women with debt between \$15,000 and \$25,000 earn slightly more than men with equivalent debt levels.

39. Earned income is earnings from wages, salaries, partnerships and self-employment and excludes interest, dividends and benefits.

Higher finishing debt is also associated with a lower disparity of income between ethnic groups. Figure 29 below relates median income in 2000 to finishing debt and breaks the population down by ethnic group.

Fig 29 (Table 53) Median earned income in 2000 by debt band and ethnic group for those who last borrowed and studied in 1997

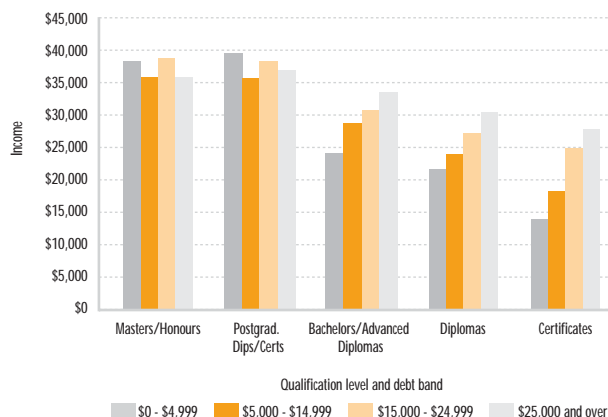


Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Of those with finishing debt of less than \$5,000, borrowers of European ethnic group have median income more than double that of Māori and 24 percent higher than Pasifika. This compares with margins of around 10 percent among those who finish with debt of more than \$25,000.

As noted above, higher level qualifications tend to be associated with higher income and higher debt. The median income three years after finishing study for those who took a masters or honours degree was \$39,700, for a bachelors degree it was \$35,490, while for a certificate it was \$20,520. Figure 30 shows that the association of higher debt to higher income held for bachelors degrees, diplomas and certificates. There was no clear relationship between size of debt and income level for those with a postgraduate qualification, however.

Fig 30 (Table 54) Median earned income in 2000 by debt band and highest qualification level completed for those who last borrowed and studied in 1997



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

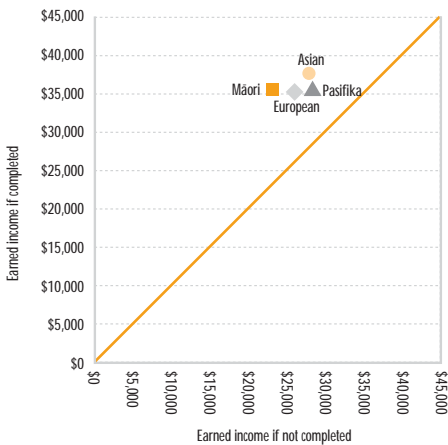
The association of reduced disparity and higher finishing debt is evident in Figures 29 and 30 above. To a considerable extent, that reduced disparity is associated with higher qualification levels. The following two graphs, drawn from the integrated dataset, illustrate the effects of tertiary education qualifications on disparities between different ethnic groups.

Each of the following graphs compares the median earned income in 2000 of those who completed their study in 1997, having successfully completed a qualification, with those who left study with the qualification incomplete. If a point is above the diagonal line, it means that the median income of those who completed successfully is higher than the median income of those who left without completing. The distance of a point from the diagonal line is a measure of the benefit of completing the qualification since a greater distance means that there is a greater difference between the median incomes of those who were successful and those who were not.

Figure 31 below shows that for bachelors degrees there is a difference between the median income of those who completed the qualification and those who didn't. The completion of the qualification is associated with higher earnings. This is true both of the first year out of study and also of earnings three years post study. The margin between those who did and those who did not complete was more than 30 percent for Asian and European borrowers and more than 50 percent for Māori. In addition, for those who did complete, there is a relatively smaller difference between the median incomes of different ethnic groups. This graph implies that completion of bachelors level qualifications is associated with reduced disparity in earnings between Māori

and other ethnic groups. In effect, the evidence is that completion of a higher level qualification mitigates the disadvantage experienced by different ethnic groups.

**Fig 31** (Table 55) Median earned income in 2000 for those who last borrowed and studied in 1997 at bachelors level by ethnic group and completion status

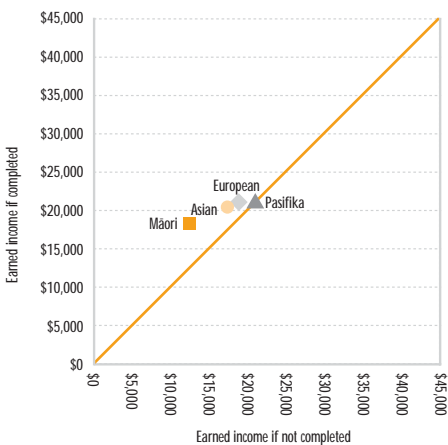


Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Figure 32 shows that:

- certificates have a lesser effect in the labour market, with the differences in median income three years post study between those who did complete a certificate and those who did not being negligible for most groups, but
- completion of a certificate is associated with a similar reduction in disparities between Māori and other ethnic groups.

**Fig 32** (Table 56) Median earned income in 2000 for those who last borrowed and studied in 1997 at certificate level by ethnic group and completion status



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

### What the integrated dataset shows about repayment rates

As people gain experience in the workforce, their incomes tend to rise. And as their incomes rise, so does the amount of compulsory repayment obligation. Therefore, repayment rates tend to start slowly but increase over time. This section analyses repayment rates for those who finished borrowing in 1994 and makes some comparisons with the repayment rates of those who finished studying and borrowing in 1997.

Repayment rates are considered by looking at progress to repayment – the percentage of the finishing debt that has been repaid by 2000.<sup>40</sup> Because the records of income and repayment relating to the years before 1997 are not matched in the integrated dataset to educational or borrowing data, there are limitations in the types of analyses that can be done on those who finished borrowing and studying in 1994.

The majority of those who last borrowed in 1994 had either repaid their loans completely or had made no progress at all in reducing their loan balance by 2000. Of those who last borrowed in 1994:

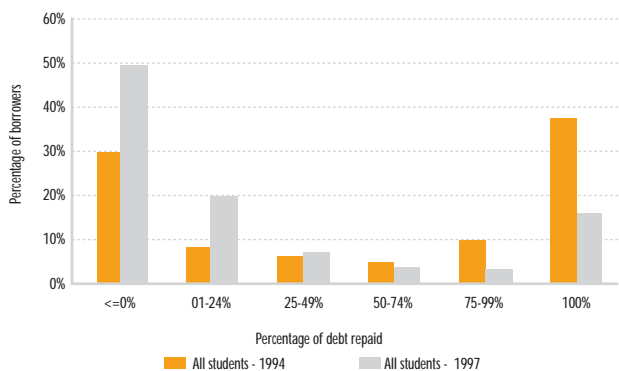
- 39 percent had repaid their loans completely by 2000, and
- 29 percent had a debt that was no smaller in 2000 than it was in 1994.

By contrast, of the 32,000 people who last borrowed and studied in 1997:

- only 18 percent had repaid their debt by 2000
- around 21 percent had paid off three-quarters or more of their debt by 2000, and
- nearly half had a debt that was no smaller in 2000 than it was in 1997.

This information is portrayed in the progress to repayment graph Figure 33 below.

**Fig 33** (Table 57) Percentage of debt repaid by 2000 for those who last borrowed in 1994 and those who last borrowed and studied in 1997

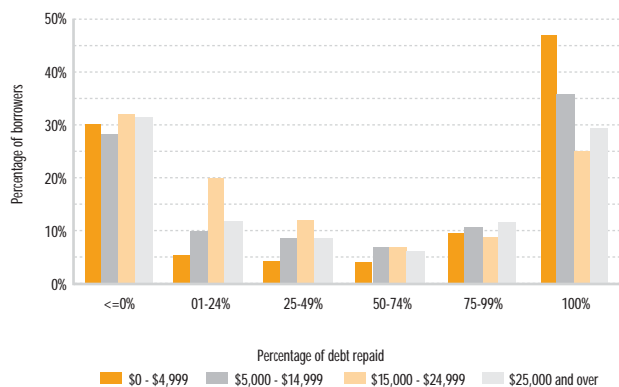


Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

40. There are a number of limitations in this study. The data relates only to the years 1997 to 2000. Therefore, the effects of the '50/50' rule, implemented in 2000, are not picked up. The 50/50 rule will tend to benefit borrowers making slow progress to repayment. The rule is explained in Appendix 1 (page 58) to this report.

The graph below shows the percentage of debt repaid by 2000 of those who last borrowed in 1994, broken down by the size of the debt in 1994. In every debt band, a majority of the borrowers have either completely repaid their debt or have made no progress. Predictably, those in the lowest of the four debt bands have the highest proportion (47 percent) having completely repaid. Less predictably, a relatively high proportion of those with low debt have made no progress. Equally interesting is that those in the over \$25,000 debt band have made more progress than those in the \$15,000 – \$24,999 band; 41 percent of those with finishing debt over \$25,000 had repaid three-quarters or more of their debt six years later, compared with 29 percent of those in the \$15,000 – \$24,999 band. To some extent, this finding is a consequence of the fact that higher debt is associated with higher post-study income. The pattern illustrates the fact that the repayment rate is determined by a mix of debt level and post-study income level.

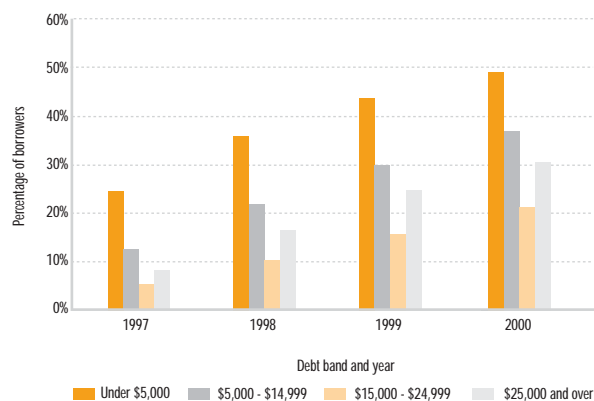
**Fig 34** (Table 58) Percentage of debt repaid by 2000 for those who last borrowed in 1994 by debt balance in 1994



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Another measure of the repayment rate is to look at the percentage of people who had fully repaid their debt year by year. The graph below illustrates the pattern observed in Figure 34 above by looking at the percentage of those who last borrowed in 1994 who had completely repaid their debt by 1997, 1998, 1999 and 2000.

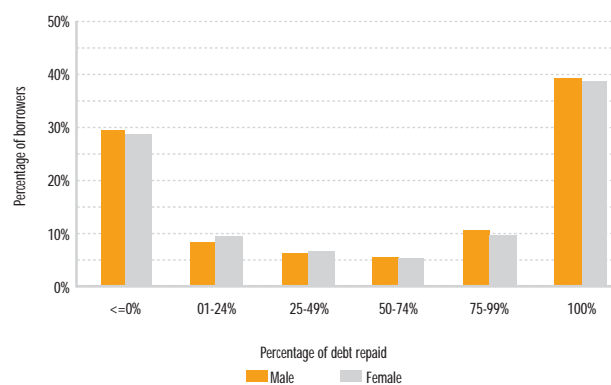
**Fig 35** (Table 59) Percentage of people who last borrowed in 1994 in each debt band who had fully repaid their debt by 1997, 1998, 1999 and 2000



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

The integrated dataset shows that, in general, in the initial years post study, there is little discernable difference in the repayment rates of men and women. To some extent, this finding reflects the fact that many women do not take time out of the workforce for child rearing in the first years after finishing tertiary study. The graph below gives the data on the progress to repayment by 2000 of those who last borrowed in 1994.

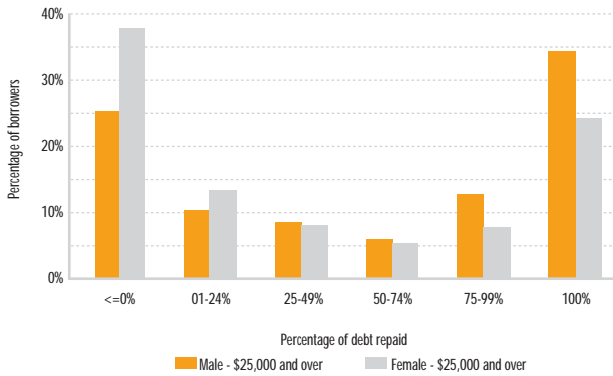
**Fig 36** (Table 60) Percentage of debt repaid by 2000 for those who last borrowed in 1994 by gender



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

While there is little difference between the repayment rates of men and women in general, there is a difference if we focus just on those with high debt. Of those who finished borrowing in 1994 with debt of over \$25,000, around a third of the men had completely repaid their debt by 2000, compared with only about a quarter of the women. It should be noted, however, that this debt band contains relatively fewer borrowers.

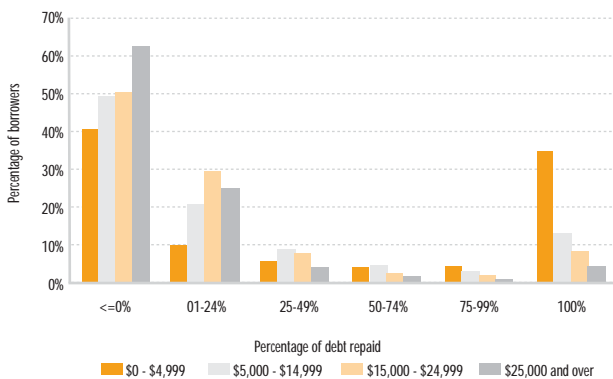
**Fig 37** (Table 60) Percentage of debt repaid by 2000 for those who last borrowed in 1994 by debt balance in 1994 and gender – those with a graduating debt of less than \$25,000



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

The accelerating rate of repayment over time is illustrated by comparing the progress to repayment data for those who last borrowed in 1994 with the equivalent data for those who last borrowed in 1997. Figure 38 below gives progress to repayment for those who last borrowed in 1997, broken down by debt band. In contrast with the pattern displayed in Figure 37 above, progress to repayment in the first three years post study is inversely correlated to the level of debt, with those in the highest debt band having made the least progress – 63 percent had made no progress and only 4 percent had completely repaid, compared with 35 percent having completely repaid of those with debt of under \$5,000.

**Fig 38** (Table 61) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by debt balance in 1997

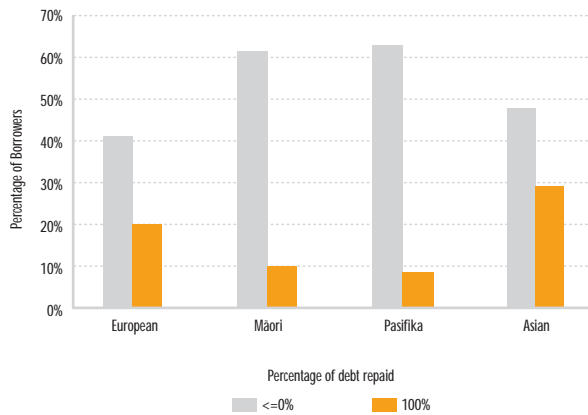


Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Comparing the patterns observed in Figures 37 and 38 implies that the differences in progress to repayment between debt bands are reduced over time. Further, the higher earning potential of many of those in high debt bands means that a significant proportion of those with high debt begin to make rapid progress following the first three years post study.

Figures 39 and 40 below look at repayment progress for those who finished studying and borrowing in 1997 for different qualification types and for ethnic groups. Each of these graphs shows the percentage that had completely repaid their loans after three years and the percentage that had made no progress.

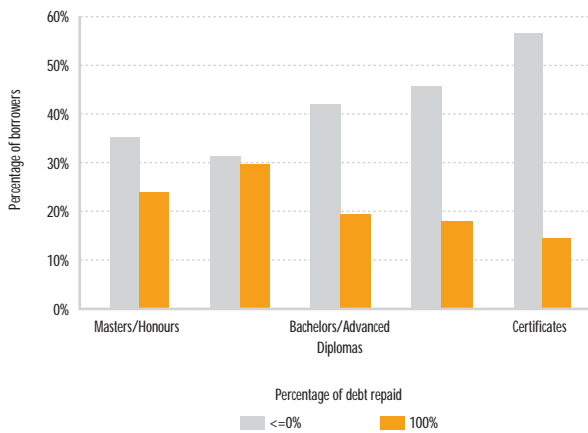
**Fig 39** (Table 62) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by ethnic group



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

There are significant ethnic differences in repayments three years post study. Just 10 percent of Māori and 8 percent of Pasifika students had repaid their loans, compared with 20 percent for European and 29 percent for Asian groups. Conversely, nearly two-thirds of Māori and Pasifika students had not reduced their debt at all three years after study, compared with 41 percent and 47 percent for European and Asian groups respectively.

