

CHAPTER FOUR

STUDENT LOAN SCHEME - STATE OF THE PLAY

4.0 Introduction

This chapter has information about:

- the students borrowing through the loan scheme in 2005 and the amounts they borrowed
- the people who left study by 30 June 2006 and their loan balances.

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

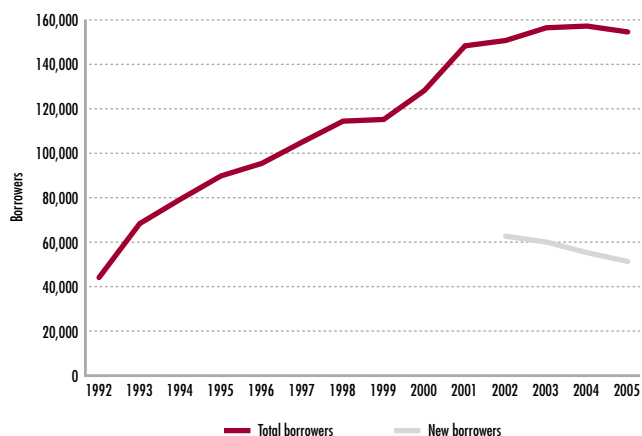
The information on borrowing is largely drawn from the Ministry of Social Development, while Inland Revenue has supplied data on the repayments and loan balances of all borrowers, including those who have left study.

4.1 Students borrowing

Uptake of student loans in 2005

In 2005, 154,411 students borrowed under the loan scheme, a reduction of 1.7 percent on the 157,032 borrowers in 2004. This is the first year in which there has been a decrease from the previous year in the number of borrowers. This means that 4.8 percent of the New Zealand population aged 15 and over borrowed from the loan scheme in 2005.

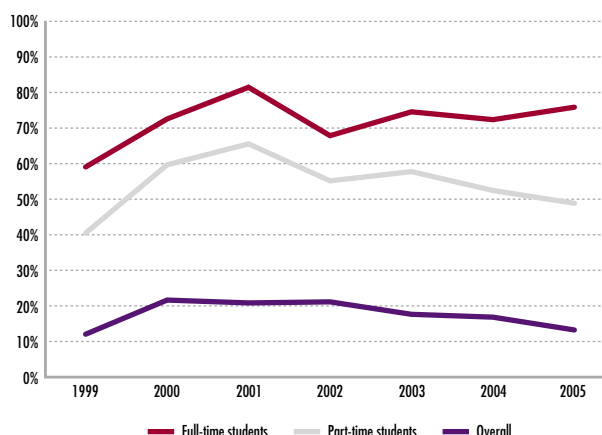
Figure 13 Student loan borrowers in each academic year 1992-2005



Source: Ministry of Education and Ministry of Social Development

The student loan uptake rate is the proportion of students eligible to borrow who actually do so. In 2005, the uptake rate was 49 percent. This compares with 53 percent in 2004, 60 percent in 2003 and 50 percent in 1999. The fall in uptake since 2003 is a consequence of changes to loan eligibility in 2004, when many part-year, part-time students became entitled to borrow. Yet, relatively few part-time students use the loan scheme – so the proportion of eligible students borrowing fell.

Figure 14 Uptake rates of student loans 1999-2005



Note: Overall uptake rates depend on the full-time/part-time mix of borrowers.

Source: Ministry of Education and Ministry of Social Development

Between 2000 and 2005, the number of students eligible for a loan increased by 47 percent overall. However, the number of loan borrowers increased by only 20.5 percent over the same period. It is this that has led to the decrease in loan uptake, from the estimated 60 percent in 2000, to 49 percent in 2005.

The decrease in the overall rate of loan uptake reflects the combined effect of changes in loan eligibility rules and the number of students borrowing.

- The number of full-time students eligible for loans increased by 12 percent between 2000 and 2005. Over the same period, the number of full-time students borrowing increased by 17.1 percent. This resulted in an increase in the loan uptake rate for full-time students, from an estimated 72.6 percent in 2000, to 75.9 percent in 2005.
- The number of part-time students eligible for loans increased by 151.4 percent between 2000 and 2005, while the number of part-time borrowers rose by 54.4 percent. As a result, there was a decrease in the loan uptake rate from an estimated 21.7 percent of eligible part-time students in 2000 to 13.3 percent in 2005.

