

CHAPTERFOUR

Student Loan Scheme - State of Play

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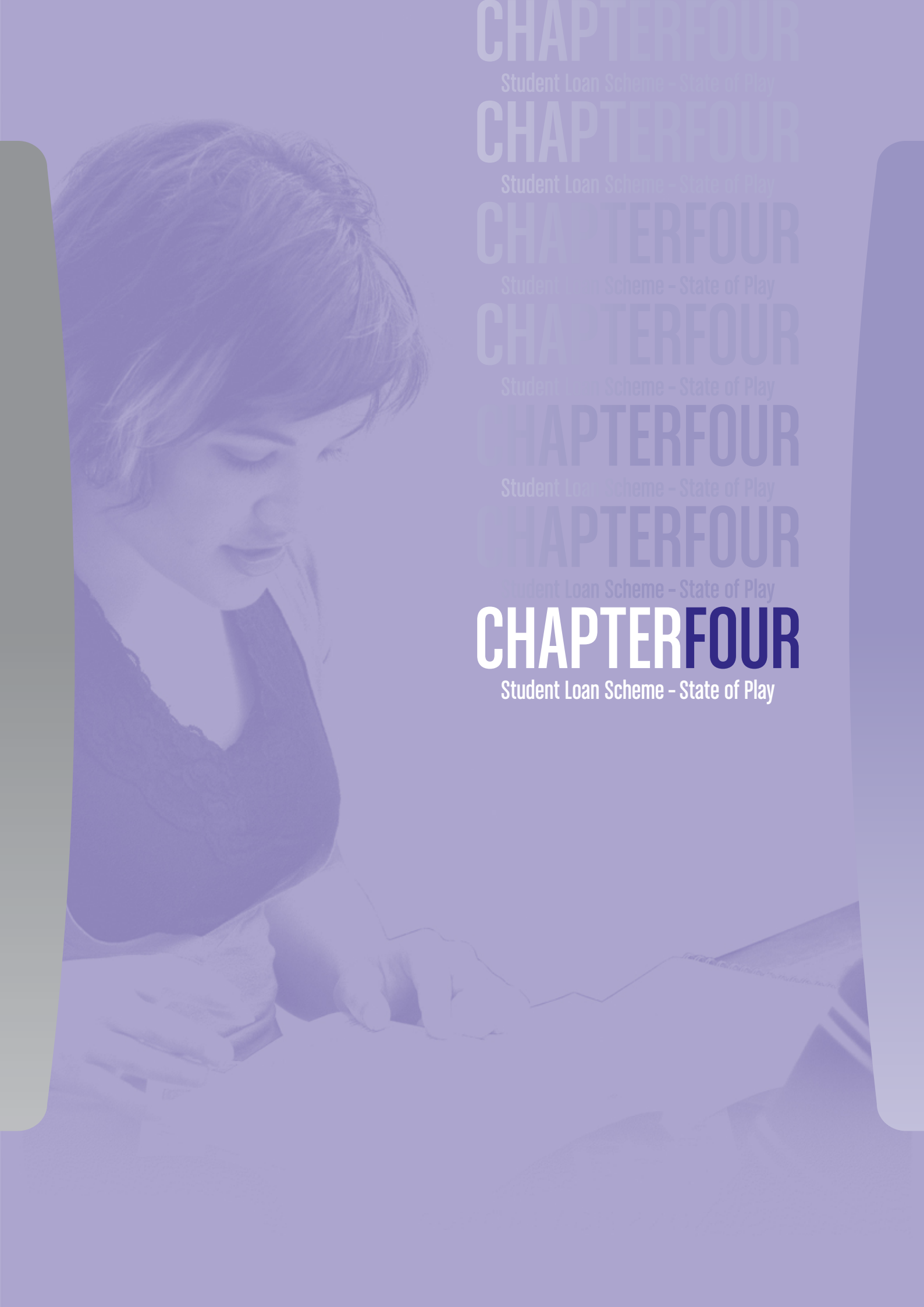
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4.0 Introduction

This chapter has information about:

- the students borrowing through the loan scheme in 2007 and the amounts they borrowed
- borrowers and their loan balances with Inland Revenue on 30 June 2008.

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

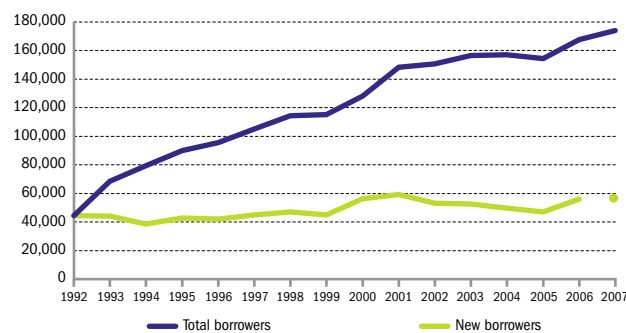
The information on borrowing is largely drawn from the Ministry of Social Development. (Please note that new borrower data for 2007 is provisional.) Information on new borrowers up to 2006 is drawn from the integrated dataset on student loans and allowances maintained by Statistics New Zealand, while Inland Revenue has supplied data on the repayments and loan balances of all borrowers, including those who have left study.

4.1 Students borrowing

In 2007, 174,000 students borrowed under the loan scheme, an increase of 3.8 percent on the 167,000 borrowers in 2006. This increase is likely to be largely due to the impact of interest-free loans introduced in 2006. Student loan borrowers in 2007 represented about 5.2 percent of the estimated New Zealand population aged 15 and over at 31 December 2007.³⁵ The overall number of people who have taken out a student loan each year since the scheme began is 779,000, representing about 23 percent of New Zealanders aged 15 or over at the end of 2007.

Figure 12 shows the growth in borrower numbers and in the number of new borrowers since 1992.

Figure 12 Student loan borrowers and new borrowers in each academic year



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

Notes:

- 2007 data on new borrowers was provided by the Ministry of Social Development. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2007 data. The two sets of data are derived from different datasets and therefore are not directly comparable.
- 2007 data on new borrowers is provisional.

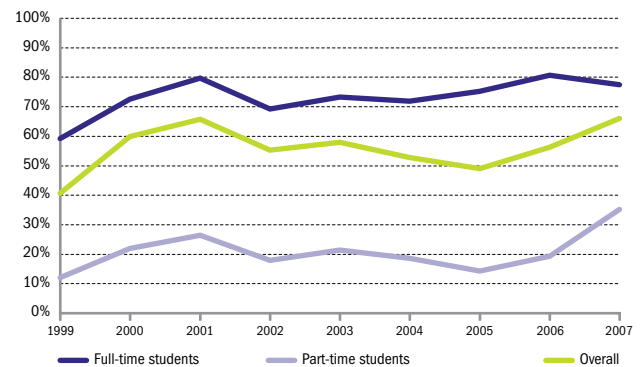
Uptake of student loans in 2007

The student loan uptake rate shown in Figure 13 is the proportion of students eligible to borrow who actually do so. In 2007, the overall uptake rate was 66.0 percent. This compares with 56.0 percent in 2006, 48.9 percent in 2005, 65.7 percent in 2001 and 40.5 percent in 1999.