**Fig 40** (Table 63) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by level studied in 1997

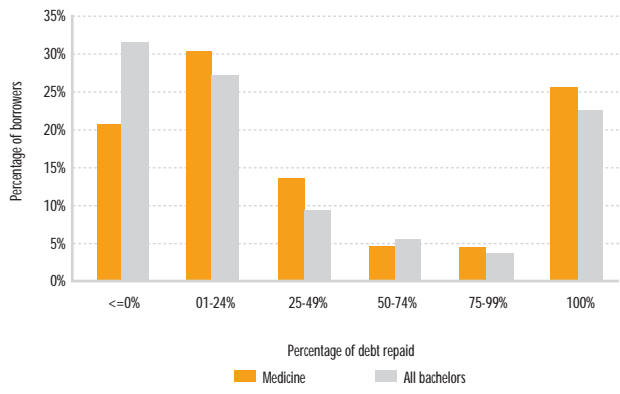


Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Those who completed studying postgraduate certificates and diplomas in 1997 had made the most progress to repayment by 2000, with around 30 percent having repaid completely and slightly over 30 percent having made no progress to repayment. That finding might be expected, given the fact that postgraduate certificates and diplomas are designed for those who already have a degree level qualification and are often done part-time by those who are already in work and are retraining. By contrast, of those who had been studying at certificate level, only about 15 percent had repaid while more than half had made no progress.

At times, concerns have been raised about the levels of debt and the repayment times of particular groups of students. An example of this is those graduating with medical degrees. The median student loan debt of those who last studied and borrowed in 1997 for a medical degree was \$44,080, roughly triple the median debt of those who finished studying for non-medical bachelors degrees. Those who studied medicine, however, had made significantly better progress to repayment than borrowers who had taken other bachelors degrees. By 2000, 26 percent of those who had completed medical degrees in 1997 had repaid completely, against 22 percent for those who had successfully completed non-medical bachelors degrees. Significantly, the proportion of those with medical degrees who had made no progress was low, at 21 percent.

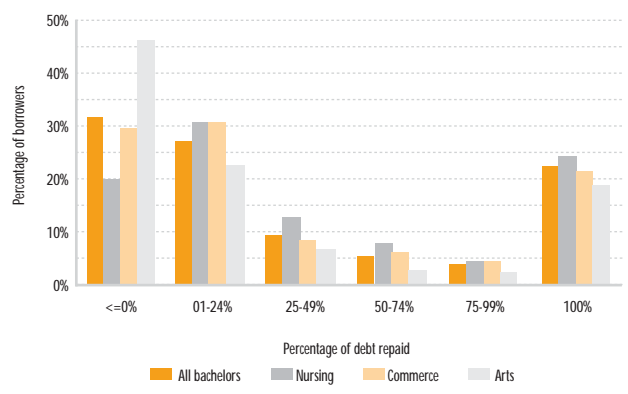
**Fig 41** (Table 64) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 and had successfully completed in 1997 – all bachelors degrees and medical degrees



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

A similar analysis was also conducted of those who had taken bachelors degrees in other fields – nursing, commerce and arts. Nursing shows a similar pattern to medicine, with relatively rapid progress to repayment. Commerce degrees display a pattern of progress to repayment more typical of bachelors degrees as a whole, while those who had taken arts degrees were making slower progress to repayment.

**Fig 42** (Table 64) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 and had successfully completed in 1997 – all bachelors degrees, nursing, commerce and arts degrees



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

### What the integrated dataset shows about people travelling overseas

There has often been concern about the number of young people who leave New Zealand following tertiary education. It is sometimes alleged that student loan debt is a factor that encourages young people to go overseas.

There is nothing wrong with New Zealanders living overseas for a period following graduation. There is a long tradition of New Zealanders travelling and living overseas in the years following completion of tertiary study. Many return to New Zealand after several years. There are benefits for the country as those people return to New Zealand, having had the experience of working in other countries. Residing overseas is a problem only if large numbers choose to live and work overseas for an extended period.

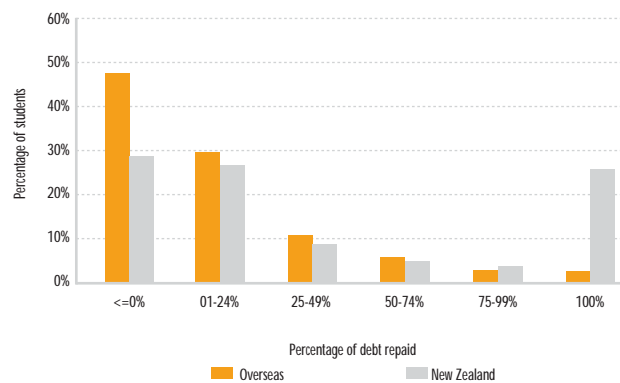
Around 8 percent of the people who last studied and borrowed in 1997 had declared that they were residing overseas in 2000. That proportion is, however, associated with a number of interrelated factors. The proportion is higher among those in their early twenties than in other age groups. It is also higher among those with higher level qualifications, with about half of all of those overseas having studied at the bachelors level. The proportion is lower among Māori and Pasifika borrowers.

The table below also shows that people with higher debt are more likely to have declared themselves overseas than those with lower debt, with nearly one in five of those whose 1997 debt balance was over \$25,000 recorded as being overseas in 2000.

The Student Loan Scheme repayment rules are different for people resident overseas. They are not eligible, for instance, for most of the interest write-offs or reductions given to low-

income people following study. Nor do they have the benefit of having their regular repayments paid directly to Inland Revenue through the tax system. They have to repay at a minimum rate of \$1,000 per year plus interest or at a higher rate which will retire their debt within 15 years. As a result of these differences, repayment rates are poorer for those resident overseas. The progress to repayment graph below for those who studied at the bachelors level in 1997 illustrates the difference.

**Fig 43** (Table 65) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 at the bachelors level by residency status in 2000



Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers.

Only 3 percent of those who were overseas had completely repaid, compared with 22 percent of those in New Zealand. Of those overseas, 54 percent had made no progress at all, compared with 41 percent of those in New Zealand.

**Table 14** Percentage of borrowers who last borrowed and studied in 1997 declared as overseas in 2000 by 1997 debt balance

Debt band	All borrowers			Borrowers whose 1997 study was at the bachelors level		
	Overseas	Total	Percentage overseas	Overseas	Total	Percentage overseas
Under \$5,000	297	9,462	3%	12	537	2%
\$5,000 – \$14,999	942	13,962	7%	189	1,710	11%
\$15,000 – \$24,999	666	5,253	13%	252	1,512	17%
\$25,000 and over	714	3,900	18%	324	1,572	21%
<b>Total</b>	<b>2,619</b>	<b>32,577</b>	<b>8%</b>	<b>780</b>	<b>5,388</b>	<b>14%</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Student Loan Scheme

# FINANCIAL STATEMENTS

for the Year Ended 30 June 2004

## Financial Statements for the Year Ended 30 June 2004

The financial statements for the Student Loan Scheme comprise schedules of revenue, expenditure and assets and details of cash flow items relating to student loans. The Ministry of Social Development (MSD) and Inland Revenue (IRD) administer the government revenue and expenditure, assets and cash flows relating to student loans on an agency basis on behalf of the Crown, within policy parameters set by the Ministry of Education (MOE).

The financial information represents extracts from the financial statements of Crown activities carried out by the entities administering student loans to provide an overview of the Student Loan Scheme.

The schedule of assets shows a value as at 30 June 2004 of \$5,995 million. This value is net of the doubtful debt provision of \$825.7 million.

## Statement of Accounting Policies for the Year Ended 30 June 2004

### Reporting Entity

The scheme is a Crown activity which forms part of the consolidated financial statements of the Government of New Zealand. The scheme has dimensions of revenue, expenditure, assets and cash flows within the overall Crown accounts. Crown financial information relating to student loans is extracted from the administering agencies' accounts to present a separate financial overview of the scheme.

### Statutory Authority

The Student Loan Scheme is administered jointly by the Ministry of Education, the Inland Revenue Department and the Ministry of Social Development, under the Student Loan Scheme Act 1992, the Credit Contracts Act 1981 and the Education Act 1989.

### Measurement System

The financial statements have been prepared on an historical cost basis.

### Accounting Policies

The following accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

#### Budget figures

The budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supp. Estimates) and any transfer made by Order in Council under section 5 of the Public Finance Act 1989. The budget figures provided are extracted from the details of the Estimates of Appropriation for Inland Revenue and the Ministry of Social Development, as applicable. The totals shown are the combined totals for the applicable agencies.

#### Interest

Interest is calculated on the student loan account balances as at 1 April each year on a daily basis at a rate determined by the government, currently 7 percent per annum. Interest is written off where qualifying criteria are met.

#### Advances

Advances are financial instruments and are recorded at the amounts expected to be ultimately collected in cash. Forecast repayments for the next year are used to calculate the current portion of advances.

#### Provision for doubtful debt

Doubtful debt is provided for as follows:

Capital provision	11.4 percent (2003 11.4 percent)
Interest write-off provision	50 percent (2003 46.5 percent)

### Changes in Accounting Policies

There have been no significant changes in the Crown accounting policies applicable to the preparation of the student loan financial statements of Crown activities administered by the Ministry of Social Development and Inland Revenue for Crown consolidation, from those used in the previous year. All Crown accounting policies have been applied on a basis consistent with the previous year.

## Schedule of Revenue and Expenditure for the Year Ended 30 June 2004

Actual 2003 \$million		Note	Actual 2004 \$million	Main Estimates 2004 \$million	Supp. Estimates 2004 \$million
<b>Revenue</b>					
61.3	Interest income	MSD	63.2	40.8	60.2
331.8	Interest and penalty income	IRD	383.9	395.2	395.2
7.6	Administration fees	MSD	7.8	8.2	8.0
<u>400.7</u>	<b>Total Revenue</b>		<u>454.9</u>	<u>444.2</u>	<u>463.4</u>
<b>Expenditure</b>					
198.1	Interest and small balance write-offs	IRD/MSD	204.5	164.1	164.1
5.8	Deceased and bankruptcy write-offs	IRD	13.0	10.9	10.9
-2.3	Increase/(Decrease) in provision for doubtful debt	MSD	3.4	3.8	8.3
89.4	Increase/(Decrease) in provision for doubtful debt	IRD	98.6	84.2	84.2
<u>291.0</u>	<b>Total Expenditure</b>		<u>319.5</u>	<u>263.0</u>	<u>267.5</u>
<u>109.7</u>	<b>Net Surplus</b>		<u>135.4</u>	<u>181.2</u>	<u>195.9</u>

- The accompanying accounting policies and notes form part of these financial statements.
- Budget figures represent the combined total for the applicable agencies.
- For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2004.
- Details of the Consolidated Movements Schedule for the year ended June 2004 are shown in Note 1.

## Schedule of Assets as at 30 June 2004

Actual 2003 \$million		Note	Actual 2004 \$million	Main Estimates 2004 \$million	Supp. Estimates 2004 \$million
<b>Current Assets</b>					
1,314.1	Student loan advances		1,417.6	1,326.2	1,344.4
(161.2)	Student loan provision	2	(174.7)	(164.2)	(167.0)
<u>1,152.9</u>	<b>Total Current Assets</b>		<u>1,242.9</u>	<u>1,162.0</u>	<u>1,177.4</u>
<b>Non-Current Assets</b>					
4,780.1	Student loan advances		5,403.0	5,551.7	5,551.7
(562.6)	Student loan provision for doubtful debt	2	(651.0)	(649.3)	(649.3)
<u>4,217.5</u>	<b>Total Non-Current Assets</b>		<u>4,752.0</u>	<u>4,902.4</u>	<u>4,902.4</u>
<u><u>5,370.4</u></u>	<b>Total Assets</b>		<u><u>5,994.9</u></u>	<u><u>6,064.4</u></u>	<u><u>6,079.8</u></u>

- The accompanying accounting policies and notes form part of these financial statements.
- Budget figures represent the combined total for the applicable agencies.
- For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2004.
- Details of the Consolidated Movements Schedule for the year ended June 2004 are shown in Note 1.

## Schedule of Cash Flows for the Year Ended 30 June 2004

Actual 2003 \$million	Note	Actual 2004 \$million	Main Estimates 2004 \$million	Supp. Estimates 2004 \$million
<b>Cash Flows – Operating Activities</b>				
Cash was provided from:				
186.1	Interest repayments received	215.9	203.1	203.1
186.1	Net Cash Inflow (Outflow) from Operating Activities	215.9	203.1	203.1
<b>Cash Flows – Investing Activities</b>				
Cash was provided from:				
251.9	Capital repayments received	293.5	280.2	280.2
Cash was disbursed for:				
(951.9)	Amount borrowed in current year	(996.9)	(996.1)	(996.9)
(7.6)	Administration fees on loans made in current year	(7.8)	(8.2)	(8.0)
(707.6)	Net Cash Inflow (Outflow) from Investing Activities	(711.2)	(724.1)	(724.7)
(521.5)	Net Student Loan Cash Inflow (Outflow)	(495.3)	(521.0)	(521.6)

- The accompanying accounting policies and notes form part of these financial statements.
- Budget figures represent the combined total for the applicable agencies.
- For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2004.
- Details of the Consolidated Movements Schedule for the year ended June 2004 are shown in Note 1.

## Notes to the Financial Schedules for the Year Ended 30 June 2004

### Note 1: Consolidated Movements Schedule for the Year Ended 30 June 2004

Consolidated Actual		Consolidated Actual	Inland Revenue IRD	Ministry of Social Development MSD
2003 \$million		2004 \$million	2004 \$million	2004 \$million
4,749.7	Student Loans Opening Balance	5,370.4	4,649.8	720.6
0.0	Loans transferred from MSD to IRD	0.0	973.8	(973.8)
951.9	Amount borrowed in current year	996.9	0.0	996.9
7.6	Administration fees on loans made in current year	7.8	0.0	7.8
(251.9)	Less capital repayments made in the current year	(293.5)	(231.2)	(62.3)
707.6	Net Change in Student Loan Capital	711.2	742.6	-31.4
393.1	Accrued interest	447.1	383.9	63.2
(186.1)	Interest repayments	(215.9)	(215.9)	0.0
(203.9)	Interest, small balance, deceased, bankrupt and write-offs	(217.5)	(217.5)	0.0
3.1	Net Increase (Decrease) in Interest Receivable	13.7	(49.5)	63.2
(87.1)	Change in provision for doubtful debt	(102.0)	(98.6)	(3.4)
(2.9)	Other movements	1.6	(0.4)	2.0
5,370.4	Student Loans Closing Balance	5,994.9	5,243.9	751.0

## Note 2a: Provision for Doubtful Debt

Actual 2003 \$million		Actual 2004 \$million
	<b>Current</b>	
103.5	Provision for doubtful debt – MSD	106.9
57.7	Provision for doubtful debt – IRD	67.8
<u>161.2</u>	<b>Total Current Provision</b>	<u>174.7</u>
	<b>Non-Current</b>	
562.6	Provision for doubtful debt – IRD	651.0
<u>562.6</u>	<b>Total Non-Current Provision</b>	<u>651.0</u>
<u>723.8</u>	<b>Total Provision for Doubtful Debt</b>	<u>825.7</u>

The split of provision between interest and principal amounts is set out below:

## Note 2b: Provision for Doubtful Debt

Actual 2003 \$million		Actual 2004 \$million
	<b>Principal</b>	
90.9	Provision for doubtful debt – MSD	94.6
562.6	Provision for doubtful debt – IRD	638.4
<u>653.5</u>	<b>Total Principal</b>	<u>733.0</u>
	<b>Interest</b>	
12.6	Provision for doubtful debt – MSD	12.3
57.7	Provision for doubtful debt – IRD	80.4
<u>70.3</u>	<b>Total Interest</b>	<u>92.7</u>
<u>723.8</u>	<b>Total Provision for Doubtful Debt</b>	<u>825.7</u>

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death<sup>41</sup> and loans discharged as a result of bankruptcy.