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. In this report, we use the term 'new borrowers in 2005' for borrowers who entered the loan scheme in 2005, not having borrowed in any other year since 2000. There will be a small number of people, described as new borrowers in 2002, 2003, 2004 or 2005 under this definition, who borrowed during the 1990s but had not used the loan scheme again until after 2000¹⁶. As a result, a degree of caution is needed in drawing conclusions from the following comments on new borrowers.

¹⁶ Due to data structure changes and the separation of source data in 2000 when the loan accounts administration was transferred to the Department of Work and Income (now part of the Ministry of Social Development), it is not possible to match borrowing records of those who used the scheme in the 1990s to those in 2000 and subsequent years.

The number of new borrowers fell, a trend which has continued since 2002. This fall, from 76,182 in 2000 to 51,443 in 2005, occurred despite a rise in the numbers undertaking tertiary education for the first time, and the continued rise in overall student numbers.

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

Figure 15 New borrowers by gender 2002-2005



Note: This data is provisional.

Source: Ministry of Social Development

Table 2 Average age of new borrowers who had not borrowed from StudyLink 2002-2005

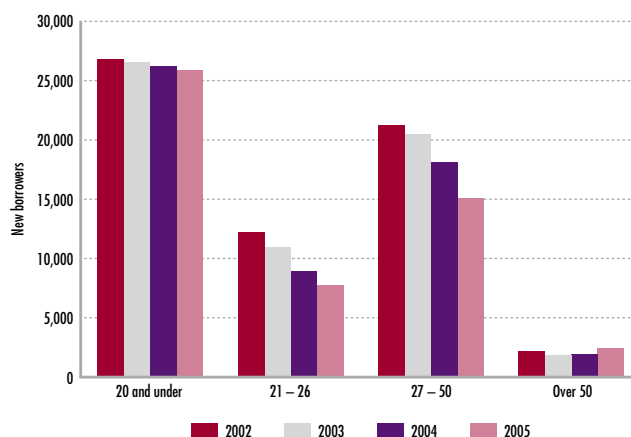
Age	2002	2003	2004	2005
Average	27	26	26	26
Median	22	22	21	20
Total number of new borrowers	62,763	60,131	55,379	51,443

Notes:

1. These are new borrowers who had not otherwise borrowed since the Ministry of Social Development took over student loans in 2000.
2. This data is provisional.