The changes in uptake rates are most likely to be a consequence of changes to loan policy. There was an increase in uptake between 1999 and 2001 after the introduction of no interest while studying and the 50/50 repayment rules;³⁶ and there were further increases in 2006 and 2007 after the introduction of the interest-free loan policy.

The increase in uptake rates for part-time students from 19.3 percent in 2006 to 35.2 percent in 2007 is the result of two factors: firstly, it is due to an overall increase in the number of borrowers among part-time students as a result of the interest-free student loan policy; secondly, it is due to a decrease in the number of part-time students eligible to borrow as a result of the alignment of student support with funded qualifications. This means that, since the beginning of 2007, students who enrol in qualifications that do not attract government funding do not qualify for student loans or student allowances. This means that the pool of people who are eligible to borrow has reduced.

Figure 13 Student loan uptake rates



Source: Ministry of Education and Ministry of Social Development.

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

New borrowers

By looking at new borrowers it is possible to learn more about how the characteristics of those entering the loan scheme are changing over time.

The term 'new borrowers' is used for people entering the loan scheme for the first time in the year covered by the report. For example, a new borrower in this report entered the scheme for the first time in 2007, and in last year's report a new borrower entered the scheme in 2006. Figures 14 and 15 present the gender and age composition of new borrowers from 1992 to 2007 and Table 5 contains the average and median ages of new borrowers over the same period.

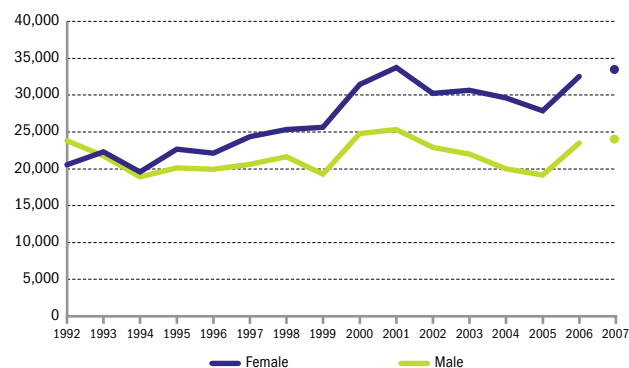
Figure 14 shows that, in 2007, based on provisional data, the number of new borrowers continued to grow. This rise, from 56,000 in 2006 to 58,000 in 2007, shows that the number of new borrowers in the last two years was significantly higher than the apparent trend in new borrowers in 2005 (47,000). This is likely to be due in part to the introduction of the interest-free loan policy that removed the interest charges for borrowers living in New Zealand and introduced new repayment obligations for borrowers overseas.

35 Statistics New Zealand population projections based on the 2006 Census (series 5) suggest that at the end of 2007 the population of New Zealand aged 15 and over was about 3.342 million.

36 See Base interest reduction in the glossary in appendix 5 for an explanation of the 50/50 rule.

The gender composition of new borrowers shows an increasing trend in the number of female borrowers overall. The proportion of female borrowers in 1992, when the scheme was introduced, was 46.3 percent. This proportion increased steadily and reached 58.2 percent of new borrowers in 2007.

Figure 14 New borrowers by gender



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

Note: 2007 data on new borrowers was provided by the Ministry of Social Development and is provisional. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2007 data. The two sets of data are derived from different datasets and therefore are not directly comparable.

The average and median ages of new borrowers entering the scheme every year has remained stable over the last five years as shown in Table 5. The average age of new borrowers increased from 23 years in 1992, reached 26 in 1999 and has remained at this level since. The median age of new borrowers was 20 in 2003 and remained at this level since then.

Table 5 Average and median ages of new borrowers 1992-2007

Year	Average	Median	Number of new borrowers
1992	23	21	44,256
1993	23	21	43,965
1994	24	20	38,412
1995	24	20	42,735
1996	25	21	42,012
1997	25	21	44,928
1998	25	21	46,887
1999	26	21	44,841
2000	25	21	56,175
2001	26	21	59,031
2002	26	21	53,049
2003	26	20	52,581
2004	26	20	49,569
2005	26	20	46,923
2006	26	20	56,019
2007	26	20	57,604

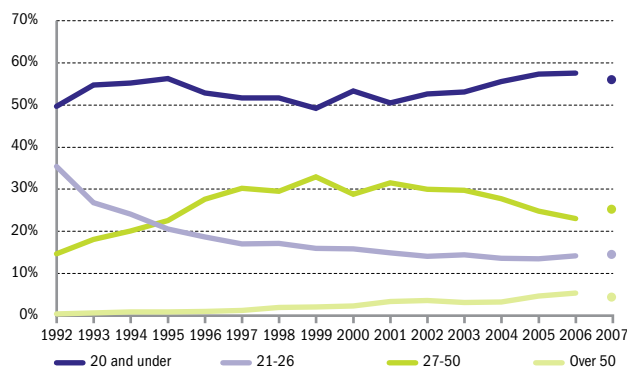
Source: Statistics New Zealand, integrated dataset and Ministry of Social Development.

Note: 2007 data on new borrowers provided by the Ministry of Social Development is provisional.

Figure 15 shows that, between 1992 and 2007, new borrowers aged 20 years and under represented about 50 to 57 percent of all new borrowers. In 2007, the proportion of new borrowers aged 20

and under was about 56 percent of the total population of new borrowers. The proportion of borrowers aged over 50 has been steadily increasing from 0.4 percent in 1992 to 4.3 percent in 2007. However, their proportion of all new borrowers remains small.

Figure 15 Percentage of new borrowers by age



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

Note: 2007 data on new borrowers was provided by the Ministry of Social Development and is provisional. A dot is used to distinguish this data from data provided by Statistics New Zealand from the integrated dataset, which does not yet include 2007 data. The two sets of data are derived from different datasets and therefore are not directly comparable.

Borrower characteristics

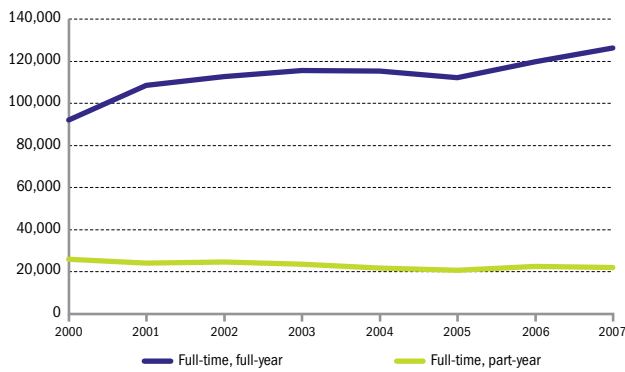
Study status

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

Figures 16a and 16b present the composition of borrowers by study status from 2000 to 2007. The participation of part-time students in tertiary education has remained stable at around 54 to 55 percent between 2004 and 2007. Approximately 54 percent of all domestic students in 2007 were enrolled on a part-time basis, compared with nearly 45 percent in 2000. Approximately 25,500 eligible part-time students (or 35.2 percent of those eligible) borrowed from the loan scheme in 2007. The proportion of eligible full-time students borrowing in 2007 was 77.4 percent.