The methodology used to provide for student loans contains a capital and an interest component. These provisions are periodically reviewed for appropriateness and the methodologies updated where necessary.

41. There is no write-off for 'defaulters' but debt that accumulates due to people not meeting their repayment obligations is written off as a death write-off when the person dies.

The calculation methodology that has been used to determine the provision for doubtful debt is: –

### Capital provision

The provision on the outstanding capital issued is 11.4 percent (2003, 11.4 percent). The provision level was revised in 2003, following a comprehensive review of the underlying assumptions used to derive the proportion of current borrowing that is not expected to be repaid.

The key variables that impact on the expected level of write-off relate to death and bankruptcy write-offs. The underlying assumptions regarding the borrowing characteristics and income growth profiles of borrowers and the expected level of defaulters are based on the most current information. The provision is sensitive to the assumptions on borrowing characteristics and income growth profiles, and so will be regularly reassessed as new information becomes available. A 1 percent shift will impact on the provision level by around \$56 million.

### Interest write-off provision

The provision for interest write-offs on interest accrued after 31 December 1999 was reviewed in light of changes to government policy, resulting in a substantial increase in the provision level to 70 percent (from 17 percent). This reflected changes to the Student Loan Scheme allowing the full write-off of interest while students continue to study, along with the increased income thresholds used to determine repayments through the income tax system. The effective provision for interest write-offs from 1 January 2003 was approximately 46.5 percent and from 1 January 2004 it was approximately 50 percent. The interest rate provision is reviewed annually.

### Note 3: Financial Instruments

Financial instruments arrangements occur as part of the everyday operations of the scheme, through the provision of loan advances.

#### Credit Risk

For the Student Loan Scheme, credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, causing the scheme to incur a loss.

The Student Loan Scheme policy does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the Student Loan Scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by collection of compulsory repayments through the tax system.

#### Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates. Changes could impact on the government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the government.

#### Fair Value

The fair value of the student loan debt as at 30 June 2004 has been determined to be approximately \$5,734 million (\$5,592 million at 30 June 2003). The fair value is less than the book value, but this is not considered an impairment. This change is largely the result of the change to the discount rate used in the fair value calculation (ie higher discount rate equates to lower value). The fair value has been calculated using a model constructed for the Ministry of Education in 2003 which integrates students' educational and demographic information with data on loans and income that is held securely by Statistics New Zealand. A critical assumption is the discount rate which is based on the after-tax, risk-free rate plus a risk premium (total discount rate around 5 percent). A 1 percent shift in the discount rate alters the value by approximately \$300 million. The accuracy of the fair value determination is expected to improve as the fair value model is further developed.<sup>42</sup>

42. Additional information about the fair value of the scheme can be found on pages 13 and 16.

## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE STUDENT LOAN SCHEME FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of the financial statements of the Student Loan Scheme. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Student Loan Scheme, on his behalf, for the year ended 30 June 2004.

#### Unqualified opinion

In our opinion the financial statements of the Student Loan Scheme on pages 42 to 50:

- ▲ have been prepared with regard to generally accepted accounting practice in New Zealand;
- ▲ and fairly reflect:
  - the assets as at 30 June 2004; and
  - the revenue and expenditure, and cash flows for the year ended on that date.

The audit was completed on 5 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Chief Executives of the Ministry of Education, Inland Revenue Department and Ministry of Social Development, and the Auditor, and explain our independence.

#### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

#### Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▲ verifying samples of transactions and account balances;
- ▲ performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the Chief Executives in the preparation of the financial statements;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate to the circumstances of the Student Loan Scheme and consistently applied; and
- ▲ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

### Responsibilities of the Chief Executives of the Ministry of Education, Inland Revenue Department and Ministry of Social Development and the Auditor

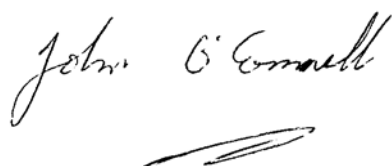
The Chief Executives are responsible for preparing financial statements with regard to generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Student Loan Scheme as at 30 June 2004. They must also fairly reflect the results of its revenue and expenditure, and cash flows for the year ended on that date.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

### Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Student Loan Scheme.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of The Student Loan Scheme for the year ended 30 June 2004 included on Ministry's website. The Chief Executive is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Ministry's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 5 October 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# APPENDICES

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## Appendix 1 Key features of the Student Loan Scheme

### The administration of the Student Loan Scheme

#### The Ministry of Education's role

The Ministry of Education was responsible for managing both the policy aspects and the operation of the scheme, apart from the collection of repayments, from the inception of the Student Loan Scheme in 1992 until the end of 1999. Since the operation of the scheme was transferred to Work and Income NZ (now the Ministry of Social Development) on 1 January 2000, the Ministry of Education has retained the strategic policy responsibilities for the scheme.

#### The Ministry of Social Development's role

StudyLink (a service of the Ministry of Social Development) is responsible for the delivery and administration of the payment of student loans. This involves the receipt and assessment of applications from students, together with the administration of the payment of compulsory fees to providers, and living costs and course-related costs to students. Individual loan accounts are managed on a yearly cycle, with the loan balance being transferred each year to Inland Revenue for collection.

The delivery and administration of student loans is integrated with other support provided to students: student allowances, the Training Incentive Allowance and the Unemployment Benefit Student Hardship.

StudyLink delivers student financial support using centralised processing, complemented by regional service centres. StudyLink makes significant use of call centre and internet technology to communicate and interact with students and education providers.

#### Inland Revenue's role

Inland Revenue is responsible for the assessment and collection of student loan repayments once loans have been transferred to them for collection. Inland Revenue also determines entitlement to a full interest write-off for full-time, full-year students and low-income students, and a base interest write-off or reduction for other eligible borrowers.

In addition, Inland Revenue is responsible for the Student Loan Scheme Act 1992, and the annual regulations made under that Act which set the interest rates, the full interest write-off threshold for low-income students and the repayment threshold.

Further information on the scheme and the responsibilities of each of the agencies can be found at their respective websites:

Ministry of Education –  
[www.minedu.govt.nz/goto/studentloans](http://www.minedu.govt.nz/goto/studentloans)

StudyLink –  
[www.studylink.govt.nz](http://www.studylink.govt.nz)

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

### The elements of the Student Loan Scheme

#### Eligibility

As a prerequisite to borrowing under the Student Loan Scheme, borrowers must sign a loan contract with the Crown. Students who are less than 18 years old need parental consent before they can borrow. Undischarged bankrupts are not eligible to apply for a student loan.<sup>43</sup> To be eligible for a loan a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand, and
- be enrolled in an approved qualification at a recognised tertiary education provider, and
- be studying full-time for not less than 12 weeks, or part-time for a full-year (32 weeks or longer), or part-time for part of the year (less than 32 weeks) with a course load of 0.3 EFTS or more.<sup>44</sup>

Further information about entitlements and how to apply for student financial support can be found on the StudyLink website at [www.studylink.govt.nz](http://www.studylink.govt.nz).

#### 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

Students at public tertiary education institutions<sup>45</sup> can borrow the full amount of their compulsory tuition fees, while students at Private Training Establishments (PTEs) can borrow up to a maximum of \$6,500 for their fees in each year of study. From 1 January 2005, the limit of \$6,500 for PTE students will be removed as the fees/course cost maxima policy is phased in.

43. The government is putting in place a new insolvent debtor status, the 'no asset procedure', as an alternative to bankruptcy. This procedure will be introduced by the Insolvency Law Reform Bill, which is expected to be enacted in 2005/06. From 1 January 2006, 'no asset procedure' debtors will be able to access the Student Loan Scheme (although those assessed as 'no asset' debtors will not be able to have their loan written off).

44. From 1 January 2005, the course requirement for part-time, part-year study will be expanded to enable students who are studying between 0.25 and 0.3 EFTS to access the tuition fee component of the Student Loan Scheme, if their course meets certain vocational conditions and they are in employment or studying for a qualification that will lead to employment.

45. These are the universities, colleges of education, polytechnics, and the three wānanga that are recognised under the Education Act 1989.

Student loan compulsory fee entitlements are directly credited to the borrower's chosen tertiary education provider.

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

#### Course-related costs

Students can borrow up to \$1,000 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 plus an estimate of the expected cost, or receipts for expenses incurred.

Students studying part-time for part of the year are not able to access this component of the Student Loan Scheme.

#### Living costs

Only full-time students studying for 12 weeks or more can access a living costs entitlement of \$150 per week for each week of the course, less any net entitlement to student allowances.<sup>46</sup> The living costs 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.

#### Administration fee

Each time a new loan account is established, an administration fee of \$50 is charged. This is added to the student's loan balance when the student first draws from the loan account, or when fees are transferred to the provider (on the student's instructions). If a student cancels the loan within seven days of the loan account being established, and 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.

#### Transfer of closed loan accounts to Inland Revenue

StudyLink calculates interest to the 28 February loan transfer date for every loan account in which the course of study was completed by 31 December of the previous year, and transfers these loans to Inland Revenue for collection. In January, prior to the loan transfer, StudyLink issues final statements to borrowers, confirming the loan balance that will be transferred and providing an opportunity for borrowers to object to the loan balance if they believe it is incorrect. Loans

are transferred to Inland Revenue in either March or early April, provided any outstanding objections have been resolved. Interest is charged by Inland Revenue from the day after the 28 February loan transfer date.

#### Loan repayments

Under the Student Loan Scheme Act 1992, the collection of loan repayments is handled through the taxation system. The amount a resident borrower is required to repay is based on his or her income. Any borrower earning over the repayment threshold during an income year is required to make repayments towards the loan. Compulsory repayments are made at the rate of 10 cents for every dollar of income over the income threshold.

Where a borrower earns more than the repayment threshold (through salary, wages, a student allowance, or income support) they are required to advise their employers that they have a student loan by nominating a student loan tax code. Repayment deductions are then made from their income by their employers, along with other PAYE deductions. Employers forward the repayment deductions to Inland Revenue, which are then credited to borrowers' student loan accounts.

#### Self-employed borrowers

Borrowers with self-employment income earning over the repayment threshold are generally required to make repayments directly to Inland Revenue in three interim instalments. Interim instalments are required if the repayment obligation for the previous year, less any repayment deductions made by employers, was more than \$1,000.

#### Non-resident borrowers

Non-resident (or overseas) borrowers have a different repayment obligation from borrowers in New Zealand (where repayment obligations are based on income earned). The repayment obligation for non-resident borrowers can be compared with mortgage-style repayments, which are designed to repay the loan balance (plus interest) within 15 years.

The non-resident repayment amount is based on the borrower's loan balance as at 1 April following the date of departure. It is made up of two components:

- principal, and
- interest estimated on the loan balance for the year (1 April to 31 March).

46. Information on student allowances is available on the StudyLink website – [www.studylink.govt.nz](http://www.studylink.govt.nz).

The principal amount is determined by the loan balance outstanding:

Table 15 Non-resident borrowers' repayment obligation

Loan balance	Principal amount	Interest
Under \$1,000	Whole loan balance	Plus estimated interest on the loan balance for each year.
\$1,000 to \$15,000	\$1,000	
Greater than \$15,000	1/15th of the loan balance	

Source: Inland Revenue

The total repayment obligation is then divided into four instalments due 30 June, 30 September, 31 December and 31 March.

### Voluntary repayments

Inland Revenue encourages borrowers to make additional voluntary repayments over and above their minimum repayment obligations. By making voluntary repayments, the borrower can repay the loan faster and save interest.

As part of an Inland Revenue initiative to encourage voluntary repayments, [www.owezero.orgnz](http://www.owezero.orgnz) was launched in May 2003 to provide borrowers with instant access to a repayment calculator and information to help borrowers work out for themselves what they can do to repay their loans more quickly.

The table below shows the interest rates in recent years.

Table 16 Student loan interest rates by component 1999–2005

Income year	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Base interest rate	5.9%	6.2%	5.3%	6.1%	3.1%	5.1%	4.2%	5.5%
Interest adjustment rate	2.3%	1.8%	1.7%	0.9%	3.9%	1.9%	2.8%	1.5%
Total interest rate	8.2%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

Source: Inland Revenue

### Overdue repayments

Collection of overdue loan repayments is achieved through the same systems and processes in place for the collection of overdue taxes.

Borrowers are charged a penalty of 2 percent per month on outstanding amounts greater than \$250. Penalties continue to be charged on the total outstanding (including penalties) until the amount is repaid in full.

### Interest is not charged on overdue repayments.

Any borrower having difficulty repaying an overdue student loan debt is able to negotiate an arrangement for repayment. Borrowers living overseas are able to negotiate a lower repayment obligation if repayment would cause serious hardship. In certain circumstances, a borrower may have the overdue amount capitalised back to the loan principal.

### Interest

As loan drawings are made, interest on the outstanding balance accumulates on a daily basis.

Inland Revenue takes over the calculation of interest from StudyLink from the 28 February loan transfer date. After 31 March, interest is compounded and added to the loan balance. Interest then starts to accrue on the new loan balance from 1 April. If the borrower is entitled to an interest write-off, the loan balance on which interest will accrue is reduced by the amount of the interest write-off.

Interest is made up of two components – the base interest rate and an interest adjustment rate, sometimes called the inflation component. Although the overall interest rate has remained at 7 percent since 1 April 1999, the base interest and interest adjustment rates have changed each year.

## Interest write-offs

Depending on their circumstances, borrowers may be eligible to have all or some of their interest written off after the end of the income year. A borrower may be entitled to a full interest write-off, a base interest write-off or a base interest reduction.

### Full interest write-off

Borrowers who studied for at least 32 weeks in any 52-week period that ended during the income year and whose study was at least 80 percent of equivalent full-time study (ie they are enrolled in courses totalling 0.8 EFTS) are eligible to have all of the interest charged on their loan for the previous year written off.

Borrowers who undertook approved study during the year, but did not meet the full-time full-year criteria above, are still eligible to have all of the interest charged on their loan for the previous year written off as long as their total net income is below the income threshold. For the 2003/04 year the income threshold was \$25,909. This has been increased to \$26,140 for the 2004/05 income year.

Table 17 Full interest write-off income thresholds for part-time or part-year study 2000–2005

2000/01	2001/02	2002/03	2003/04	2004/05
\$24,596	\$25,073	\$25,378	\$25,909	\$26,140

Source: Inland Revenue

### Base interest write-off

Borrowers whose net income is equal to or less than the repayment threshold in any income year qualify for a full base interest write-off. This ensures that the loan balances for these borrowers can never increase by more than the rate of inflation.

Table 18 Repayment obligation income thresholds 2000–2005

1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
\$14,560	\$14,716	\$14,716	\$14,768	\$15,132	\$15,496	\$15,964	\$16,172

Source: Inland Revenue

### Base interest reduction (50/50 rule)

The base interest reduction provision limits the amount of base interest charged on a loan to a maximum of 50 percent of the repayment obligation for that year. Where a borrower's base interest charge in any income year exceeds 50 percent of the repayment obligation, the base interest charge is reduced to that amount. This effectively means that at least 50 percent of all repayments are credited firstly to the interest adjustment rate (ie to the inflation component of the interest rate) and, secondly, to the loan principal.

The amount of any base interest reduction depends on the loan:income ratio and the level of the base interest rate. The larger the loan, the higher a borrower's income can be before there is no base interest reduction. In addition, the higher the base interest rate, the greater the extent of write-off. The graph below illustrates the relationship between income level and debt level over the years 2002–2005 by displaying, for each debt level, the income above which the base interest reduction does not apply.

### Additional criteria for all interest write-offs

Eligibility for all interest write-offs is limited to the period for which the borrower is or was a resident.

Before full interest write-offs can be credited, the Ministry of Education must confirm borrowers' full-time study status. The interest write-offs are then applied to loan accounts after the end of the income year (31 March) to which the study related.

All income-contingent write-offs (ie full interest write-off for confirmed part-time students, base interest write-offs and base interest reductions) are subject to borrowers confirming their income with Inland Revenue by way of filing an IR3 Return of Income or receiving a Personal Tax Summary from Inland Revenue.