Source: Ministry of Social Development

Figure 16 Age distribution of new borrowers 2002-2005



Source: Ministry of Social Development

Borrower characteristics

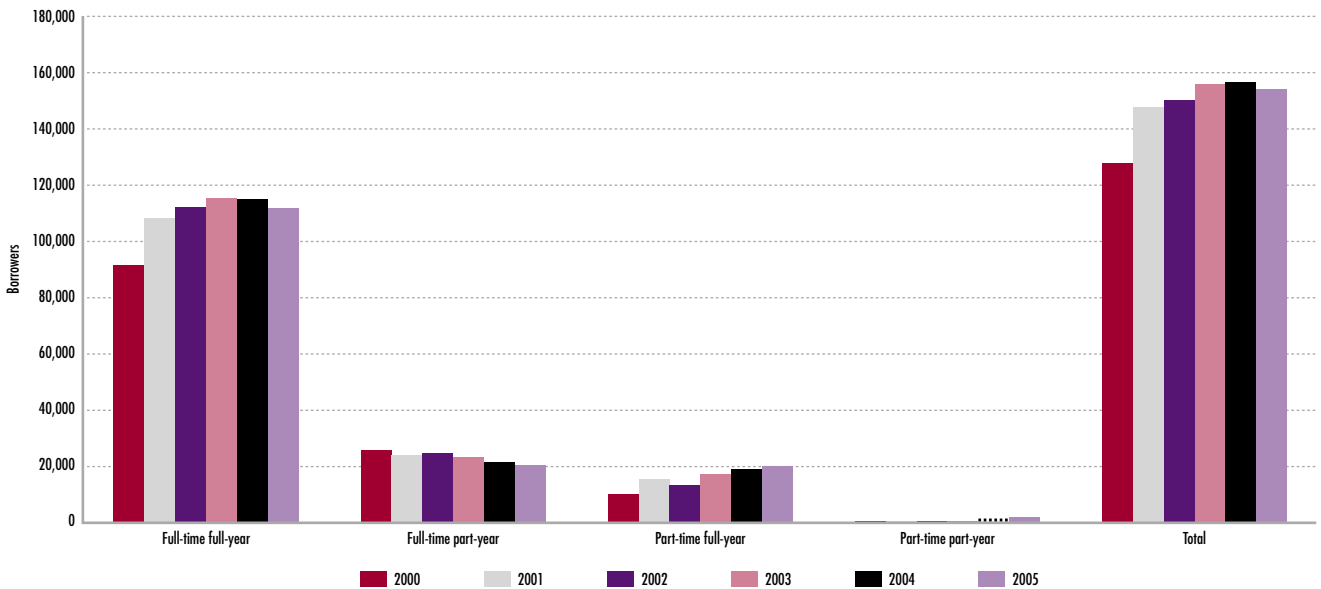
Study status

Before 2004, loan eligibility was restricted to those who were studying on a full-time basis and to those part-time students who were 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 EFTS units or more. Access to student loans was further extended in 2005. Those students whose study load was at least 0.25 EFTS units, but less than 0.3 EFTS units, were entitled to borrow if their course would be likely to lead to employment or contribute to the borrower's work¹⁷.

The increase in part-time study continued in 2005. Approximately 43 percent of all domestic students in 2005 were studying on a part-time basis, compared with slightly more than 25 percent in 2000. Approximately 18,100 eligible part-time students (or 13 percent of those eligible) borrowed from the loan scheme in 2005. The proportion of full-time students borrowing in 2005 was 76 percent.

¹⁷ These vocational restrictions will be removed from 1 January 2007.

Figure 17 Borrowers by study status 2000-2005

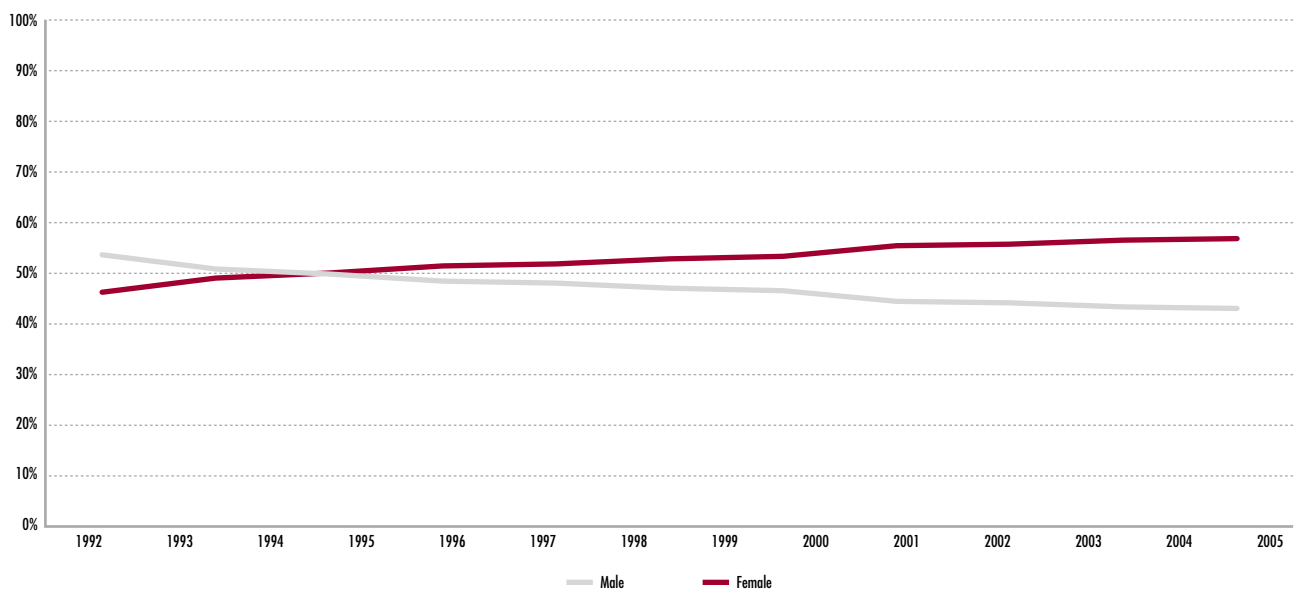


Source: Ministry of Social Development

Gender

There are significantly more women than men enrolled in tertiary education. In 2005, almost 60 percent of tertiary students were female, compared with 52 percent in 1994. The increase in the proportion of female students has been matched by an increase in the proportion of female borrowers.