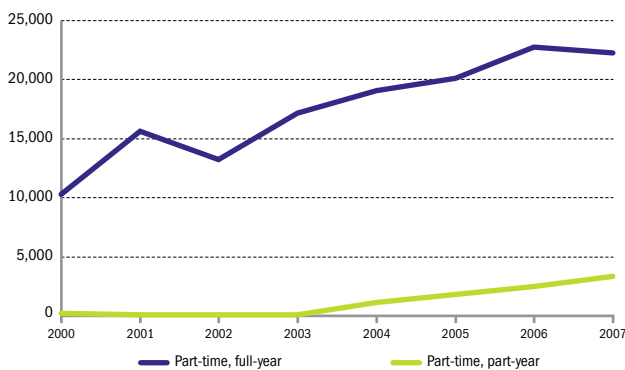
Figure 16b shows that the number of part-time, full-year borrowers increased markedly over the last five years, from 17,000 in 2003 to 22,000 in 2007. The number of part-time, part-year borrowers has also increased significantly since 2004 from 1,100 in 2004 to 3,300 in 2007. This is mainly due to policy changes aimed at increasing access to the Student Loan Scheme for part-time, part-year students.

Figure 16a Full-time borrowers



Source: Ministry of Social Development.

Figure 16b Part-time borrowers



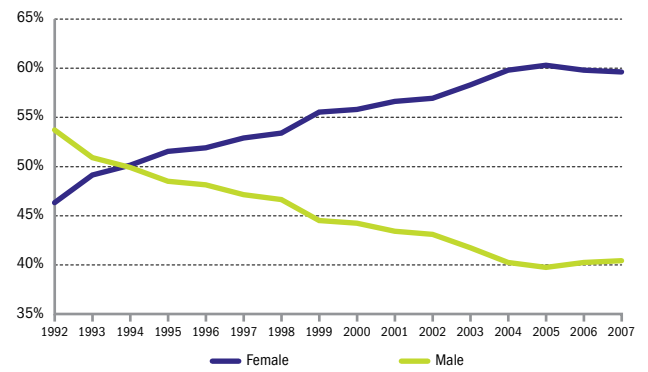
Source: Ministry of Social Development.

Gender

Figure 17 shows the trend in the gender composition of borrowers since the scheme started. Between 1994 and 2005, the proportion of female borrowers increased from 50.1 percent to 60.3 percent. However, since 2005 there has been a decrease in the proportion of female borrowers.

In 2007, the proportion of female borrowers dropped to 59.6, which is a 0.2 percentage point change from the previous year. The declining trend in the proportion of female borrowers corresponds with the declining trend in the participation of female students in tertiary education. The proportion of female enrolments in the tertiary education sector dropped from 54.6 percent in 2006 to 54.3 percent in 2007.

Figure 17 Percentage of borrowers by gender



Source: Ministry of Social Development.

Note: The Y-axis does not start at zero.

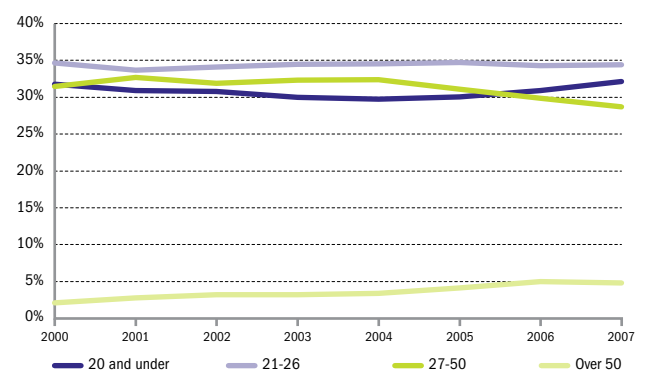
Age

The age composition of borrowers follows trends in tertiary enrolments. From 2000 up until 2005, there was an increasing trend in enrolments by older people, especially people aged 50 and over. Since 2005, the demographic composition of tertiary enrolments has been changing, with growth in enrolments by younger people, especially among those aged 20 and under. This has been offset by a decline in enrolments by people aged 27 to 50. The increase in enrolments by younger people was due to an increase in the number of university-entrance-qualified school leavers as a result of changes to the secondary school assessment system.

Figure 18 shows the composition of all student loan borrowers by age group for each year of borrowing since 2000. In 2007, the number of borrowers increased in all age groups, with the exception of people aged 27 to 50. The largest increase (over 8 percent) occurred among those aged 20 and under.

In 2007, about 66.5 percent (116,000) of all student loan borrowers were under 27 years of age. Those borrowers aged 27 to 50 represented 28.7 percent (50,000) of all borrowers in 2007. The number of borrowers aged 20 and under increased from 52,000 in 2006 to 56,000 in 2007.

Figure 18 Percentage of borrowers by age while studying



Source: Ministry of Social Development.

Ethnicity

Figure 19 illustrates the ethnic composition of borrowers and changes in composition since 2000.

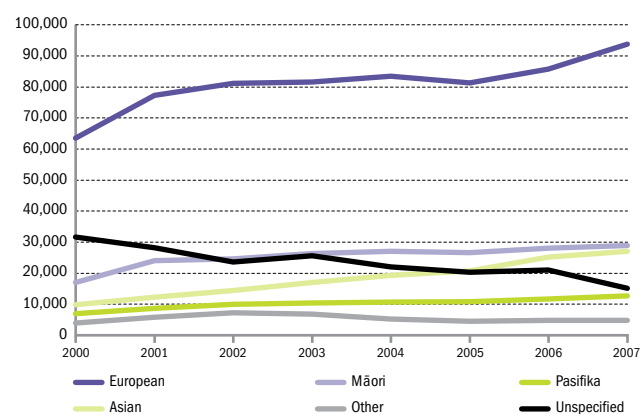
Of 2007 borrowers:

- 53.9 percent (94,000) identified themselves as European
- 16.6 percent (29,000) identified themselves as Māori
- 15.5 percent (27,000) identified themselves as Asian
- 7.3 percent (2,700) identified themselves as Pasifika.

The proportion of borrowers who self-identified as European increased by 2.8 percentage points to 54 percent in 2007. This compares with the 66 percent of all domestic students who identified themselves as European in 2007.

More borrowers are choosing to declare their ethnicity. This is evident from the decrease in the number of borrowers whose ethnicity is unspecified as shown in Figure 19.

Figure 19 Borrowers by ethnic group



Source: Ministry of Social Development.

Note: This graph is from the total response version of the StudyLink ethnic data. If borrowers declare two ethnic groups, they are counted in each. If they declare three or more, they are counted in 'Other'.

4.2 Amounts borrowed

Total borrowings

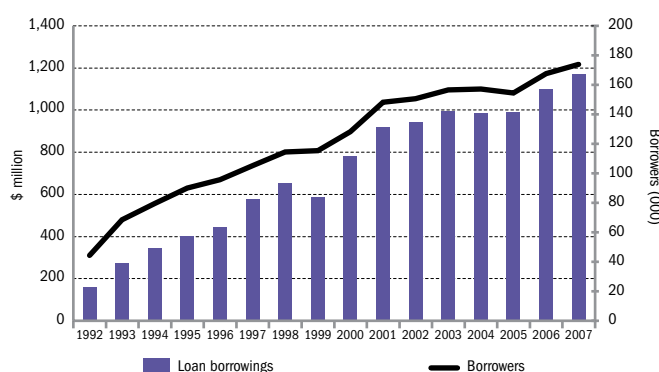
Figure 20 shows the total amount borrowed and the number of borrowers each year since the scheme began. In 2007, 174,000 students borrowed \$1,172.6 million from the loan scheme. The total amount borrowed each year grew significantly during the 1990s as the loan scheme developed and enrolments increased. The increase in the amount borrowed was also a consequence of the steady rise in fee levels over that period. In 1999, the amount that could be borrowed for course-related costs was reduced, leading to a fall in total borrowing that year. The reduction in that entitlement was reversed a year later and contributed to total borrowing, which rose by 37 percent between 1999 and 2000 (from \$566 million to \$776 million).