For borrowers required to file an IR3 tax return, interest write-offs are calculated after the return is filed. All other eligible borrowers receive their interest write-off entitlement after receiving a Personal Tax Summary in May/June each year.

### Non-resident interest write-offs

Non-resident borrowers can qualify for either a base interest write-off or a base interest reduction. Different criteria apply to non-resident interest write-offs.

Non-residents must have:

- renegotiated all or part of their assessed repayment obligation for a year, and
- satisfied the Commissioner of Inland Revenue that:
  - i) they have been engaged in full-time study outside New Zealand, and
  - ii) payment of the base interest charged for the period during the income year in which they were engaged in full-time study outside New Zealand would cause serious hardship.

Non-resident borrowers must apply in writing to the Commissioner to have their base interest written off after the end of the income year(s) in which they studied outside New Zealand.

Fig 44 (Table 51) Income level at which base interest reduction no longer applies 2002–2005



Note: The different income levels in each year reflect the changes in base interest rate from year to year.

Source: Inland Revenue

## Appendix 2 Administrative costs

The costs of administering the Student Loan Scheme vary from year to year, depending on the number of borrowers, the number of transactions and any system changes required to implement new policies. For example, Inland Revenue makes system changes to implement changes to repayment and interest write-off regimes and the Ministry of Social Development makes ongoing improvements to systems and support services.

Table 19 Administration costs 1997–2004

	1997/98 \$million	1998/99 \$million	1999/2000 \$million	2000/01 \$million	2001/02 \$million	2002/03 \$million	2003/04 \$million
Ministry of Education	1.5	1.7	1.0	-	-	-	-
Tertiary education providers	5.0	5.2	2.8	-	-	-	-
Loan Accounts Manager	3.1	4.6	1.9	-	-	-	-
Administration cost (Ministry of Social Development)	-	-	36.8	18.9	13.9	12.5	11.4
Administration Costs (MOE/MSD)	9.6	11.5	42.5	18.9	13.9	12.5	11.4
Inland Revenue	8.3	9.0	7.5	7.9	8.6	8.9	11.7
Total Administration Costs	17.9	20.5	50.0	26.8	22.5	21.4	23.1
Less loan administration fee revenue	(5.5)	(5.6)	(6.6)	(7.1)	(7.4)	(7.6)	(7.8)
Net Administration Costs	12.4	14.9	43.4	19.7	15.1	13.8	15.3

Notes:

1. The administration cost (Ministry of Social Development) for 1999/2000 includes the delivery of loans, allowances and Community Wage Student, and a number of start-up costs. These costs were not separately identified at that time.
2. All figures exclude GST.
3. Caution should be exercised in making direct comparisons from year to year, because of changes in delivery and in the volume of loans being managed.
4. From 1 July 2002, Inland Revenue has no longer costed student loan administration separately. The calculation of \$11.7 million is a pro rata estimate over total expenditure.

Source: Ministry of Education, Inland Revenue and Ministry of Social Development

## Appendix 3 Historical and forecast income and expenditure

Table 20 Student loans – historical income and expenditure 1997/98–2003/04

Description	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
	Actual 2002 \$million	Actual 2003 \$million	Actual 2004 \$million	Forecast 2005 \$million	Forecast 2006 \$million	Forecast 2007 \$million	Forecast 2008 \$million
Student Loans Opening Balance	4,142.6	4,749.7	5,370.4	5,994.9	6,764.4	7,575.2	8,444.0
Loan drawings	934.8	951.9	996.9	1,100.7	1,148.8	1,207.8	1,266.8
Administration fees	7.4	7.6	7.8	8.6	8.8	8.9	9.2
Add accrued interest	335.3	393.1	447.1	503.2	564.8	631.4	705.4
Subtotal Additions	1,277.5	1,352.6	1,451.8	1,612.5	1,722.4	1,848.1	1,981.4
Less capital repayments made in the current year	(245.6)	(251.9)	(293.5)	(333.6)	(365.6)	(395.8)	(428.7)
Less interest repayments made in the current year	(149.4)	(186.1)	(215.9)	(204.5)	(224.4)	(244.7)	(266.9)
Subtotal Repayments	(395.0)	(438.0)	(509.5)	(538.1)	(590.0)	(640.5)	(695.6)
Interest, small balance, deceased, bankrupt and write-offs	(147.6)	(203.9)	(217.5)	(210.4)	(219.3)	(232.7)	(246.0)
Change in provision for doubtful debt	(125.5)	(87.1)	(102.0)	(94.6)	(102.4)	(106.0)	(118.0)
Subtotal Write-offs and Provision for Doubtful Debt	(273.1)	(291.0)	(319.4)	(305.0)	(321.7)	(338.7)	(363.9)
Other Movements	(2.3)	(2.9)	1.6	0.0	0.0	0.0	0.0
Net Changes	607.1	620.7	624.5	769.5	810.8	868.8	921.9
Student Loans Closing Balance	4,749.7	5,370.4	5,994.9	6,764.4	7,575.2	8,444.0	9,365.9

Source: Inland Revenue

## Appendix 4 Tertiary Education Student Loan Analysis model

The Tertiary Education Student Loan Analysis (TESLA) model was developed in 1994 for the Ministry of Education to forecast student loan debt and repayment periods and to assist with the evaluation of policy options. The TESLA model generates a representative student population from a profile of borrower characteristics. The profile is based on demographic statistics and historic aggregate Student Loan Scheme data. The model creates a set of individual profiles that represent the estimated 4 million people who have used or will use the scheme between 1992 and 2050. Each individual in this model has student loan characteristics, which give an overall annual estimate of debt, repayments, interest and write-offs.

The model works on an annual cycle. Each year is modelled for each individual in the model. The person's closing debt is calculated by adding the opening debt to the gross interest at current interest rates and subtracting expected repayments, interest write-offs and other write-offs. The future interest rates are modelled using the statutory formula for setting the

interest rate, and the repayment and interest write-off thresholds are calculated by the current threshold, increased each year by the Consumer Price Index (CPI).

The gender, age, ethnicity, amount borrowed and future borrowing characteristics of each profile are determined by an analysis of historical data. The initial income of each profile is determined by Census data and modified by income transitions information from IRD. The subsequent income is determined by years of study, current study status and growth in Gross Domestic Product (GDP) per capita.

Repayments, interest and interest write-offs are calculated using the operating rules of the scheme. Voluntary repayments are based on analysis of aggregate repayment data against incomes and the resulting repayment obligation. Death and death write-offs are determined by the latest mortality rates, taken from the Census, applied to the debt held in the model.

The model uses historical and forecast GDP and CPI data and other assumptions as follows:

Table 21 Assumptions used to forecast student loan debt and repayments

Factor	Assumptions
Enrolment growth projections	Participation in tertiary education is modelled using the age-specific population projections from Statistics New Zealand. A loan uptake model is applied to this, out to 2008, beyond which the change in the number of loan borrowers is assumed commensurate with the change in enrolments projected.
Student loan uptake rate	Projected using historic trends out to 2008.
CPI changes	Forecasts from Treasury
GDP changes	Forecasts from Treasury
Mortality rate	Statistics New Zealand Life Tables
Number of years borrowing	The members of the TESLA borrowers' population are not modelled to borrow for specific times. Rather each member is assessed in the model each year as to whether he/she is likely to finish borrowing. The probability of a person finishing borrowing is based on historical data.
Income data	a. Income growth from IRD
	b. Income deciles of tertiary qualified people from the Census
	c. Income by age from the Census

Source: Ministry of Education

## Appendix 5 Statistical tables and figures

Table 22 (Fig 1) Participation in tertiary education 1994–2003

Year	Students	Participation rate	Annual growth
1994	249,568	8.3%	26.6%
1995	263,041	8.7%	5.4%
1996	265,173	8.8%	0.8%
1997	263,347	8.7%	-0.7%
1998	260,493	8.6%	-1.1%
1999	296,204	9.9%	See Note 1
2000	315,363	10.5%	6.5%
2001	345,737	11.5%	9.6%
2002	386,285	12.6%	11.7%
2003	428,068	13.4%	10.8%

**Notes:**

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students. Hence growth between 1998 and 1999 is not shown.
2. Data relates to domestic students enrolled at any time during the year.
3. Participation rate is the percentage of the population aged 15 and over who were students that year.
4. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 23 Participation in tertiary education by gender 1994–2003

Year	Students		
	Female	Male	Total
1994	129,076	120,492	249,568
1995	136,848	126,193	263,041
1996	139,975	125,198	265,173
1997	141,284	122,063	263,347
1998	142,873	117,620	260,493
1999	165,305	130,899	296,204
2000	177,322	138,041	315,363
2001	196,290	149,447	345,737
2002	223,878	162,407	386,285
2003	243,516	184,552	428,068

**Student share**

Year	Female	Male	Total
1994	51.7%	48.3%	100.0%
1995	52.0%	48.0%	100.0%
1996	52.8%	47.2%	100.0%
1997	53.6%	46.4%	100.0%
1998	54.8%	45.2%	100.0%
1999	55.8%	44.2%	100.0%
2000	56.2%	43.8%	100.0%
2001	56.8%	43.2%	100.0%
2002	58.0%	42.0%	100.0%
2003	56.9%	43.1%	100.0%

**Notes:**

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students.
2. Data relates to domestic students enrolled at any time during the year.
3. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 24 Participation in tertiary education by age 1994–2003

Year	Students				Total
	under 18	18–24	25–39	40+	
1994	11,228	117,053	79,567	40,583	249,568
1995	13,273	117,914	86,086	44,733	263,041
1996	10,287	116,450	90,612	46,730	265,173
1997	8,740	113,279	92,590	47,980	263,347
1998	7,606	112,856	92,262	47,694	260,493
1999	14,324	124,992	101,353	55,462	296,204
2000	16,588	126,406	108,581	63,202	315,363
2001	18,017	133,473	120,147	74,090	345,737
2002	16,102	138,455	136,502	95,223	386,285
2003	17,461	144,043	144,985	113,284	428,068
Year	Participation rate				Total
	under 18	18–24	25–39	40+	
1994	7.1%	29.1%	9.3%	3.0%	8.9%
1995	8.3%	29.8%	9.9%	3.2%	9.3%
1996	6.3%	30.0%	10.3%	3.2%	9.2%
1997	5.3%	29.7%	10.4%	3.3%	9.0%
1998	4.7%	30.2%	10.3%	3.2%	8.9%
1999	8.8%	34.0%	11.5%	3.6%	10.0%
2000	10.1%	34.7%	12.4%	4.0%	10.6%
2001	10.8%	36.3%	14.0%	4.6%	11.5%
2002	9.4%	36.4%	16.0%	5.7%	12.6%
2003	9.8%	36.3%	17.1%	6.6%	13.4%

## Notes:

1. Data prior to 1999 excludes PTE and Other Tertiary Education Provider (OTEP) students.
2. Data relates to domestic students enrolled at any time during the year.
3. Participation rate is the percentage of the population aged 15 and over who were students.
4. Total also includes those students with unknown ages.
5. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 25 Participation in tertiary education by qualification level 1994–2003

Year	Students							Total
	Level 1–3 Certificate	Level 4 Certificate	Level 5 Diploma	Level 6–7 Bachelors	Level 8 Honours/ Postgrad Dip/Cert	Level 9 Masters	Level 10 Doctorate	
1994	96,612	9,948	41,844	92,229	9,581	6,951	2,102	249,568
1995	106,328	9,549	39,875	97,215	10,128	7,738	2,384	263,041
1996	105,728	7,326	42,738	97,543	11,770	8,683	2,773	265,173
1997	97,107	8,299	41,043	104,409	11,738	8,958	2,755	263,347
1998	90,216	9,242	36,443	110,450	13,260	9,366	2,959	260,493
1999	116,177	7,487	41,656	115,628	14,024	9,698	3,165	296,204
2000	131,308	6,207	47,559	118,713	14,177	9,486	3,378	315,363
2001	153,812	9,355	52,234	122,592	14,050	9,938	3,474	345,737
2002	183,371	20,139	53,336	125,550	14,410	10,764	3,644	386,285
2003	219,583	33,008	53,602	127,844	15,188	10,904	3,810	428,068

Notes:

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students.
2. Data relates to domestic students enrolled at any time during the year.
3. Students have been counted at each qualification level they were enrolled at. Hence the sum may not add to the stated total number of students.
4. Total also includes those students with unknown qualification levels.
5. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 26 Participation in tertiary education by provider type 1994–2003

Year	Students						Total
	Universities	Polytechnics	Colleges of Education	Wānanga	OTEPs	PTEs	
1994	123,751	118,410	10,615	436			249,568
1995	125,108	130,164	11,087	841			263,041
1996	126,208	129,726	11,920	1,089			265,173
1997	128,304	125,369	12,375	1,342			263,347
1998	129,407	121,915	12,300	1,662			260,493
1999	129,756	117,594	13,729	2,043	1,837	36,508	296,204
2000	129,276	123,362	14,318	4,408	4,442	47,028	315,363
2001	131,520	125,594	13,968	16,959	4,391	64,889	345,737
2002	135,454	137,618	13,504	44,591	5,360	65,940	386,285
2003	136,439	178,003	13,463	65,419	5,696	58,533	428,068

Notes:

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students.
2. Data relates to domestic students enrolled at any time during the year.
3. Students have been counted in each provider type they were enrolled at. Hence the sum may not add to the stated total number of students.
4. Institutions have for all years been categorised according to the provider type they belonged to in 2003.
5. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 27 Participation in tertiary education by domestic and international students 1994–2003

Year	Students		
	Domestic	International	Total
1994	249,568	5,978	255,546
1995	263,041	6,549	269,590
1996	265,173	8,135	273,308
1997	263,347	9,696	273,043
1998	260,493	9,293	269,786
1999	296,204	11,935	308,139
2000	315,363	16,579	331,942
2001	345,737	26,107	371,844
2002	386,285	38,867	425,152
2003	428,068	47,130	475,198
Year	Student share		
	Domestic	International	Total
1994	97.7%	2.3%	100.0%
1995	97.6%	2.4%	100.0%
1996	97.0%	3.0%	100.0%
1997	96.4%	3.6%	100.0%
1998	96.6%	3.4%	100.0%
1999	96.1%	3.9%	100.0%
2000	95.0%	5.0%	100.0%
2001	93.0%	7.0%	100.0%
2002	90.9%	9.1%	100.0%
2003	90.1%	9.9%	100.0%

Notes:

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students.
2. Data relates to students enrolled at any time during the year.
3. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 28 (Fig 2) Participation in tertiary education by ethnic group 1994–2003

Year	Students					Total
	European	Māori	Pasifika	Asian	Other	
1994	189,798	26,885	8,078	11,207	8,118	249,568
1995	194,731	29,552	8,858	12,621	11,191	263,041
1996	190,472	30,338	9,456	18,471	9,441	265,173
1997	186,170	31,047	9,574	21,794	9,010	263,347
1998	179,511	33,140	10,143	23,177	9,193	260,493
1999	194,752	44,837	14,660	25,894	10,044	296,204
2000	222,701	50,897	16,920	28,153	12,442	315,363
2001	234,958	67,097	19,667	30,209	14,078	345,737
2002	256,564	85,239	22,497	33,940	15,712	386,285
2003	281,313	91,571	25,402	44,874	18,931	428,068
Participation rate						
2001	10.5%	14.7%	9.2%	11.1%		11.5%
2002	11.4%	19.2%	10.6%	10.8%		12.6%
2003	12.1%	20.2%	11.6%	13.8%		13.4%

## Notes:

1. Data prior to 1999 excludes PTE and other tertiary education provider (OTEP) students.
2. Data relates to domestic students enrolled at any time during the year.
3. A student identifying with more than one ethnic group has been counted in each group they identified with. Hence the sum may not add to the stated total number of students.
4. Total also includes those students whose ethnic group is unknown.
5. Participation rate is the percentage of the population aged 15 and over who were students.
6. Excludes industry training, non-government-funded PTEs and all non-formal learning.