Figure 18 Percentage of borrowers by gender 1992-2005



Source: Ministry of Education and Ministry of Social Development

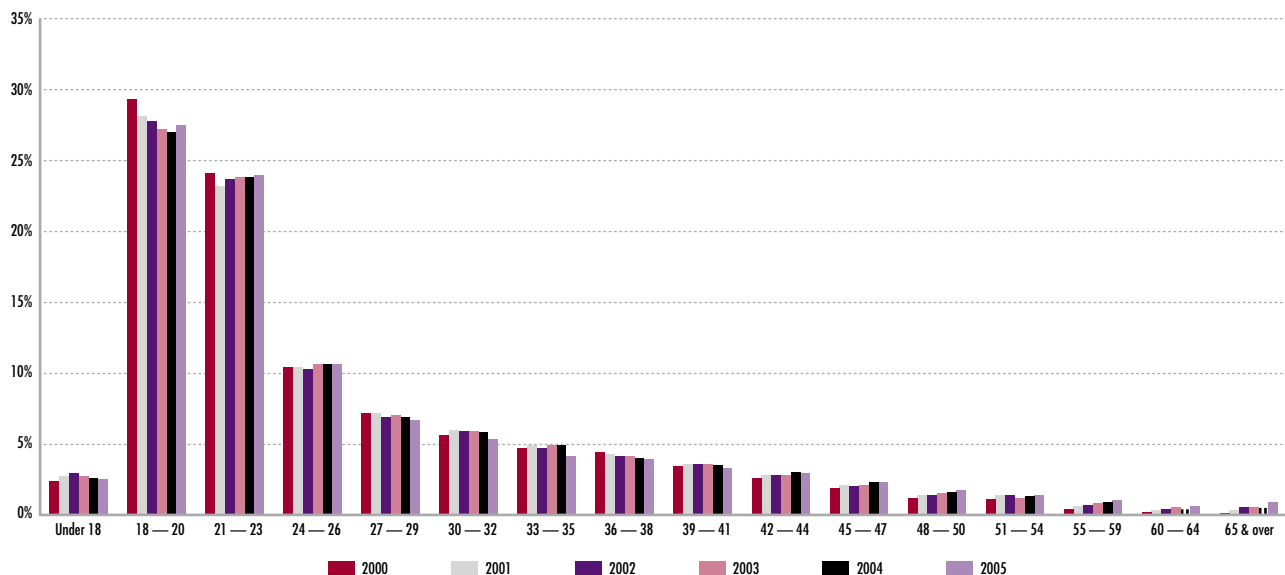
Age

The following graphs show the age profile of all student loan borrowers for each year of borrowing, since 2000. The proportion of borrowers under 20 has continued to decline, while there have been small increases in most other age groups above 24. The increased age of borrowers follows trends in tertiary enrolments; since 1994, 45.5 percent of all enrolment growth has been among those aged 40 or over.

As in 2004, 71 percent of all student loan borrowers were under 30. Those borrowers aged 55 or over represented 2.6 percent of all borrowers, up from 2 percent in 2004. The number of borrowers aged 65 or over has risen from 223 in 2000 to 1,405 in 2005. Of these, 587 were borrowing for the first time in 2005, since 2000.

Given the small number of students involved, compared with the total number of borrowers, the higher age of the overall student population and growing recognition of the social value of lifelong learning, it is not surprising that there has been an increase in recent years in the number of older people borrowing.