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

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

In 2006, the introduction of interest-free student loans for New Zealand-resident borrowers and some changes to the conditions for borrowers overseas contributed to an increase in the number of borrowers. The increase in borrower numbers was 8.4 percent between 2005 and 2006 and 3.8 percent between 2006 and 2007. The increase in the amount borrowed was 11.9 percent between 2005 and 2006 and 6.6 percent between 2006 and 2007.

Figure 20 Total loan borrowing by year



Source: Ministry of Social Development and Ministry of Education.

Average and median borrowing in a year

Figure 21 illustrates the average amount borrowed from 1992 to 2007 and the median amount borrowed from 2000 to 2007. The average amount borrowed increased by \$182 (2.8 percent) between 2006 and 2007 to reach \$6,747 in 2007. This compared with an increase of \$203, or 3.2 percent, in 2006. The median amount borrowed in 2007 was \$5,868, an increase of \$205 (3.6 percent) from 2006.

The average amount borrowed³⁷ showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. As shown in Figure 21, the decrease in average borrowing in 1999 was due to the decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999³⁸ and to other changes that restricted the purposes for which finance from the loan scheme could be used.³⁹

Average borrowing increased again in 2000, when some of the changes 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).

37 The average amount borrowed includes all amounts drawn down from a loan account but not the \$50 administration fee or the interest charged. It is calculated by dividing the total amount borrowed by the number of borrowers in the same year. The \$50 administration fee and interest are excluded as they are not linked to any particular period of study, but are charged to the loan account as a whole in each year of borrowing.

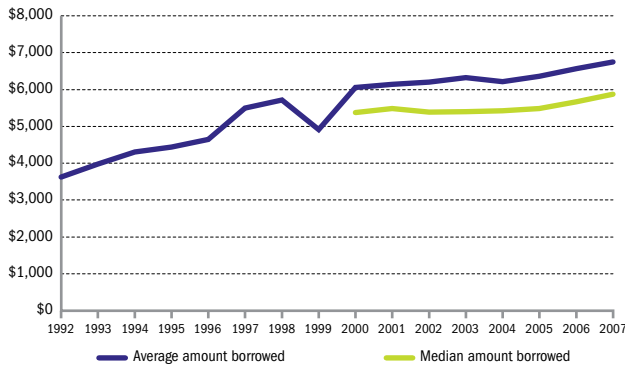
38 The entitlement was changed back to \$1,000 in 2000.

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

The fee stabilisation policy⁴⁰ implemented in 2001 meant that tuition fees charged by most tertiary education providers have remained stable since 2001.

From 2004, fees have been regulated by the fee and course costs maxima policy.⁴¹ Under this policy, providers are permitted to increase fees, but only within strict limits.

Figure 21 Average amount borrowed 1992-2007 and median amount borrowed 2000-2007



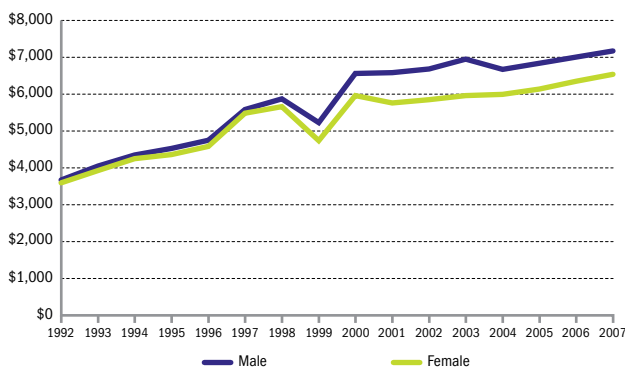
Source: Ministry of Social Development and Ministry of Education.

Note: Median loan balances were not calculated until 2000.

Gender differences

Figure 22 shows the historical trend in the average amount borrowed by gender from 1992 to 2007. There are more women than men in tertiary education. In 2007, there were 241,000 women and 203,000 men enrolled in tertiary studies. While men and women are equally likely to borrow through the loan scheme, women tend to borrow slightly less.

Figure 22 Average amount borrowed by gender and year



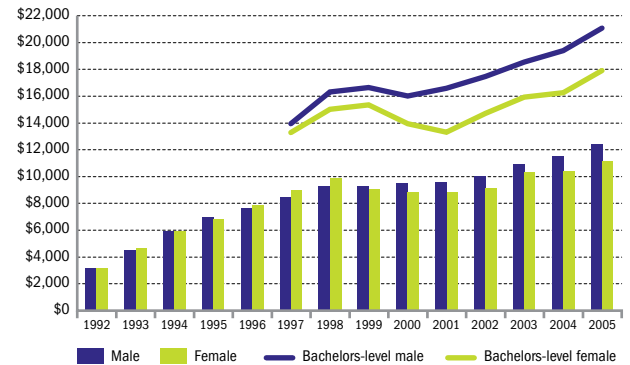
Source: Ministry of Social Development and Ministry of Education.

Figure 23, drawn from the integrated dataset on student loans and allowances, gives the median leaving balances of males and females in the leaving cohorts from 1992 to 2005. In some years, women have left study with higher median loans than men despite the fact that women tend to borrow less on an annual basis.

The greatest volume of borrowing has tended to be by students at bachelors-degree level.⁴² Figure 23 tracks the loan balances of those who studied at this level and left between 1997 and 2005. According to Figure 23, male borrowers who studied bachelors-

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

Figure 23 Median leaving loan balance for 1992-2005 leaving cohorts by gender - all borrowers and those who studied at bachelors level 1997-2005



Source: Statistics New Zealand, integrated dataset.

Note: 2005 is the latest leaving cohort available.

Loans by component

Most borrowers use the loan scheme to pay the compulsory fees charged by the tertiary education provider. In 2007:

- 96.1 percent borrowed to pay fees
- 59.6 percent borrowed to help meet course-related costs
- 50.3 percent borrowed towards meeting their living costs
- 25 percent borrowed for fees only
- 62.8 percent of those eligible to borrow fees did so.

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

- The amount drawn from student loans that was used to pay fees was about 61.3 percent of all money drawn from the loan scheme between 2000 and 2007.
- The amount drawn for course-related costs varied between 8.4 percent of all drawings in 2000 and 2007 and 9.7 percent of all drawings in 2001 and 2002.
- The amount drawn for living costs varied between 28.4 and 31.2 percent of the total amount drawn between 2000 and 2007.

Table 6 shows the average, median and total amounts drawn by loan components for the period 2000 to 2007. The average amount borrowed to pay fees increased by almost 20 percent between 2000 and 2007 (from \$3,817 in 2000 to \$4,576 in 2007). The increase in the total amount borrowed for fees reflects the increase in the number of borrowers.