Source: Ministry of Education

Table 29 (Figs 3 & 4) Total government-funded EFTS and average funding per EFTS in public TEIs 1997–2003

	1997	1998	1999	2000	2001	2002	2003
Total EFTS	148,090	153,830	160,574	160,785	169,387	190,418	224,154
Total EFTS subsidies excl GST (000s)	\$990,194	\$1,007,217	\$1,041,483	\$1,046,737	\$1,112,503	\$1,265,906	\$1,491,523
Total EFTS subsidies incl GST (000s)	\$1,113,968	\$1,133,119	\$1,171,668	\$1,177,579	\$1,251,566	\$1,424,144	\$1,677,963
Average government funding per EFTS	\$7,522	\$7,366	\$7,297	\$7,324	\$7,389	\$7,479	\$7,486

Source: Ministry of Education

Table 30 (Fig 5) Average tuition fees for public TEIs 1997–2003

	1997	1998	1999	2000	2001	2002	2003
Universities	\$2,612	\$2,868	\$3,319	\$3,703	\$3,862	\$3,743	\$3,727
Polytechnics	\$2,571	\$2,804	\$3,295	\$3,494	\$3,363	\$3,067	\$2,421
Colleges of Education	\$2,031	\$2,253	\$2,468	\$2,706	\$2,672	\$2,489	\$2,636
Wānanga	\$1,644	\$1,882	\$2,451	\$2,514	\$1,218	\$678	\$354
Overall average	\$2,564	\$2,809	\$3,259	\$3,547	\$3,514	\$3,123	\$2,655

Source: Ministry of Education

Table 31 (Fig 6) Student loan borrowers in each academic year 1992–2003

Academic year	Number of 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
2000	128,107
2001	148,174
2002	150,575
2003	156,250

Source: Ministry of Education and Ministry of Social Development

Table 32 (Fig 7) Student loan borrowers by study status and percentage increase in borrowers 2000–2003

Study status	2000	2001	2002	2003	% Increase 2000–2001	% Increase 2001–2002	% Increase 2002–2003
Full-time full-year	92,008	107,202	112,653	115,549	16.5%	5.1%	2.6%
Full-time part-year	25,671	23,608	24,621	23,472	8.0%	4.3%	-4.7%
Part-time full-year	10,428	15,335	13,178	17,229	47.1%	-14.1%	30.7%
Total	128,107	146,145	150,452	156,250	15.6%	1.6%	3.8%

Source: Ministry of Social Development

Table 33 Student loan borrowers by level of qualification, gender, amount and component borrowed 2003

Qualification level	Gender	Number of students	Course fees \$	Course- related costs \$	Living costs \$	Administration fees \$	Total amount borrowed \$
Doctorates	Female	397	892,541	164,501	1,178,253	19,500	2,254,795
	Male	523	1,228,193	199,010	1,452,468	24,750	2,904,421
	Total	920	2,120,734	363,511	2,630,721	44,250	5,159,216
Masters, Honours, Postgraduate Cert, Postgraduate Dip.	Female	5,469	18,385,565	2,368,734	8,961,212	258,050	29,973,561
	Male	4,144	15,304,213	1,705,165	7,772,029	193,150	24,974,557
	Total	9,613	33,689,778	4,073,899	16,733,241	451,200	54,948,118
Bachelors Degrees, Graduate Cert, and Diplomas	Female	45,925	164,665,958	26,299,484	96,396,040	2,247,800	289,609,282
	Male	32,640	126,853,848	18,276,193	74,829,444	1,592,300	221,551,785
	Total	78,565	291,519,806	44,575,677	171,225,484	3,840,100	511,161,067
Diplomas	Female	12,787	41,679,136	7,616,901	19,798,264	600,700	69,695,001
	Male	9,213	59,585,255	5,309,106	16,607,365	422,350	81,924,076
	Total	22,000	101,264,391	12,926,007	36,405,629	1,023,050	151,619,077
Certificates	Female	29,725	92,032,434	19,753,520	37,395,042	1,392,200	150,573,196
	Male	20,814	72,540,054	13,366,685	33,007,735	959,300	119,873,774
	Total	50,539	164,572,488	33,120,205	70,402,777	2,351,500	270,446,970
Other	Female	48	186,231	24,892	104,335	2,050	317,508
	Male	146	568,857	58,436	237,627	4,850	869,770
	Total	194	755,088	83,328	341,962	6,900	1,187,278

## Notes:

1. For the purpose of this table, a student is defined as a person who received at least one payment from StudyLink in the year specified.
2. Some students were enrolled in qualifications at more than one level. Therefore, the totals in this table will not equal the totals elsewhere in this report.
3. Data in this table is provisional.

Source: Ministry of Social Development

Table 34 (Fig 16) Students who borrowed fees by provider type 2000–2003

Provider type	Number of borrowers						
	2000	2001	2002	2003	Increase	Increase	Increase
					2000–2001	2001–2002	2002–2003
Universities	62,439	66,829	69,775	72,114	7.0%	4.4%	3.4%
Polytechnics	37,842	39,989	40,741	41,056	5.7%	1.9%	0.8%
Colleges of Education	5,204	5,337	5,469	5,591	2.6%	2.5%	2.2%
Wānanga	2,098	2,931	3,195	3,707	39.7%	9.0%	16.0%
PTEs	17,794	27,251	23,916	26,250	53.1%	-12.2%	9.8%
Total	125,377	142,337	143,096	148,718	13.5%	0.5%	3.9%

## Notes:

1. The totals differ from Table 31 because not all students borrow fees.
2. From 2000, only fees borrowed are recorded by provider type.
3. The methodology used to report provider type has been changed from prioritised provider type reporting, which counts only one of the provider types a student was enrolled with, to the total response method of recording provider type which counts each provider type the student was enrolled with.

Source: Ministry of Social Development

Table 34A Fees borrowed by provider type 2000–2003

Provider type	Amount of course fees borrowed						
	2000	2001	2002	2003	Increase	Increase	Increase
	\$000s	\$000s	\$000s	\$000s	2000–2001	2001–2002	2002–2003
Universities	\$246,138	\$268,223	\$279,679	\$290,168	9.0%	4.3%	3.8%
Polytechnics	\$122,489	\$134,321	\$148,876	\$165,173	9.7%	10.8%	10.9%
Colleges of Education	\$14,390	\$14,270	\$14,807	\$15,181	-0.8%	3.8%	2.5%
Wānanga	\$8,415	\$12,644	\$15,144	\$14,046	50.3%	19.8%	-7.3%
PTEs	\$91,243	\$145,701	\$128,339	\$134,364	59.7%	-11.9%	4.7%
Total	\$482,674	\$575,159	\$586,845	\$618,930	19.2%	2.0%	5.5%

## Notes:

1. From 2000, only fees borrowed are recorded by provider type.
2. The methodology used to report provider type has been changed from prioritised provider type reporting, which counts only one of the provider types a student was enrolled with, to the total response method of recording provider type which counts each provider type the student was enrolled with.

Source: Ministry of Social Development

Table 35 (Fig 8) Percentage of borrowers by gender 1992-2003

Year	Male	Female
1992	53.7%	46.3%
1993	50.9%	49.1%
1994	49.9%	50.1%
1995	48.5%	51.5%
1996	48.1%	51.9%
1997	47.1%	52.9%
1998	46.6%	53.4%
1999	44.5%	55.5%
2000	44.2%	55.8%
2001	43.4%	56.6%
2002	43.1%	56.9%
2003	41.6%	58.4%

Source: Ministry of Education and Ministry of Social Development

Table 36 (Fig 9) Average annual amount borrowed by gender 1992-2003

Year	Male	Female
1992	\$3,665	\$3,586
1993	\$4,043	\$3,920
1994	\$4,347	\$4,241
1995	\$4,526	\$4,353
1996	\$4,739	\$4,576
1997	\$5,576	\$5,478
1998	\$5,862	\$5,654
1999	\$5,221	\$4,734
2000	\$6,558	\$5,957
2001	\$6,576	\$5,751
2002	\$6,677	\$5,845
2003	\$6,945	\$5,951

Source: Ministry of Education and Ministry of Social Development

Table 37 (Figs 10-12) Borrowers and amount borrowed by age and gender 2000-2003

Age group	Number of borrowers						
	2000	2001	2002	2003	Increase	Increase	Increase
					2000-2001	2001-2002	2002-2003
Under 18	3,189	4,129	4,462	4,227	29.5%	8.1%	-5.3%
Female	1,749	2,218	2,419	2,299	26.8%	9.1%	-5.0%
Male	1,440	1,911	2,043	1,928	32.7%	6.9%	-5.6%
18 – 20	37,537	41,642	41,895	42,616	10.9%	0.6%	1.7%
Female	20,641	23,220	23,505	24,337	12.5%	1.2%	3.5%
Male	16,896	18,422	18,390	18,279	9.0%	-0.2%	-0.6%
21 – 23	30,992	34,444	35,800	37,286	11.1%	3.9%	4.2%
Female	16,502	18,521	19,312	20,603	12.2%	4.3%	6.7%
Male	14,490	15,923	16,488	16,683	9.9%	3.5%	1.2%
24 – 26	13,420	15,435	15,555	16,611	15.0%	0.8%	6.8%
Female	6,986	8,141	8,423	9,127	16.5%	3.5%	8.4%
Male	6,434	7,294	7,132	7,484	13.4%	-2.2%	4.9%
27 – 29	9,225	10,743	10,464	11,080	16.5%	-2.6%	5.9%
Female	5,052	6,063	5,847	6,442	20.0%	-3.6%	10.2%
Male	4,173	4,680	4,617	4,638	12.1%	-1.3%	0.5%
30 – 32	7,251	8,921	9,004	9,308	23.0%	0.9%	3.4%
Female	4,189	5,098	5,164	5,607	21.7%	1.3%	8.6%
Male	3,062	3,823	3,840	3,701	24.9%	0.4%	-3.6%
33 – 35	6,092	7,314	7,197	7,677	20.1%	-1.6%	6.7%
Female	3,508	4,344	4,330	4,697	23.8%	-0.3%	8.5%
Male	2,584	2,970	2,867	2,980	14.9%	-3.5%	3.9%
36 – 38	5,720	6,508	6,210	6,462	13.8%	-4.6%	4.1%
Female	3,487	4,007	3,849	4,139	14.9%	-3.9%	7.5%
Male	2,233	2,501	2,361	2,323	12.0%	-5.6%	-1.6%
39 – 41	4,437	5,467	5,521	5,732	23.2%	1.0%	3.8%
Female	2,816	3,482	3,593	3,821	23.7%	3.2%	6.3%
Male	1,621	1,985	1,928	1,911	22.5%	-2.9%	-0.9%
42 – 44	3,394	4,216	4,239	4,417	24.2%	0.5%	4.2%
Female	2,226	2,772	2,809	3,009	24.5%	1.3%	7.1%
Male	1,168	1,444	1,430	1,408	23.6%	-1.0%	-1.5%
45 – 47	2,517	3,123	3,157	3,376	24.1%	1.1%	6.9%
Female	1,667	2,081	2,096	2,328	24.8%	0.7%	11.1%
Male	850	1,042	1,061	1,048	22.6%	1.8%	-1.2%
48 – 50	1,665	2,156	2,245	2,459	29.5%	4.1%	9.5%
Female	1,120	1,406	1,491	1,664	25.5%	6.0%	11.6%
Male	545	750	754	795	37.6%	0.5%	5.4%
51 – 54	1,532	2,093	2,242	1,983	36.6%	7.1%	-11.6%
Female	969	1,371	1,474	1,314	41.5%	7.5%	-10.9%
Male	563	722	768	669	28.2%	6.4%	-12.9%
55 – 59	625	977	1,163	1,335	56.3%	19.0%	14.8%
Female	374	624	756	863	66.8%	21.2%	14.2%
Male	251	353	407	472	40.6%	15.3%	16.0%
60 – 64	288	491	641	832	70.5%	30.5%	29.8%
Female	151	256	360	513	69.5%	40.6%	42.5%
Male	137	235	281	319	71.5%	19.6%	13.5%
65 & over	223	515	780	849	130.9%	51.5%	8.8%
Female	89	212	322	388	138.2%	51.9%	20.5%
Male	134	303	458	461	126.1%	51.2%	0.7%
Total	128,107	148,174	150,575	156,250	15.7%	1.6%	3.8%
Female	71,526	83,816	85,750	91,151	17.2%	2.3%	6.3%
Male	56,581	64,358	64,825	65,099	13.7%	0.7%	0.4%

Source: Ministry of Social Development

Table 37 (continued)

Age group	Amount borrowed (\$000s)						
	2000	2001	2002	2003	Increase	Increase	Increase
					2000-2001	2001-2002	2002-2003
Under 18	21,702	28,147	30,410	28,834	29.7%	8.0%	-5.2%
Female	12,694	15,963	17,281	16,173	25.8%	8.3%	-6.4%
Male	9,008	12,183	13,129	12,661	35.2%	7.8%	-3.6%
18-20	248,773	285,445	290,535	301,784	14.7%	1.8%	3.9%
Female	135,418	156,868	159,331	167,401	15.8%	1.6%	5.1%
Male	113,354	128,577	131,204	134,382	13.4%	2.0%	2.4%
21-23	214,900	237,616	248,568	262,229	10.6%	4.6%	5.5%
Female	110,858	121,716	127,124	137,877	9.8%	4.4%	8.5%
Male	104,042	115,900	121,444	124,353	11.4%	4.8%	2.4%
24-26	79,139	90,790	92,076	100,243	14.7%	1.4%	8.9%
Female	37,752	44,086	45,499	49,867	16.8%	3.2%	9.6%
Male	41,387	46,704	46,577	50,375	12.8%	-0.3%	8.2%
27-29	47,451	56,166	56,449	61,631	18.4%	0.5%	9.2%
Female	24,097	29,124	28,275	31,465	20.9%	-2.9%	11.3%
Male	23,354	27,042	28,174	30,167	15.8%	4.2%	7.1%
30-32	36,474	47,087	47,294	51,028	29.1%	0.4%	7.9%
Female	19,456	24,399	24,110	27,449	25.4%	-1.2%	13.9%
Male	17,017	22,688	23,184	23,578	33.3%	2.2%	1.7%
33-35	29,578	37,420	36,476	41,001	26.5%	-2.5%	12.4%
Female	15,805	20,450	19,808	22,086	29.4%	-3.1%	11.5%
Male	13,774	16,971	16,668	18,915	23.2%	-1.8%	13.5%
36-38	27,471	31,800	30,438	33,263	15.8%	-4.3%	9.3%
Female	15,879	18,511	17,384	19,297	16.6%	-6.1%	11.0%
Male	11,592	13,290	13,054	13,966	14.6%	-1.8%	7.0%
39-41	20,677	25,731	26,500	28,365	24.4%	3.0%	7.0%
Female	12,535	15,563	16,217	17,498	24.2%	4.2%	7.9%
Male	8,142	10,168	10,283	10,867	24.9%	1.1%	5.7%
42-44	16,119	20,192	19,620	21,094	25.3%	-2.8%	7.5%
Female	10,302	12,699	12,289	13,431	23.3%	-3.2%	9.3%
Male	5,818	7,493	7,330	7,663	28.8%	-2.2%	4.5%
45-47	11,984	14,742	14,909	16,523	23.0%	1.1%	10.8%
Female	7,517	9,443	9,649	10,842	25.6%	2.2%	12.4%
Male	4,467	5,299	5,260	5,681	18.6%	-0.7%	8.0%
48-50	8,151	10,172	10,517	11,646	24.8%	3.4%	10.7%
Female	5,356	6,327	6,863	7,583	18.1%	8.5%	10.5%
Male	2,795	3,845	3,654	4,063	37.6%	-5.0%	11.2%
51-54	7,337	10,496	11,107	9,261	43.1%	5.8%	-16.6%
Female	4,573	6,942	7,166	6,067	51.8%	3.2%	-15.3%
Male	2,764	3,554	3,941	3,194	28.6%	10.9%	-19.0%
55-59	3,234	5,714	7,229	7,330	76.7%	26.5%	1.4%
Female	1,879	3,633	4,688	4,461	93.4%	29.0%	-4.8%
Male	1,356	2,081	2,541	2,869	53.5%	22.1%	12.9%
60-64	1,704	3,673	5,294	5,851	115.6%	44.1%	10.5%
Female	867	1,815	2,893	3,566	109.4%	59.4%	23.2%
Male	837	1,858	2,401	2,285	122.0%	29.2%	-4.8%
65 & over	1,329	3,797	6,682	6,720	185.7%	76.0%	0.6%
Female	483	1,359	2,661	2,839	181.6%	95.8%	6.7%
Male	847	2,438	4,021	3,881	188.0%	64.9%	-3.5%
Total	776,022	908,989	934,105	986,803	17.1%	2.8%	5.6%
Female	415,469	488,899	501,238	537,903	17.7%	2.5%	7.3%
Male	360,554	420,090	432,867	448,900	16.5%	3.0%	3.7%

Table 38 Borrowers and amount borrowed by ethnic group and gender 2000–2003

Ethnic group	Number of Borrowers						
	2000	2001	2002	2003	Increase	Increase	Increase
					2000–2001	2001–2002	2002–2003
European	59,779	70,996	73,175	72,828	18.8%	3.1%	-0.5%
Female	33,259	39,484	41,165	41,698	18.7%	4.3%	1.3%
Male	26,520	31,512	32,010	31,130	18.8%	1.6%	-2.7%
Māori	13,914	18,797	18,036	19,267	35.1%	-4.0%	6.8%
Female	8,448	11,543	11,011	11,958	36.6%	-4.6%	8.6%
Female	5,466	7,254	7,025	7,309	32.7%	-3.2%	4.0%
Pasifika Peoples	5,756	6,895	7,612	7,932	19.8%	10.4%	4.2%
Female	3,453	4,126	4,492	4,749	19.5%	8.9%	5.7%
Male	2,303	2,769	3,120	3,183	20.2%	12.7%	2.0%
Asian	9,362	11,612	13,402	14,909	24.0%	15.4%	11.2%
Female	4,617	5,877	6,919	7,687	27.3%	17.7%	11.1%
Male	4,745	5,735	6,483	7,222	20.9%	13.0%	11.4%
Other	3,178	4,131	4,676	4,646	30.0%	13.2%	-0.6%
Female	1,440	1,929	2,163	2,199	34.0%	12.1%	1.7%
Male	1,738	2,202	2,513	2,447	26.7%	14.1%	-2.6%
European and Māori	2,652	4,522	5,677	6,124	70.5%	25.5%	7.9%
Female	1,561	2,647	3,341	3,729	69.6%	26.2%	11.6%
Male	1,091	1,875	2,336	2,395	71.9%	24.6%	2.5%
European and Pasifika Peoples	602	852	1,089	1,201	41.5%	27.8%	10.3%
Female	319	462	588	664	44.8%	27.3%	12.9%
Male	283	390	501	537	37.8%	28.5%	7.2%
Māori and Pasifika Peoples	304	432	545	611	42.1%	26.2%	12.1%
Female	179	237	321	380	32.4%	35.4%	18.4%
Male	125	195	224	231	56.0%	14.9%	3.1%
European and Asian	252	345	438	508	36.9%	27.0%	16.0%
Female	126	180	228	266	42.9%	26.7%	16.7%
Male	126	165	210	242	31.0%	27.3%	15.2%
Māori and Asian	38	52	62	97	36.8%	19.2%	56.5%
Female	21	28	27	43	33.3%	-3.6%	59.3%
Male	17	24	35	54	41.2%	45.8%	54.3%
Pasifika Peoples and Asian	227	368	495	512	62.1%	34.5%	3.4%
Female	114	188	248	258	64.9%	31.9%	4.0%
Male	113	180	247	254	59.3%	37.2%	2.8%
European and Other	206	440	753	815	113.6%	71.1%	8.2%
Female	94	210	387	435	123.4%	84.3%	12.4%
Male	112	230	366	380	105.4%	59.1%	3.8%
Māori and Other	79	136	189	234	72.2%	39.0%	23.8%
Female	47	81	102	129	72.3%	25.9%	26.5%
Male	32	55	87	105	71.9%	58.2%	20.7%
Pasifika Peoples and Other	49	76	102	111	55.1%	34.2%	8.8%
Female	30	44	51	59	46.7%	15.9%	15.7%
Male	19	32	51	52	68.4%	59.4%	2.0%
Asian and Other	142	426	833	939	200.0%	95.5%	12.7%
Female	60	208	416	473	246.7%	100.0%	13.7%
Male	82	218	417	466	165.9%	91.3%	11.8%
3 ethnic groups	223	440	625	711	97.3%	42.0%	13.8%
Female	123	245	335	392	99.2%	36.7%	17.0%
Male	100	195	290	319	95.0%	48.7%	10.0%
4 ethnic groups	15	23	45	63	53.3%	95.7%	40.0%
Female	7	13	25	35	85.7%	92.3%	40.0%
Male	8	10	20	28	25.0%	100.0%	40.0%
More than 4 ethnic groups	2	3	1	8			
Female	1	1	0	4			
Male	1	2	1	4			
Unspecified	31,327	27,628	22,820	24,734	-11.8%	-17.4%	8.4%
Female	17,627	16,313	13,931	15,993	-7.5%	-14.6%	14.8%
Male	13,700	11,315	8,889	8,741	-17.4%	-21.4%	-1.7%
Total	128,107	148,174	150,575	156,250	15.7%	1.6%	3.8%
Female	71,526	83,816	85,750	91,151	17.2%	2.3%	6.3%
Male	56,581	64,358	64,825	65,099	13.7%	0.7%	0.4%

Source: Ministry of Social Development

Table 38 (continued)

	Amount borrowed \$(000s)						
	2000	2001	2002	2003	Increase	Increase	Increase
					2000-2001	2001-2002	2002-2003
European	366,813	441,812	467,835	484,495	20.4%	5.9%	3.6%
Female	195,066	233,618	248,389	258,312	19.8%	6.3%	4.0%
Male	171,746	208,194	219,446	226,183	21.2%	5.4%	3.1%
Māori	80,092	109,020	103,427	110,967	36.1%	-5.1%	7.3%
Female	45,900	64,026	59,820	65,808	39.5%	-6.6%	10.0%
Male	34,192	44,994	43,607	45,159	31.6%	-3.1%	3.6%
Pasifika Peoples	36,845	42,416	47,647	50,432	15.1%	12.3%	5.8%
Female	22,013	24,747	27,401	29,257	12.4%	10.7%	6.8%
Male	14,832	17,669	20,246	21,174	19.1%	14.6%	4.6%
Asian	54,686	71,932	87,742	97,008	31.5%	22.0%	10.6%
Female	25,765	35,007	43,799	48,494	35.9%	25.1%	10.7%
Male	28,921	36,925	43,943	48,514	27.7%	19.0%	10.4%
Other	18,926	24,486	28,487	28,999	29.4%	16.3%	1.8%
Female	8,281	11,255	12,761	12,946	35.9%	13.4%	1.4%
Male	10,646	13,231	15,726	16,053	24.3%	18.9%	2.1%
European and Māori	16,173	27,362	35,045	39,185	69.2%	28.1%	11.8%
Female	9,316	15,357	19,881	22,578	64.8%	29.5%	13.6%
Male	6,857	12,005	15,165	16,607	75.1%	26.3%	9.5%
European and Pasifika Peoples	3,770	5,592	7,133	7,954	48.3%	27.6%	11.5%
Female	2,014	2,872	3,561	4,229	42.6%	24.0%	18.8%
Male	1,756	2,720	3,572	3,725	54.9%	31.3%	4.3%
Māori and Pasifika Peoples	2,000	2,565	3,418	3,727	28.3%	33.3%	9.0%
Female	1,148	1,406	2,044	2,285	22.5%	45.4%	11.8%
Male	852	1,159	1,374	1,443	36.0%	18.6%	5.0%
European and Asian	1,544	2,196	2,776	3,447	42.2%	26.4%	24.2%
Female	762	1,101	1,298	1,642	44.5%	17.9%	26.5%
Male	782	1,096	1,478	1,804	40.2%	34.9%	22.1%
Māori and Asian	227	266	354	506	17.2%	33.1%	42.8%
Female	131	144	146	208	9.9%	1.4%	42.4%
Male	96	123	208	298	28.1%	69.1%	43.1%
Pasifika Peoples and Asian	1,366	2,253	3,352	3,278	64.9%	48.8%	-2.2%
Female	682	1,088	1,525	1,569	59.5%	40.2%	2.9%
Male	684	1,165	1,828	1,709	70.3%	56.9%	-6.5%
European and Other	1,289	2,646	4,854	5,498	105.3%	83.4%	13.3%
Female	550	1,180	2,280	2,679	114.5%	93.2%	17.5%
Male	739	1,466	2,574	2,819	98.4%	75.6%	9.5%
Māori and Other	477	822	1,058	1,354	72.3%	28.7%	28.0%
Female	287	502	571	728	74.9%	13.7%	27.5%
Male	190	320	487	626	68.4%	52.2%	28.5%
Pasifika Peoples and Other	327	423	588	678	29.4%	39.0%	15.4%
Female	196	224	287	338	14.3%	28.1%	17.9%
Male	132	199	301	340	50.8%	51.3%	13.0%
Asian and Other	835	2,393	4,891	5,372	186.6%	104.4%	9.8%
Female	332	1,124	2,407	2,660	238.6%	114.1%	10.5%
Male	503	1,268	2,484	2,712	152.1%	95.9%	9.2%
3 ethnic groups	1,373	2,628	3,706	4,370	91.4%	41.0%	17.9%
Female	753	1,407	2,009	2,318	86.9%	42.8%	15.4%
Male	620	1,222	1,697	2,052	97.1%	38.9%	20.9%
4 ethnic groups	110	116	292	414	5.5%	151.7%	41.6%
Female	46	55	157	225	19.6%	185.5%	43.3%
Male	64	61	135	189	-4.7%	121.3%	39.7%
More than 4 ethnic groups	8	21	10	35			
Female	3	5	0	13			
Male	5	15	10	23			
Unspecified	189,160	170,038	131,487	139,085	-10.1%	-22.7%	5.8%
Female	102,223	93,779	72,902	81,615	-8.3%	-22.3%	12.0%
Male	86,938	76,259	58,586	57,470	-12.3%	-23.2%	-1.9%
Total	776,023	908,988	934,105	986,803	17.1%	2.8%	5.6%
Female	415,468	488,897	501,238	537,903	17.7%	2.5%	7.3%
Male	360,555	420,091	432,867	448,900	16.5%	3.0%	3.7%

Table 38A (Figs 13–15) Borrowers by ethnic group and gender 2000–2003

	2000	2001	2002	2003
European	63,491	77,155	81,132	81,476
Female	35,359	42,983	45,709	46,792
Male	28,132	34,172	35,423	34,684
Māori	16,987	23,939	24,509	26,333
Female	10,256	14,536	14,802	16,239
Male	6,731	9,403	9,707	10,094
Pasifika Peoples	6,938	8,623	9,843	10,367
Female	4,095	5,057	5,700	6,110
Male	2,843	3,566	4,143	4,257
Asian	9,692	12,208	14,316	16,965
Female	4,778	6,179	7,379	8,727
Male	4,914	6,029	6,938	8,238
Other	3,894	5,675	7,224	6,745
Female	1,802	2,731	3,479	3,295
Male	2,092	2,944	3,745	3,450
Unspecified	31,567	28,094	23,491	25,516
Female	17,758	16,572	14,291	16,424
Male	13,809	11,522	9,200	9,092
Total	128,107	148,174	150,575	156,250
Female	71,526	83,816	85,750	91,151
Male	56,581	64,358	64,825	65,099

## Notes:

1. A student identifying with more than one ethnic group has been counted in each group.
2. Unspecified includes those declaring three or more ethnic groups.
3. Total also includes those students whose ethnic group is unknown.
4. Borrowers may record more than one ethnicity when applying for loans. Ethnicity is not a compulsory field on the loan application form.
5. Table 38 presents ethnic data in combination form, with those who declare more than one ethnicity identified separately. In the combination method, each person is assigned to a single category. Tables 38A & B present the same data on a total response basis. The total response method records each ethnicity nominated by each person. This means that a person reporting two ethnicities will have two entries in the table. Thus in Tables 38A and B the sum of the columns will not equal the total of that column.

Source: Ministry of Social Development

Table 38B Percentage of borrowers by ethnic group and gender 2000–2003

	2000	2001	2002	2003
European	49.56%	52.07%	53.88%	52.14%
Female	49.44%	51.28%	53.30%	51.33%
Male	49.72%	53.10%	54.64%	53.28%
Māori	13.26%	16.16%	16.28%	16.85%
Female	14.34%	17.34%	17.26%	17.82%
Male	11.90%	14.61%	14.97%	15.51%
Pasifika Peoples	5.42%	5.82%	6.54%	6.63%
Female	5.73%	6.03%	6.65%	6.70%
Male	5.02%	5.54%	6.39%	6.54%
Asian	7.57%	8.24%	9.51%	10.86%
Female	6.68%	7.37%	8.60%	9.57%
Male	8.68%	9.37%	10.70%	12.65%
Other	3.04%	3.83%	4.80%	4.32%
Female	2.52%	3.26%	4.06%	3.61%
Male	3.70%	4.57%	5.78%	5.30%
Unspecified	24.64%	18.96%	15.60%	16.33%
Female	24.83%	19.77%	16.67%	18.02%
Male	24.41%	17.90%	14.19%	13.97%
	100.00%	100.00%	100.00%	100.00%

## Notes:

1. A student identifying with more than one ethnic group has been counted in each group.
2. Unspecified includes those declaring three or more ethnic groups.
3. Total also includes those students whose ethnic group is unknown.
4. Borrowers may record more than one ethnicity when applying for loans. Ethnicity is not a compulsory field on the loan application form.
5. Table 38 presents ethnic data in combination form, with those who declare more than one ethnicity identified separately. In the combination method, each person is assigned to a single category. Tables 38A & B present the same data on a total response basis. The total response method records each ethnicity nominated by each person. This means that a person reporting two ethnicities will have two entries in the table. Thus in Tables 38A and B the sum of the columns will not equal the total of that column.

Source: Ministry of Social Development

Table 39 (Fig 17) Student loan borrowers and total amount borrowed by gender, loan component and study region 2003

Region	Gender	Number of students	Amount borrowed \$million	Course fees \$million	Course-related costs \$million	Living costs \$million	Administration fees \$million
Auckland	Female	29,089	170.389	105.116	15.559	48.305	1.410
	Male	20,970	129.211	79.062	10.254	38.889	1.006
	Total	50,059	299.601	184.178	25.813	87.194	2.416
Bay of Plenty	Female	3,639	19.072	11.512	2.519	4.868	0.173
	Male	3,442	21.511	14.823	2.581	3.944	0.163
	Total	7,081	40.583	26.335	5.100	8.812	0.336
Canterbury	Female	10,177	60.769	35.179	5.553	19.552	0.485
	Male	8,048	52.507	29.847	4.331	17.943	0.385
	Total	18,225	113.276	65.027	9.883	37.495	0.870
Gisborne	Female	377	1.553	0.974	0.269	0.292	0.018
	Male	405	2.548	1.698	0.316	0.515	0.019
	Total	782	4.101	2.672	0.585	0.806	0.037
Hawke's Bay	Female	1,419	6.975	4.053	0.935	1.918	0.069
	Male	1,108	5.988	3.420	0.632	1.886	0.050
	Total	2,527	12.963	7.473	1.567	3.804	0.119
Manawatu-Wanganui	Female	10,958	59.575	32.964	6.521	19.571	0.520
	Male	7,995	52.571	31.421	4.955	15.817	0.378
	Total	18,953	112.147	64.385	11.475	35.388	0.898
Marlborough, Nelson and Tasman	Female	783	6.506	4.970	0.426	1.073	0.038
	Male	1,067	30.006	27.557	0.592	1.806	0.049
	Total	1,850	36.512	32.527	1.018	2.881	0.087
Northland	Female	1,850	6.127	4.078	0.757	1.241	0.053
	Male	504	3.197	2.215	0.338	0.619	0.025
	Total	1,606	9.324	6.292	1.095	1.860	0.077
Otago	Female	8,854	65.512	34.522	5.403	25.151	0.436
	Male	6,758	53.015	27.649	4.379	20.653	0.335
	Total	15,612	118.527	62.171	9.782	45.803	0.771
Southland	Female	948	3.266	0.539	0.647	2.034	0.046
	Male	800	4.741	2.505	0.516	1.682	0.039
	Total	1,748	8.007	3.043	1.163	3.715	0.085
Taranaki	Female	4,048	21.294	16.277	3.173	1.644	0.200
	Male	1,405	8.067	5.877	1.050	1.071	0.069
	Total	5,453	29.361	22.154	4.223	2.716	0.268
Waikato	Female	8,769	48.324	25.841	5.870	16.195	0.418
	Male	5,781	34.131	18.484	3.615	11.757	0.275
	Total	14,550	82.454	44.325	9.485	27.952	0.693
Wellington	Female	13,673	72.516	41.533	8.539	21.794	0.650
	Male	8,325	52.949	30.603	5.180	16.772	0.394
	Total	21,998	125.464	72.136	13.719	38.565	1.044
West Coast	Female	96	0.546	0.284	0.059	0.197	0.005
	Male	239	1.656	0.918	0.175	0.551	0.012
	Total	335	2.202	1.203	0.234	0.749	0.017

## Notes:

1. Study region is the region that the tertiary education provider gives as the study address.
2. For the purpose of this table, a student is defined as a person who received at least one payment from StudyLink in the year specified.
3. Students who studied in more than one region have been counted in each region they studied in.
4. Data in this table is provisional.