40 See the glossary in appendix 5 for details of the fee stabilisation policy.

41 See the glossary in appendix 5 for details of the fee and course costs maxima policy.

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

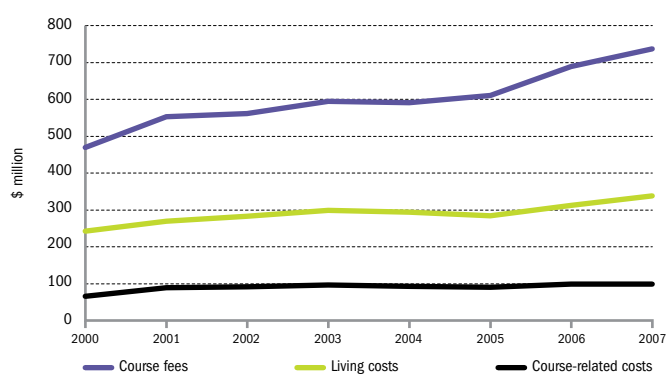
Table 6 Average and median amounts borrowed by loan component 2000-2007

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

Source: Ministry of Social Development.

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

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

Figure 24 Total amount drawn by loan component

Source: Ministry of Social Development.

Provider type

Table 7 presents the fees borrowed by provider type and their proportion of the total fees borrowed for the last five years.

Over half of all those who borrowed fees under the compulsory fees component of the loan scheme in 2007 were enrolled at universities. This proportion has remained relatively stable over recent years up until 2007. Between 2006 and 2007, there was a 7 percent increase in the number of compulsory fee borrowers at universities.

Table 7 Students who borrowed fees by provider type 2003-2007

	2003		2004		2005		2006		2007	
	Borrowers	%	Borrowers	%	Borrowers	%	Borrowers	%	Borrowers	%
Universities	77,538	52.5	78,617	52.9	77,114	52.8	83,552	52.6	89,394	54.8
Institutes of technology & polytechnics	40,767	27.6	39,196	26.4	36,400	24.9	38,077	24.0	39,281	24.1
Private training establishments	25,924	17.5	26,973	18.2	29,136	19.9	34,485	21.7	31,834	19.5
Wānanga	3,564	2.4	3,783	2.5	3,465	2.4	2,826	1.8	2,712	1.7
Total	147,793	100.0	148,569	100.0	146,115	100.0	158,940	100.0	163,221	100.0

Source: Ministry of Social Development.

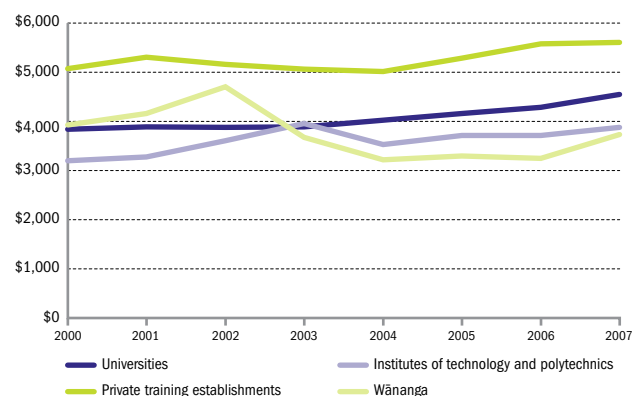
Notes:

1. From 2000, loan components other than fees were not recorded by provider type.
2. A student studying at more than one provider type has been counted in each provider type.
3. Universities include college of education students.

Between 2006 and 2007, there was a 7.6 percent decrease in the number of private training establishment students borrowing fees. However, the average amount borrowed for course fees by private training establishment students increased slightly from \$5,575 in 2006 to \$5,606 in 2007. It is possible that the decrease in the number of borrowers at private training establishments is a result of the change in tertiary education sector funding policy that limited student support to government-funded qualifications.

Figure 25 illustrates the average course fees borrowed by tertiary provider type. Between 2006 and 2007, the average course fees borrowed by university students increased by 6.1 percent (\$263). This represents an almost 3 percent increase over inflation. Between 2006 and 2007, the highest increase in average course fees was at wānanga. It is important to note that the average course fee depends largely on the composition of the programmes offered by tertiary providers as well as the number of borrowers.

Figure 25 Average course fees borrowed by provider type



Source: Ministry of Education and Ministry of Social Development.

Note: Colleges of education are now included with universities.

Qualification level

Table 8 contains the breakdown of borrowers by level of qualification enrolled in and gender, and average borrowing by qualification level and gender for 2005, 2006 and 2007. In 2007, the number of borrowers enrolled in bachelors-degree-level and above qualifications, such as doctorates, masters, honours, bachelors degrees, postgraduate and graduate certificates and diplomas, increased by 4.8 percent from 2006. This is equivalent to a twofold increase in the total number of borrowers enrolled in diploma, certificate and other non-degree programmes. In 2007, there were marked differences between the borrowing levels of males and females at most qualification levels and these are shown in Table 8.

Table 8 Student loan borrowers by level of qualification, gender and average amounts borrowed 2005-2007

Qualification level	Gender	2005		2006		2007	
		Number of borrowers	Average amount borrowed	Number of borrowers	Average amount borrowed	Number of borrowers	Average amount borrowed
Doctorate	Female	461	\$5,294	573	\$5,390	645	\$5,628
	Male	512	\$5,341	581	\$5,433	604	\$6,083
	Total	973	\$5,319	1,154	\$5,411	1,249	\$5,850
Masters, honours, postgraduate certificates and postgraduate diplomas	Female	5,490	\$5,541	6,088	\$5,657	6,347	\$5,930
	Male	4,063	\$6,116	4,287	\$6,201	4,453	\$7,011
	Total	9,553	\$5,786	10,375	\$5,882	10,800	\$6,450
Bachelors degrees, graduate certificates and diplomas	Female	46,397	\$6,562	48,729	\$6,764	50,999	\$7,017
	Male	31,951	\$6,999	33,583	\$7,181	35,332	\$7,408
	Total	78,349	\$6,740	82,312	\$6,934	86,332	\$7,172
Diplomas	Female	12,987	\$5,362	12,959	\$5,368	12,433	\$5,735
	Male	7,879	\$7,727	8,177	\$7,943	8,057	\$7,724
	Total	20,866	\$6,255	21,136	\$6,364	20,490	\$6,527
Certificates	Female	30,047	\$5,289	30,621	\$5,477	27,471	\$5,537
	Male	18,214	\$5,655	19,591	\$5,745	18,839	\$5,742
	Total	48,261	\$5,427	50,212	\$5,581	46,310	\$5,618
Other	Female	774	\$5,923	4,642	\$6,683	9,078	\$6,256
	Male	532	\$7,243	3,101	\$7,395	5,074	\$8,312
	Total	1,306	\$6,461	7,743	\$6,968	14,152	\$7,161
Total		154,411	\$6,408	167,420	\$6,610	179,333	\$6,586

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

Notes:

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

Loans and student allowances

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

In 2007:

- 12.7 percent of all borrowers borrowed living costs under the loan scheme and also received student allowances. This is a 10.9 percent increase from 2006
- 35.4 percent of people receiving student allowances used the loan scheme to supplement their living costs, compared with 33.6 percent in 2006.

Table 9 presents the number of living costs borrowers and recipients of student allowances and the average living costs and allowances received in 2007.

Table 9 Student allowances compared with student loan living costs borrowings in 2007

	Number of students	Average allowances	Average living costs loan	Average allowances and living costs loan
Student allowances only	40,363	\$6,954		\$6,954
Student allowances and living costs loan	22,116	\$5,775	\$1,748	\$7,523
Living costs loan only	65,059		\$4,593	\$4,593

Source: Ministry of Social Development.

On average, in 2007:

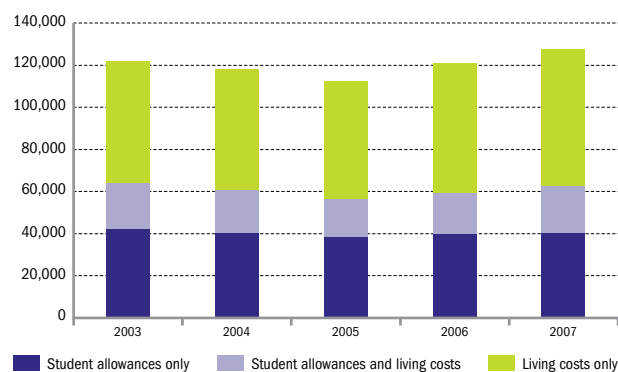
- those who received only student allowances received \$6,954
- those who received student allowances *and* used the living costs entitlement under the loan scheme borrowed \$1,748 from the loan scheme and received \$5,775 in student allowances - meaning they were paid a combined total of \$7,523 from both schemes
- those who relied solely on the living costs entitlement under the loan scheme received \$4,593.

Figure 26 illustrates the number of students borrowing living costs and/or receiving student allowances. From 2003 to 2005, the number of student loan living costs borrowers and student allowances recipients decreased by 7.7 percent (9,435), reaching 112,000 in 2005. From 2005, there has been an increasing trend in the number of living costs borrowers and/or student allowances recipients. By 2007, the number of students benefiting from student allowances and/or living costs borrowing had increased by 13.5 percent (15,000) from the 2005 level.

In 2007:

- in total 128,000 students either borrowed the student loan living costs component or received student allowances or both. This is a 5.6 percent (7,000) increase over the 2006 level
- 40,000 students received student allowances only, an increase of 2.2 percent or 900 allowances only recipients over 2006
- 22,000 students received student allowances and also borrowed living costs, an increase of 10.9 percent or 2,000 students over the 2006 level
- 65,000 students borrowed living costs, an increase of 6.1 percent or 4,000 borrowers over 2006.

Figure 26 Students borrowing living costs loans and receiving student allowances



Source: Ministry of Education and Ministry of Social Development.

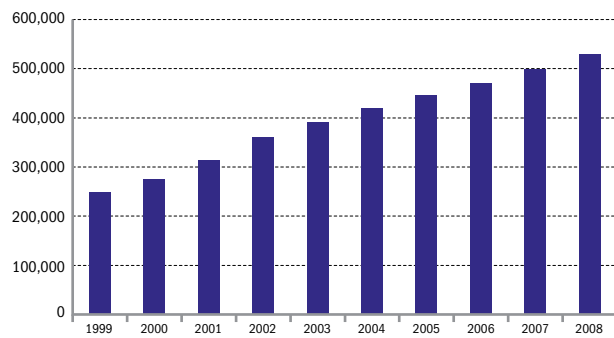
4.3 People repaying loans

Loans with Inland Revenue

Inland Revenue is responsible for the collection of student loan repayments. StudyLink makes the loans to students and once a year transfers loan balances to Inland Revenue. Most repayments are made through the PAYE (pay as you earn) system, with the remainder coming directly from self-employed people and those overseas.

Figure 27 shows loans with Inland Revenue. At the end of June 2008, there were 530,000 borrowers who had loans for collection - a 6.2 percent increase over the previous year and 309,000 borrowers more than in 1998. Those with loans at 30 June 2008 represent 15.9 percent of the population aged 15 and over at the end of 2007, compared with 15.2 percent the previous year.

Figure 27 Borrowers with Inland Revenue at 30 June

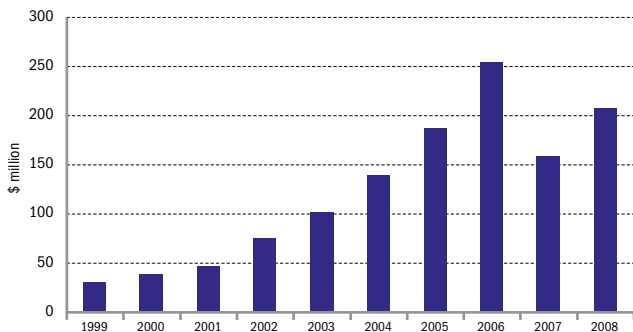


Source: Inland Revenue.

Overdue repayments

At the end of June 2008, \$207.1 million in student loan repayments were overdue, an increase of \$48.8 million over the previous year. This represents 2.4 percent of the nominal value of outstanding loans – \$8.6 billion at year-end. There were 105,000 borrowers with overdue repayments, 19.9 percent of all borrowers. Of borrowers with overdue repayments, 33,000 were ‘overseas’ under the new definition of overseas-based borrower. They had \$64.4 million in overdue repayments, 31.1 percent of the total overdue. As information on who is and isn’t overseas has improved, there has been an increase in the number of borrowers assessed as having overdue repayments.

Figure 28 Overdue student loan repayments at 30 June



Source: Inland Revenue.

The overdue amount fell in 2007, mainly as a result of the amnesty. Borrowers who were eligible for the amnesty either had their late payment penalties reversed or were not charged penalties up to 1 April 2007. The amnesty is discussed further in this section of the report.

Characteristics of people with loans

Of those with loan balances, 53.9 percent were aged under 30, 88.1 percent were under 45 and 6.1 percent over 50. These proportions have been increasing each year as the loan scheme matures and the group of people who have made no progress in repaying their loans over an extended period gets older. Those aged under 30 with student loans represent 32 percent of the population between 15 and 30 years, whereas borrowers over 50 years are less than 2.6 percent of the population in that age range.

The number of people over the age of 60 with loan balances rose from 4,000 to 10,000 between 2004 and 2008. To some extent, this reflects the increase in enrolments amongst older people since 2000, with a consequent rise in borrowing amongst older age groups. It also reflects the ageing of the population of those with loans. However, at 1.9 percent, those aged 60 years or over are still a small proportion of all borrowers.

Information from the integrated dataset on student loans and allowances indicates that, of those who borrowed under the loan scheme after 1997 and had a student loan at 31 March 2007:

Ethnicity

- 54 percent were European
- 23 percent were Māori
- 11 percent were Asian
- 8 percent were Pasifika peoples.

Gender

- 56 percent were female.