Source: Ministry of Social Development

Table 39A Average amount borrowed by gender, loan component and study region 2003

Region	Gender	Average amount borrowed \$	Average course fees \$	Average course- related costs \$	Average living costs \$
Auckland	Female	5,858	3,614	535	1,661
	Male	6,162	3,770	489	1,855
	Total	5,985	3,679	516	1,742
Bay of Plenty	Female	5,241	3,164	692	1,338
	Male	6,250	4,306	750	1,146
	Total	5,731	3,719	720	1,244
Canterbury	Female	5,971	3,457	546	1,921
	Male	6,524	3,709	538	2,230
	Total	6,215	3,568	542	2,057
Gisborne	Female	4,119	2,583	714	774
	Male	6,291	4,194	780	1,271
	Total	5,244	3,417	748	1,031
Hawke's Bay	Female	4,915	2,856	659	1,352
	Male	5,404	3,087	571	1,702
	Total	5,130	2,957	620	1,505
Manawatu-Wanganui	Female	5,437	3,008	595	1,786
	Male	6,576	3,930	620	1,978
	Total	5,917	3,397	605	1,867
Marlborough, Nelson and Tasman	Female	8,309	6,348	544	1,370
	Male	28,122	25,827	555	1,694
	Total	19,930	17,755	556	1,572
Northland	Female	5,560	3,700	687	1,126
	Male	6,344	4,394	671	1,229
	Total	5,806	3,918	682	1,158
Otago	Female	7,399	3,899	610	2,841
	Male	7,845	4,091	648	3,056
	Total	7,592	3,982	627	2,934
Southland	Female	3,445	568	682	2,145
	Male	5,926	3,131	645	2,102
	Total	4,580	1,741	665	2,125
Taranaki	Female	5,260	4,021	784	406
	Male	5,742	4,183	747	762
	Total	5,384	4,063	774	498
Waikato	Female	5,511	2,947	669	1,847
	Male	5,904	3,197	625	2,034
	Total	5,667	3,046	652	1,921
Wellington	Female	5,304	3,038	625	1,594
	Male	6,360	3,676	622	2,015
	Total	5,703	3,279	624	1,753
West Coast	Female	5,683	2,963	614	2,056
	Male	6,930	3,843	731	2,307
	Total	6,573	3,591	698	2,235

## Notes:

1. Study region is the region that the tertiary education provider gives as the study address.
2. For the purpose of this table, a student is defined as a person who received at least one payment from StudyLink in the year specified.
3. Students who studied in more than one region have been counted in each region they studied in.
4. Data in this table is provisional.

Source: Ministry of Social Development

Table 40 Student allowances uptake by student loan living costs borrowers 2003

Allowance type	Number of allowances	Gross student allowances	Accommodation benefit	Student loan living costs
Single students under 25 without dependants	16,577	\$66,369,603	\$10,223,389	\$29,518,743
Single students 25 and over without dependants	3,860	\$17,304,108	\$1,898,724	\$5,640,341
Couples	1,653	\$5,846,910	\$602,378	\$3,488,030
Students with dependants	1,970	\$13,106,025	\$1,114,006	\$3,018,420

Notes:

1. Students who received more than one allowance type have been counted in each type. Consequently, the sum of the students in each allowance type may not add to the total number of students with allowances.
2. Data in this table is provisional.

Source: Ministry of Social Development

Table 41 (Fig 18) Value of student loan debt with Inland Revenue at 30 June 1995–2004

Year	Amount \$million	Difference \$million	Percentage difference
1995	799.2		
1996	1,221.5	422.4	52.85%
1997	1,676.3	454.8	37.23%
1998	2,254.8	578.5	34.51%
1999	2,885.5	630.7	27.97%
2000	3,412.3	526.8	18.26%
2001	3,927.5	515.2	15.10%
2002	4,559.4	631.8	16.09%
2003	5,267.4	708.1	15.53%
2004	5,964.0	696.6	13.23%

Source: Inland Revenue

Table 42 (Fig 19) Average student loan balance with Inland Revenue at 30 June 1994–2004

Year	Amount	Percentage increase
1994	\$5,525	
1995	\$6,765	22.44%
1996	\$7,734	14.32%
1997	\$8,854	14.48%
1998	\$10,207	15.28%
1999	\$11,665	14.28%
2000	\$12,413	6.41%
2001	\$12,497	0.68%
2002	\$12,643	1.17%
2003	\$13,680	8.20%
2004	\$14,424	4.11%

Source: Inland Revenue

Table 43 (Fig 27) Student loan borrowers with Inland Revenue by age at 30 June 2004

Age	Borrowers
Under 18	1,787
18-20	45,811
21-23	76,754
24-26	71,531
27-29	61,386
30-32	45,023
33-35	28,093
36-38	20,724
39-41	17,804
42-44	14,383
45-47	10,743
48-50	8,182
51-55	8,293
56-60	4,201
Over 60	4,046
<b>Total</b>	<b>418,761</b>

Note: A borrower is defined as a person with an outstanding loan balance with Inland Revenue.

Source: Inland Revenue

Table 44 Student loan borrowers who are overseas or have returned from overseas and length of absence 2004

Absence	Returned	Still away	Total	Percentage returned to NZ
up to 1 year	302	4,046	4,348	6.9%
1 to 2 years	5,969	4,256	10,225	58.4%
2 to 3 years	4,730	4,221	8,951	52.8%
3 to 4 years	2,255	4,162	6,417	35.1%
4 to 5 years	1,353	3,055	4,408	30.7%
5 to 6 years	709	2,247	2,956	24.0%
6 to 7 years	323	1,429	1,752	18.4%
7 to 8 years	176	898	1,074	16.4%
8 to 9 years	70	550	620	11.3%
9 to 10 years	27	345	372	7.3%
10 years and over	7	170	177	4.0%
<b>Total</b>	<b>15,921</b>	<b>25,378</b>	<b>41,299</b>	<b>38.6%</b>

Source: Inland Revenue

**Table 45** (Fig 23) Borrowers who left New Zealand in the year 1 July 1995 to 30 June 1996

Fiscal year	Number returned	Total returned	Percentage returned
1997	103	103	5.2%
1998	328	431	21.9%
1999	307	73	37.5%
2000	174	912	46.4%
2001	100	1,012	51.4%
2002	121	1,133	57.6%
2003	70	1,203	61.2%
2004	48	1,251	63.6%
Still away on 30 June 2004	716		
<b>Total who left in 1996</b>	<b>1,967</b>		

Source: Inland Revenue

**Table 46** (Fig 20) Loans repaid to Inland Revenue updated at 30 June 1993–2004

Year	Number of loans repaid
1993	581
1994	1,127
1995	2,222
1996	8,130
1997	10,079
1998	13,800
1999	15,950
2000	15,473
2001	16,906
2002	19,618
2003	19,583
2004	18,002
<b>Total</b>	<b>141,471</b>

Notes:

1. Because a student loan account can be finalised retrospectively, the number of loans repaid for an earlier year may change. Therefore the figures in this table differ from those published in earlier reports.
2. The numbers in this table include both those whose repayment obligations were settled and those whose loans were written off through the small balance write-off provision.
3. Small balance write-offs did not occur in 2001/02. As a result, the figure for the small balance write-offs for 2002/03 includes two years' write-offs and hence a higher than usual number of loan accounts cleared.

Source: Inland Revenue

**Table 47** (Fig 21) Student loan payments received by Inland Revenue – borrower/employer split at 30 June 1993–2004

Year \$million	Borrower \$million	Employer (PAYE) \$million	Total
1993	1.99	0.42	2.41
1994	8.68	10.37	19.05
1995	16.18	24.87	41.05
1996	28.86	43.46	72.32
1997	41.36	65.41	106.77
1998	64.18	83.18	147.36
1999	115.84	97.39	213.23
2000	115.59	133.91	249.50
2001	128.13	156.55	284.68
2002	168.97	177.91	346.88
2003	184.51	201.88	386.39
2004	210.05	237.11	447.16
<b>Total</b>	<b>1,084.34</b>	<b>1,232.46</b>	<b>2,316.80</b>

Notes:

1. Employer repayments are those paid by borrowers' employers to Inland Revenue by way of deduction from borrowers' incomes.
2. Borrower repayments are those made to Inland Revenue directly by the borrower.
3. A share of the borrower repayments related to voluntary repayments.
4. Borrowers are able to make voluntary repayments to Inland Revenue of any amount at any time.

Source: Inland Revenue

**Table 48** (Fig 24) Value of interest write-offs at 30 June 1994–2004

Year	Interest write-offs \$million
1994	0.5
1995	4.3
1996	5.5
1997	12.6
1998	16.9
1999	20.3
2000	20.3
2001	192.1
2002	141.4
2003	198.1
2004	204.4

Source: Inland Revenue

**Table 49** (Figs 25 and 26) Number and value of interest write-offs by type at 31 March 2002–2004

Interest write-offs by type to 31 March	2002		2003		2004	
	Amount	Number of borrowers	Amount	Number of borrowers	Amount	Number of borrowers
Full interest write-off	-\$69,957,688	78,335	-\$74,061,383	81,437	-\$106,900,824	104,791
Base interest write-off	-\$66,164,736	111,985	-\$41,758,920	120,159	-\$71,001,429	123,508
Base interest reduction	-\$32,342,191	52,826	-\$11,872,831	39,468	-\$30,562,038	58,730

Note: The figures in this table are calculated on an income year basis, ie 31 March of each year. They are different from the figures shown in Table 48 which have been calculated on a fiscal year basis.

Source: Inland Revenue

**Table 50** Interest write-offs by recipients and number of years received

Number of years benefiting from interest write-offs 2000-2003	Number of borrowers	Amount written off
One year only	110,227	\$42,635,510
Two years	76,268	\$80,531,684
Three years	97,087	\$265,918,708
Four years	2,852	\$4,969,399
<b>Total</b>	<b>286,434</b>	<b>\$394,055,301</b>

Source: Inland Revenue

**Table 51** (Fig 44) Income level at which base interest reduction no longer applies 2002–2005

Loan Balance	2002	2003	2004	2005
\$10,000	\$21,332	\$25,696	\$24,364	\$27,172
\$20,000	\$27,532	\$35,896	\$32,764	\$38,172
\$30,000	\$33,732	\$46,096	\$41,164	\$49,172
\$40,000	\$39,932	\$56,296	\$49,564	\$60,172
\$50,000	\$46,132	\$66,496	\$57,964	\$71,172
\$60,000	\$52,332	\$76,696	\$66,364	\$82,172
\$70,000	\$58,532	\$86,896	\$74,764	\$93,172

Source: Inland Revenue

**Table 52** (Fig 28) Median earned income in 2000 of those in the integrated dataset who last borrowed and studied in 1997 by gender and 1997 debt balance

Earned income	Debt band			
	\$0 - \$4,999	\$5,000 - \$14,999	\$15,000 - \$24,999	\$25,000 and over
<b>Number of students</b>				
Male	3,198	4,446	1,623	1,209
Female	3,282	4,485	1,764	1,224
<b>Total</b>	<b>6,480</b>	<b>8,931</b>	<b>3,387</b>	<b>2,436</b>
<b>Median</b>				
Male	\$20,150	\$22,480	\$28,600	\$33,450
Female	\$14,850	\$21,130	\$29,710	\$32,590
<b>Total</b>	<b>\$17,490</b>	<b>\$21,790</b>	<b>\$29,060</b>	<b>\$32,890</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 53** (Fig 29) Median earned income in 2000 of those in the integrated dataset who last borrowed and studied in 1997 by ethnic group and 1997 debt balance

Earned income	Debt band			
	\$0 - \$4,999	\$5,000 - \$14,999	\$15,000 - \$24,999	\$25,000 and over
<b>Number of students</b>				
European	3,594	5,940	2,439	1,803
Māori	1,560	1,764	531	327
Pasifika	390	507	189	138
Asian	588	405	111	87
Other	243	192	84	63
Unknown	105	126	30	15
<b>Total</b>	<b>6,480</b>	<b>8,931</b>	<b>3,387</b>	<b>2,436</b>
<b>Median</b>				
European	\$21,100	\$23,300	\$29,730	\$33,330
Māori	\$8,480	\$15,390	\$27,090	\$30,330
Pasifika	\$17,050	\$21,080	\$24,510	\$30,450
Asian	\$15,670	\$24,140	\$29,320	\$37,390
Other	\$12,090	\$20,580	\$31,860	\$32,340
<b>Total</b>	<b>\$17,490</b>	<b>\$21,790</b>	<b>\$29,060</b>	<b>\$32,890</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 54** (Fig 30) Median earned income in 2000 of those in the integrated dataset who last borrowed and studied in 1997 by qualification level completed and 1997 debt balance

Earned income	Debt band			
	\$0 - \$4,999	\$5,000 - \$14,999	\$15,000 - \$24,999	\$25,000 and over
<b>Number of students</b>				
Masters/Honours	120	294	231	246
Postgrad. Dip./Cert.	201	240	132	144
Bachelors/Advanced Diploma	1,368	2,652	1,797	1,575
Diploma	831	1,614	744	333
Certificate	3,954	4,119	474	123
<b>Total</b>	<b>6,480</b>	<b>8,931</b>	<b>3,387</b>	<b>2,436</b>
<b>Median</b>				
Masters/Honours	\$38,370	\$36,340	\$38,870	\$36,770
Postgrad. Dip./Cert.	\$39,570	\$36,410	\$38,520	\$37,530
Bachelors/Advanced Diploma	\$23,880	\$28,260	\$31,110	\$33,520
Diploma	\$21,640	\$23,870	\$27,310	\$30,390
Certificate	\$13,760	\$17,910	\$20,000	\$22,820
<b>Total</b>	<b>\$17,490</b>	<b>\$21,790</b>	<b>\$29,060</b>	<b>\$32,890</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 55** (Fig 31) Median earned income in 2000 of those in the integrated dataset who last borrowed and studied in 1997 at bachelors degree level by ethnic group and completion status

	Not completed	Completed	Ratio
European	26,640	35,310	1.33
Māori	23,520	35,460	1.51
Pasifika	28,480	35,800	1.26
Asian	28,110	37,340	1.33

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 56** (Fig 32) Median earned income in 2000 of those in the integrated dataset who last borrowed and studied in 1997 at certificate level by ethnic group and completion status

	Not completed	Completed	Ratio
European	19,800	20,990	1.06
Māori	12,390	18,310	1.48
Pasifika	20,930	20,950	1.00
Asian	18,720	20,490	1.09

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 57** (Fig 33) Percentage of debt repaid by 2000 for those who last borrowed in 1994 and those who last borrowed and studied in 1997

	Percentage repaid by 2000						Number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Last borrowed in 1994	29%	9%	7%	5%	10%	39%	<b>26,589</b>
Last borrowed and studied in 1997	49%	20%	7%	4%	3%	18%	<b>32,577</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 58** (Fig 34) Percentage of debt repaid by 2000 for those who last borrowed in 1994 by debt balance in 1994