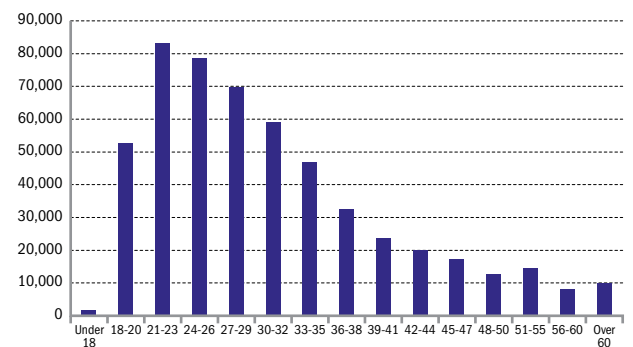
Provider/sub-sector type

- 42 percent studied at a university or college of education
- 32 percent studied at a polytechnic
- 22 percent studied at a private training establishment.
- 3 percent studied at a wānanga.

Qualification

- 41 percent studied at bachelors level
- 36 percent studied at certificate level
- 16 percent studied at diploma level
- 8 percent studied at postgraduate level.

Figure 29 Borrowers with Inland Revenue at 30 June 2008 by age



Source: Inland Revenue.

Borrowers overseas

Number of borrowers

'Overseas-based borrowers' are borrowers who have been absent from New Zealand for a period of 184 consecutive days or more. Interest is charged to their loan.⁴³

There were about 77,000 overseas-based borrowers on 30 June 2008, 14.5 percent of all borrowers having loans with Inland Revenue for collection. The loan balances held by this group are about 20 percent of total nominal balances (excluding accrued interest). Because of the change to the definition, effective 1 April 2007, statistics for overseas borrowers are not comparable with figures from previous years, when their status was related to residency for tax purposes.

A data-matching programme now operates to administer interest-free student loan status. The data match enables Inland Revenue to identify borrowers who have left New Zealand, by matching personal details against Customs arrival and departure information.

Amnesty

The amnesty, which ran from 1 April 2006 to 31 March 2008, was available to student loan borrowers who had been living overseas and had fallen behind in their repayments, or had left New Zealand but had not informed Inland Revenue of their departure.

The aim of the amnesty was to remove one of the perceived barriers to borrowers wanting to return to New Zealand and encourage borrowers who had fallen behind in their repayments to start making regular repayments. All eligible borrowers had their late payment penalties either reversed or not established if they had not informed Inland Revenue that they had left New Zealand. To avoid a one-off amnesty penalty being added to their loan balance, they had to apply for the amnesty by 31 March 2008. A total of 44,000 borrowers were eligible for the amnesty and had their late payment penalties reversed or not established.

More than 13,000 borrowers, or 30 percent of eligible borrowers, applied for the amnesty by the deadline of 31 March 2008 and agreed to begin making repayments on their student loans. Borrowers whose amnesty applications were accepted are required to make four equal repayments over two years towards their student loan. For most borrowers the two-year term will end in the 2010 tax year. If a borrower does not meet their amnesty repayment obligations, a penalty will be added to their loan balance based on the number of repayments they made.

There were about 31,000 borrowers who did not apply for the amnesty and received a one-off amnesty penalty. The penalty is the lesser of 5 percent of the total loan balance as at 31 March 2008, or the sum of the late payment penalties that were reversed or not established.

4.4 Loan balances with Inland Revenue

Total balances

The year-end nominal balance for borrowings with Inland Revenue is the total value of all obligations that borrowers have, including loan principal, interest and penalties. The change in the balance from year to year reflects the net growth of the portfolio through new loans transferred to Inland Revenue in the current year, less repayments and other adjustments such as loans written off due to death or bankruptcy. The nominal value is the basis for other calculations such as the carrying value and average and median balances. For details of the valuation of the portfolio, refer to the financial statements for the scheme in chapter 6.

The calculation method for nominal balances was changed in 2008. In previous years, accrued interest was included in the total, but from 30 June 2008 onwards it will be excluded (see Note 1 of the financial statements in chapter 6). This means that total nominal balances from 2008 onwards cannot be compared with historical data. The impact of the changed calculation method for 2007 and 2008 is shown in Table 10.

Table 10 Total nominal balances at 30 June

Total nominal balances	2007 \$ million	2008 \$ million
Including accrued interest	8,403	8,998
Excluding accrued interest	7,911	8,553
Difference	492	445

Source: Inland Revenue.

Average and median balances

As noted above, the change to the calculation method for total balances has an impact on the calculation of average and median balances. Table 11 shows the average loan balances including and excluding accrued interest to enable a comparison between 2007 and 2008.

Table 11 Average loan balance at 30 June

Average loan balances	2007	2008
Including accrued interest	\$16,833	\$16,966
Excluding accrued interest	\$15,845	\$16,129

Source: Inland Revenue.

The median loan balance was \$10,883 on 30 June 2008. The average loan balance is higher than the median because there is a relatively small number of large loans that influence the average.

Table 12 Median loan balance at 30 June

Median loan balances	2007	2008
Including accrued interest	\$11,087	\$11,384
Excluding accrued interest	Not available	\$10,883

Source: Inland Revenue.

Note: It is not possible to calculate median loan balances retrospectively.

⁴³ Exemptions exist for borrowers who are, for example, studying overseas, or doing volunteer work. There were 237 exemptions in the year to 30 June 2008. These borrowers are eligible for interest-free loans. For further details on exemption rules see www.ird.govt.nz/studentloans/.

Table 13 Range of loan balances held by Inland Revenue at 30 June 2008

Range of loan balances	Borrowers	Percentage	Cumulative percentage
\$1 - \$1,999	46,619	8.8%	8.8%
\$2,000 - \$3,999	48,655	9.2%	18.0%
\$4,000 - \$5,999	56,090	10.6%	28.5%
\$6,000 - \$7,999	50,283	9.5%	38.0%
\$8,000 - \$9,999	42,540	8.0%	46.0%
\$10,000 - \$14,999	82,916	15.6%	61.7%
\$15,000 - \$19,999	53,767	10.1%	71.8%
\$20,000 - \$24,999	40,688	7.7%	79.5%
\$25,000 - \$29,999	28,249	5.3%	84.8%
\$30,000 - \$34,999	21,997	4.1%	89.0%
\$35,000 - \$39,999	15,716	3.0%	91.9%
\$40,000 - \$44,999	11,688	2.2%	94.1%
\$45,000 - \$49,999	8,517	1.6%	95.7%
\$50,000 - \$54,999	6,076	1.1%	96.9%
\$55,000 - \$59,999	4,307	0.8%	97.7%
\$60,000 - \$79,999	8,298	1.6%	99.3%
\$80,000 - \$99,999	2,510	0.5%	99.7%
Over \$99,999	1,373	0.3%	100.0%
Total	530,289	100.0%	

Source: Inland Revenue.

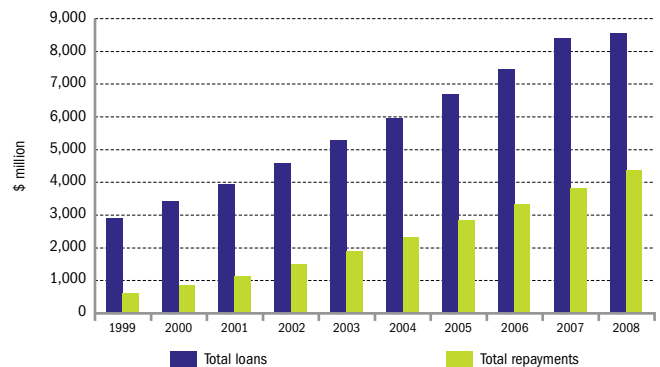
Repayments

Repayments collected

This year Inland Revenue received \$550 million in loan repayments, \$63.6 million more than last year. The increase in payments through the pay as you earn (PAYE) system is consistent with the high level of employment in the economy in 2007/08 and the continuation of the trend from previous years, as progressively more borrowers complete their studies and enter the workforce.

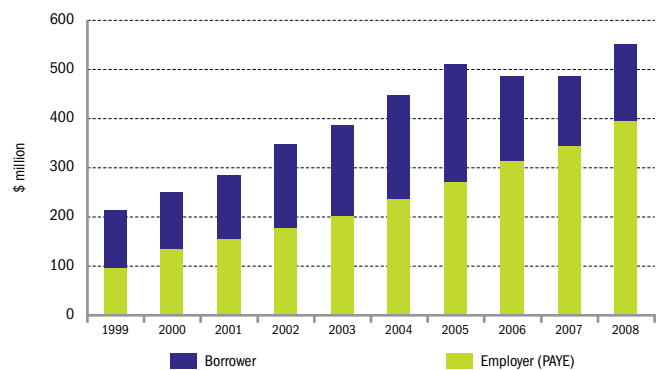
Since the loan scheme began in 1992, Inland Revenue has collected \$4,350 million in loan repayments. Of this, \$2,556 million has been collected by employers through the PAYE system. The balance (\$1,794 million) has been paid directly by self-employed borrowers, overseas borrowers, and borrowers who have made additional repayments. Figure 30 shows the size of the total loan portfolio and the cumulative loan repayments received by Inland Revenue in each fiscal year.

Figure 30 Cumulative loan repayments received by Inland Revenue compared to aggregate loan balances



Source: Inland Revenue.

Figure 31 Value of gross loan repayments received by Inland Revenue - borrower/employer split

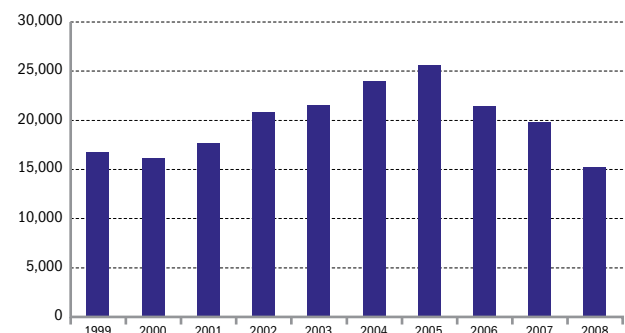


Source: Inland Revenue.

Loans fully repaid

In 2007/08, 15,000 people repaid their loans in full. Since the loan scheme began, 237,000 loans have been repaid in full. This represents more than 30 percent of all loans drawn down.

Figure 32 Loans fully repaid to Inland Revenue at 30 June



Source: Inland Revenue.

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

Repayments increased by 14 percent in 2008. It may appear from Figure 32 that there has been a fall in the number of people who have paid off their loans in full. However, because a loan account can be finalised after the end of the year, the graph does not show the full year's figure for 2008. On 30 June 2007, the number

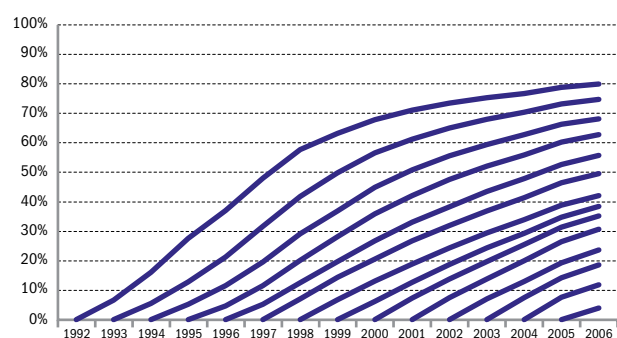
of complete repayments recorded for 2007 was the same as the figure for 2008 shown in Figure 32.

Repayment rates

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

The proportion of those who have repaid their loans year by year for each cohort of leaving borrowers is shown in Figure 33.

Figure 33 Proportion of borrowers who have fully repaid each year for each cohort of leaving borrowers



Source: Ministry of Education.

Looking at the group of people who left study at the end of 1997, we see that by 31 March 2007 – just over nine years later:

- half had repaid in full, with men and women equally likely to have repaid
- those who had been successful in completing a qualification were more likely to have repaid in full – 58 percent, compared with 44 percent of those who hadn't completed
- borrowers of European ethnicity were more likely to have repaid in full than Māori or Pasifika (56 percent, compared with 37 percent and 32 percent respectively)
- those who studied at degree level or higher were more likely to have repaid in full than those whose study had been for a certificate or diploma – 56 percent, as opposed to 47 percent.

Interest write-off under the interest-free policy

Under the interest-free loan policy most borrowers do not pay interest because they are New Zealand-based. In the tax year from April 2006 to March 2007, interest was charged to accounts and then written off after the end of the tax year. From 1 April 2007, the interest write-off has been concurrent with the interest charge. For the financial year ending 30 June 2008, \$445 million was written off under the policy.

Fewer borrowers received interest write-offs in 2007/08 as a result of data matching with the Customs Service and the amnesty, which identified a large number of overseas-based borrowers who were not previously recorded by Inland Revenue as being overseas (see also **Amnesty** on page 37).

Loan balance write-off due to death or bankruptcy

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

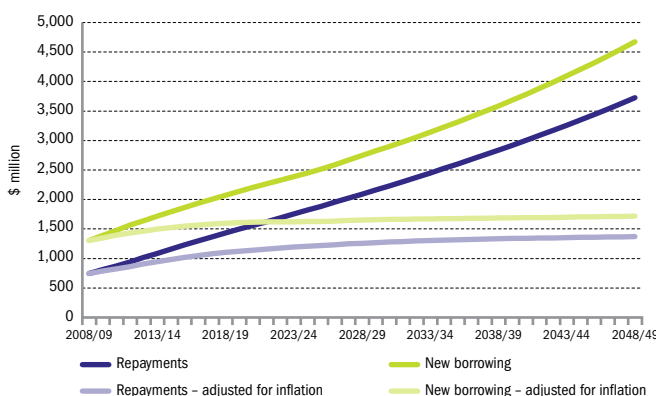
The total value of loans written off due to death was \$9.5 million.

The student loans of borrowers adjudicated bankrupt are written off under the Insolvency Act 1967. In 2007/08, \$15.7 million was written off due to bankruptcy.

Projected repayment

Repayments are expected to increase in the future – by an average of nearly 11 percent a year over the next four years. Over the longer term, as borrowing grows, so will repayments. Figure 34 shows the expected growth in borrowing and in repayments over the next 40 years. The figures are presented in nominal terms and are also adjusted for forecast inflation to give an idea of the expansion of the scheme in 2008 dollar terms.

Figure 34 Long-term projection of new lending and repayments in millions of dollars, nominal and adjusted for inflation



Source: Ministry of Education, Student Loans Integrated Model.

Further information on forecasts can be found in chapter 5.