	Percentage repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Under \$5,000	30%	5%	4%	4%	10%	47%	<b>11,397</b>
\$5,000 – \$14,999	28%	10%	8%	7%	11%	36%	<b>12,015</b>
\$15,000 – \$24,999	32%	20%	12%	7%	9%	21%	<b>2,925</b>
\$25,000 and over	32%	12%	8%	6%	12%	29%	<b>255</b>
<b>All students</b>	<b>29%</b>	<b>9%</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>	<b>39%</b>	<b>26,589</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 59** (Fig 35) Percentage of people who last borrowed in 1994 in each debt band who had fully repaid their debt by 1997, 1998, 1999 and 2000

Debt in 1994	1997	1998	1999	2000
Under \$5,000	24%	35%	43%	47%
\$5,000 – \$14,999	12%	21%	29%	36%
\$15,000 – \$24,999	5%	10%	15%	21%
\$25,000 and over	8%	15%	24%	29%
<b>All students</b>	<b>16%</b>	<b>26%</b>	<b>34%</b>	<b>39%</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 60** (Figs 36 & 37) Percentage of debt repaid by 2000 for those who last borrowed in 1994 by gender and debt band

Debt in 1994	Gender	Percentage of 1994 debt repaid by 2000						Total number of borrowers
		<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Under \$5,000	Male	30%	5%	4%	4%	10%	47%	5,721
	Female	30%	5%	4%	3%	9%	48%	5,676
	<b>Total</b>	<b>30%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>10%</b>	<b>47%</b>	<b>11,397</b>
\$5,000 – \$14,999	Male	28%	9%	8%	7%	11%	36%	6,048
	Female	27%	11%	9%	7%	11%	36%	5,964
	<b>Total</b>	<b>28%</b>	<b>10%</b>	<b>8%</b>	<b>7%</b>	<b>11%</b>	<b>36%</b>	<b>12,015</b>
\$15,000 – \$24,999	Male	32%	18%	10%	7%	9%	24%	1,518
	Female	33%	22%	13%	6%	8%	17%	1,407
	<b>Total</b>	<b>32%</b>	<b>20%</b>	<b>12%</b>	<b>7%</b>	<b>9%</b>	<b>21%</b>	<b>2,925</b>
\$25,000 and over	Male	26%	11%	9%	6%	13%	34%	141
	Female	38%	14%	8%	5%	8%	24%	111
	<b>Total</b>	<b>32%</b>	<b>12%</b>	<b>8%</b>	<b>6%</b>	<b>12%</b>	<b>29%</b>	<b>255</b>
<b>Total</b>	Male	30%	8%	7%	5%	10%	39%	13,431
	Female	29%	10%	7%	5%	10%	39%	13,158
	<b>Total</b>	<b>29%</b>	<b>9%</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>	<b>39%</b>	<b>26,589</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 61** (Fig 38) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by debt balance in 1997

Debt in 1997	Percentage repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Under \$5,000	41%	10%	6%	4%	5%	35%	9,465
\$5,000 – \$14,999	49%	21%	9%	4%	3%	13%	13,965
\$15,000 – \$24,999	50%	30%	7%	3%	2%	8%	5,253
\$25,000 and over	63%	25%	4%	2%	1%	4%	3,900
<b>All students</b>	<b>49%</b>	<b>20%</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>18%</b>	<b>32,577</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 62** (Fig 39) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by debt balance in 1997 and ethnic group

	Percentage repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
European	41%	23%	8%	4%	4%	20%	17,964
Māori	63%	17%	5%	3%	2%	10%	4,959
Pasifika	65%	18%	5%	2%	2%	8%	1,506
Asian	47%	11%	6%	3%	4%	29%	2,040
Other	53%	16%	6%	4%	3%	18%	906
Unknown	57%	16%	6%	3%	3%	14%	5,202
<b>All students</b>	<b>49%</b>	<b>20%</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>18%</b>	<b>32,577</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 63** (Fig 40) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by debt balance in 1997 and level of qualification studied

	Percentage repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Doctorate	38%	21%	8%	8%	4%	17%	72
Masters/Honours	35%	22%	9%	4%	5%	24%	1,440
Postgrad. Dip./Cert.	31%	20%	9%	5%	5%	30%	1,083
Bachelors/Advanced Diploma	42%	22%	8%	4%	3%	20%	10,509
Diploma	46%	22%	7%	4%	3%	18%	4,536
Certificate	56%	17%	6%	3%	3%	15%	10,122
<b>All students</b>	<b>49%</b>	<b>20%</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>18%</b>	<b>32,577</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 64** (Figs 41 & 42) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 by qualification studied in 1997 – those who successfully completed various bachelors degrees

	Percentage repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Medicine	21%	30%	14%	5%	5%	26%	129
Nursing	20%	31%	13%	8%	4%	24%	615
Commerce	30%	31%	9%	6%	4%	21%	948
Arts	46%	22%	7%	3%	2%	19%	654
<b>All bachelors</b>	<b>32%</b>	<b>27%</b>	<b>9%</b>	<b>5%</b>	<b>4%</b>	<b>22%</b>	<b>5,388</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

**Table 65** (Fig 43) Percentage of debt repaid by 2000 for those who last borrowed and studied in 1997 at the bachelors level by residency status in 2000

Residency in 2000	Percentage of 1997 dept repaid by 2000						Total number of borrowers
	<=0%	1%-24%	25%-49%	50%-74%	75%-99%	100%	
Overseas	48%	30%	11%	6%	3%	3%	780
In New Zealand	29%	27%	9%	5%	4%	26%	4,608
<b>Total</b>	<b>32%</b>	<b>27%</b>	<b>9%</b>	<b>5%</b>	<b>4%</b>	<b>22%</b>	<b>5,388</b>

Source: Ministry of Education and Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

## Appendix 6 Glossary of terms & definitions clarifying the financial statements

**Academic year:** The academic year is defined in the Education Act 1989 as a calendar year, 1 January to 31 December.

**Approved qualification:** A formally assessed qualification of study that has been approved by the New Zealand Vice-Chancellors' Committee (NZVCC), or the New Zealand Qualifications Authority (NZQA) or its agents (NZPPC and NZCTE). Also includes qualifications leading to an award issued by a local tertiary institution which has the approval of the Council or, where delegated, the academic board of that institution.

**Base interest (rate):** The interest charge which reflects how much it costs the government to borrow for the Student Loan Scheme. From 1 April 2004 the base interest rate is 5.5 percent. (See also Interest adjustment rate and Interest (rate) setting)

**Base interest reduction:** The amount by which a borrower's base interest is reduced and capped at 50 percent of their annual minimum repayment obligation. In effect, this means that at least 50 percent of any payments made are credited against the loan principal and CPI interest components of the loan.

**Base interest write-off:** All base interest charged is written off in the event that earnings do not exceed the repayment threshold in an income year. The repayment threshold was \$15,964 for 2003/04 and is \$16,172 for 2004/05.

**Borrower:** (See Student loan borrower)

**Borrowers overseas:** (See Non-resident borrower)

**College of Education (CoE):** A public tertiary institution that specialises in the provision of teacher education and training

**Compulsory fees:** (See Tuition fees)

**Course:** A component of education. A paper/module/unit standard may all be different names given to courses. A course or collection of courses forms a programme of study which, if completed successfully, results in the award of a qualification.

**Course-related costs:** These are the additional expenses associated with tertiary study that are not compulsory for all students. These can include such costs as equipment, textbooks, field trips, and transport to and from classes.

**Drawdown(s) or Drawings:** The amount of money drawn down by a student from their loan account, as tuition fees, course-related costs or living costs.

**EFTS (Equivalent full-time student):** The EFTS system is a method of counting tertiary student numbers. The basis of the EFTS system is that a student taking a normal year's full-time study equals 1.0 EFTS unit and the programmes of study taken by part-time or part-year students are fractions of one EFTS unit.

**Financial statements:** The financial schedule is a window through which the stakeholders can observe the current financial condition, problems and opportunities facing an accounting entity. The financial schedule in this report represents extracts from the financial statements of the Crown activities carried out by the Crown entities administering student loans to provide an overview of the Student Loan Scheme.

**Fiscal year:** July – June (government accounting year).

**Full interest write-off:** All interest charges are written off if a borrower is a full-time, full-year student or a part-year or part-time student and earned before tax income less than the interest write-off threshold (\$25,909 for 2003/04 and \$26,140 for 2004/05).

**Full-time:** Any programme of study of 32 weeks or more and at least 0.8 EFTS is designated full-time/full-year. Any programme of study of at least 12 weeks and at least 0.3 EFTS or the equivalent on a pro rata basis (eg 24 weeks and 0.6 EFTS) is designated full-time/part-year. This is also the definition of full-time for the purposes of eligibility for the living costs component of the Student Loan Scheme and for student allowances and the definition used in applying the student loan full interest write-off. A programme of study of 12 weeks that is of less than 0.3 EFTS (or the equivalent on a pro rata basis) is called part-time.

**Income year:** Tax year as appropriate for taxpayer (usually 1 April to 31 March).

**Interest adjustment rate:** This rate is set based on the Consumer Price Index (or the cost of living increase rate) from the December quarter in the previous income year. From 1 April 2004 the interest adjustment rate is 1.5 percent. (See also Base interest (rate) and Interest (rate) setting)

**Interest rate(s):** (See Base interest (rate), Interest adjustment rate, Full interest write-off, Base interest write-off and Base interest reduction.) The interest rate for 2004/05 is 7 percent.

**Interest (rate) setting:** This describes the process by which the student loan scheme interest rate is set annually by Order in Council. There are two components to the total interest rate – the interest adjustment rate and the base interest rate.

**Interest reduction:** See Base interest reduction

**Interest write-off(s):** (See Base interest write-off, Full interest write-off, and Base interest reduction)

**Interest write-off threshold:** Part-time or part-year borrowers earning before tax income less than this threshold qualify for a full interest write-off (\$25,909 for 2003/04 and \$26,140 for 2004/05).

**Loan Accounts Manager:** Any person (currently the Operations Manager (Processing Centre) at StudyLink) who is appointed by the lender from time to time to establish and administer loan balances under the Student Loan Scheme (other than any such loan balances that have been transferred to the Commissioner for collection). See section 2 of the Student Loan Scheme Act 1992.

**Loan balance:** Means the total amount outstanding under all loans obtained by the borrower under the Student Loan Scheme.

**Loan contract:** Means any loan agreement or contract entered into by the lender and the borrower under the Student Loan Scheme.

**Loans transferred:** The total loan balance, including interest, that is transferred from StudyLink to Inland Revenue for collection.

**Non-resident borrower:** Means a borrower who is not resident in New Zealand in terms of section OE 1 of the Income Tax Act 1994.

**Notes to the financial schedules:** The notes to the financial schedules provide additional explanatory and background information on how the figures shown in the financial schedule have been compiled.

**Part-time:** A qualification studied part-time has the same EFTS value as it would if studied full-time but is studied over a longer period of time than its full-time equivalent. A student may elect to study a full-time qualification on a part-time basis, by enrolling in fewer courses than the normal full-time student workload. Some qualifications may be taken only on a part-time basis. For the purposes of the student loan full interest write-off, part-time means any programme of study that is not full-time (for example, a programme of study of 32 weeks that is less than 0.8 EFTS).

**Pasifika peoples:** A diverse range of peoples from the South Pacific region or people within this country who have strong family and cultural connections to Pacific Island countries. Pasifika peoples are not homogenous and include those who have been born in New Zealand or overseas. It is a collective term used to refer to men, women and children of Samoan, Cook Islands, Tongan, Niuean, Tokelauan, Fijian and other Pasifika or mixed heritages. It includes a variety of combinations of ethnicities, recent migrants or third, fourth or fifth generation New Zealand-born.

**Polytechnic:** A public tertiary education institution that is characterised by a wide diversity of vocational and professional programmes.

**Private training establishments (PTEs):** These are private providers of tertiary education registered with the New Zealand Qualifications Authority.

**Programme:** A programme of study is a collection of courses, classes, or work in which a student enrolls which contributes to meeting the requirements for the award of a qualification.

**Qualification:** An official award given in recognition of the successful completion of a programme of study, which has been quality assured by a recognised quality assurance agency. All recognised qualifications must be registered on the New Zealand Qualifications Authority's Register of Quality Assured Qualifications.

**Recognised (accredited) tertiary education provider:** An institution or private provider which has been recognised by the New Zealand Qualifications Authority (NZQA) as having the appropriate expertise to provide an approved course of study.

**Recognised course/programme/qualification:** A quality assured course/programme/qualification which has been entered on the Register of Quality Assured Qualifications with the necessary approvals.

**Repayment deductions:** Amounts deducted by employers from a borrower's salary or wages when a borrower's income exceeds the repayment threshold and where a borrower has notified their employer of their student loan repayment obligation, by using the appropriate tax code.

**Repayment obligation:** The amount a borrower is required to repay toward their loan in any given income year. For resident borrowers, this is calculated as the amount by which the borrower's net income exceeds the repayment threshold, multiplied by 10 percent.

**Repayment threshold:** The amount a person can earn in a year before they have to start paying back their loan (\$15,964 for 2003/04 and \$16,172 for 2004/05 before tax). Once a person earns more than the threshold, they will have to pay 10 cents for every dollar earned over this amount.

**Resident borrower:** A person who is resident in New Zealand in terms of section OE 1 of the Income Tax Act 1994.

**Schedule of assets:** This statement is a snapshot of the scheme's assets at 30 June 2004. It comprises: current assets (assets expected to be realised in cash or sold within one year of the balance date) and non-current assets (assets which are not easily convertible to cash or not expected to become cash within the next year).

**Schedule of cash flows:** The objective of this statement is to provide information about the operation and investment activities in cash terms. This schedule shows the sum of capital and interest repayments received and the sum of loans disbursed to borrowers during the fiscal year.

**Schedule of revenue and expenditure:** This statement represents a summary of activities over the current financial year (1 July 2003 to 30 June 2004). It shows revenue (administration fees and interest earned) less expenses (small balance write-offs and interest write-offs). The result is an operating surplus or deficit.

**Small balance write-offs:** In the event that a borrower has a loan balance of less than \$10 as at the last day of any income year, the loan balance is reduced to zero.

**Strategic policy (student loans):** This means the parameters of the scheme within the government's income support framework. The parameters define why student support is provided, who is eligible, and what they are entitled to.

**Student allowances:** Student allowances are income-tested grants designed to provide assistance to those students who are unable to support themselves or do not have access to alternative sources of support while undertaking full-time study.

**Student loan borrower:** A borrower means any person who has received a student loan. A person is still referred to as a borrower whilst they have an outstanding debt balance.

**Study status:** This refers to whether a person is studying full-time or part-time.

**StudyLink:** StudyLink (a service of the Ministry of Social Development) is responsible for the delivery and administration of the payment of student loans, student allowances and the unemployment benefit (student hardship).

**Tax year:** Tax year as appropriate for taxpayer (usually 1 April to 31 March).

**Tertiary education:** Tertiary education comprises all involvement in post-school learning activities, including industry training and community education.

**Tertiary education institutions (TEIs):** Tertiary education institutions are public providers of tertiary education. TEIs are universities, polytechnics, technical institutes, colleges of education and wānanga.

**Tertiary education providers:** Tertiary education providers are all the institutions and organisations that provide tertiary education. These include public tertiary education institutions (TEIs), private training establishments (PTEs), other providers (OTEPs) and government training establishments (GTEs).

**TESLA:** Tertiary Education Student Loan Analysis model (see Appendix 4 for more detail).

**Total interest rate:** This means the sum of the base interest rate and the interest adjustment rate. The interest rate for 2004/05 is 7 percent.

**Tuition fees:** Fees charged for tuition by public and private tertiary education providers.

**Tuition subsidies:** Money that is appropriated by the government in Vote Education that is used to provide EFTS-based tuition subsidies for valid student enrolments under the student component offered by recognised tertiary education providers.

**Undischarged bankrupt:** A person who has been officially declared bankrupt and who hasn't yet been discharged under the Insolvency Act 1967.

**University:** A public tertiary education institution that is primarily concerned with advanced learning and knowledge, research and teaching to a postgraduate level.

**Voluntary repayments:** Any additional student loan repayment that is made over and above the compulsory repayment obligation, or is made prior to the loan being transferred to IRD.

**Wānanga:** A public tertiary institution that provides programmes with an emphasis on the application of knowledge regarding ahuatanga Māori (Māori traditions) according to tikanga Māori (Māori custom).

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