Figure 19 Percentage of borrowers by age: people actively borrowing 2000-2005

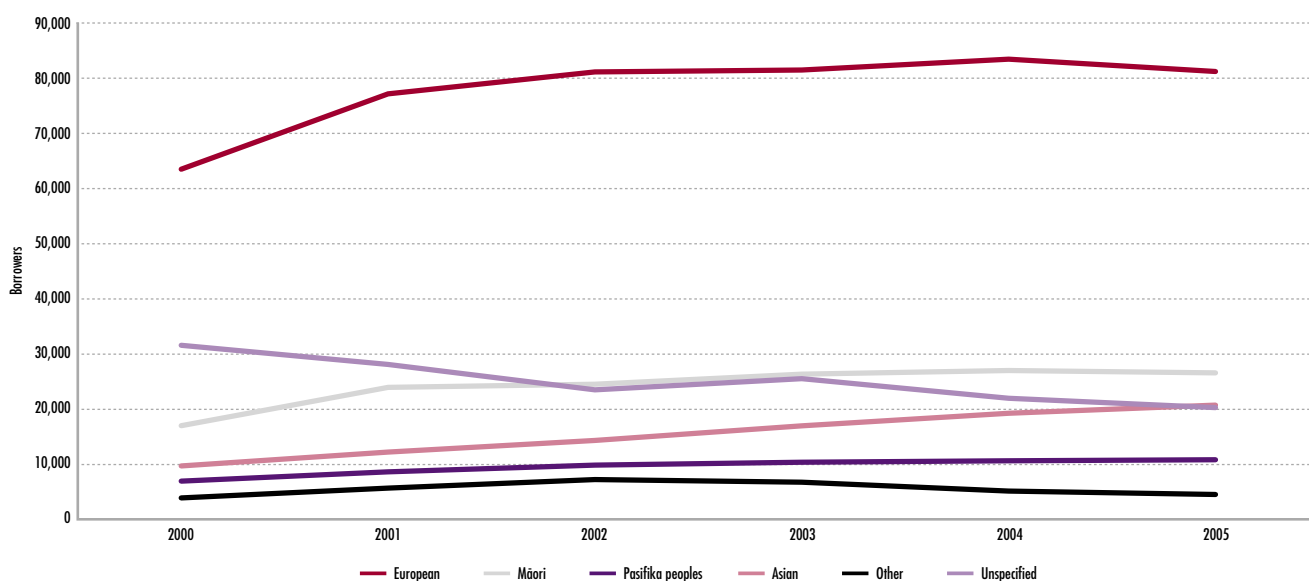


Source: Ministry of Social Development

Ethnicity

In 2005, 17.2 percent of borrowers and 19.9 percent of students identified themselves as Māori, 12.7 percent of borrowers and 12.2 percent of students identified themselves as Asian, and 7 percent of borrowers and 6.2 percent of students identified themselves as Pasifika¹⁸.

Figure 20 Borrowers by ethnic group 2000-2005



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

Source: Ministry of Social Development

¹⁸ The actual ethnic split of borrowers may differ from the figures above as 12.4 percent of people applying for loans chose not to respond to questions defining their ethnic group.

4.2 Amounts borrowed

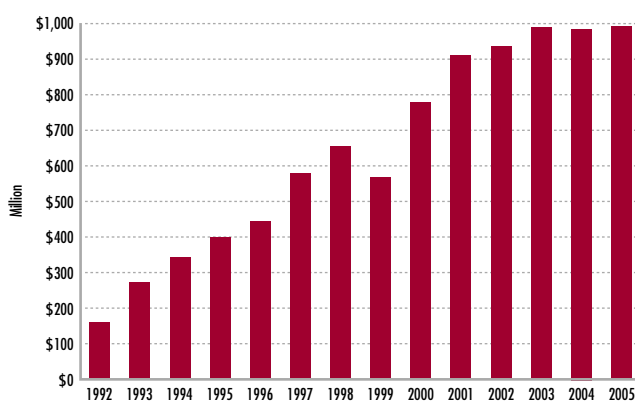
Total borrowings

In 2005, students borrowed \$971 million from the Student Loan Scheme. The total amount borrowed each year grew significantly during the 1990s as the loan scheme developed and enrolments expanded. The increase in the amount borrowed was also a consequence of the steady rise in fee levels over that period. In 1999, the entitlement to borrow 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 rising by 37 percent between 1999 and 2000 (from \$566 million to \$776 million).

Since 2001, the aggregate amount borrowed has been relatively stable. There are three main reasons for the reduction in the growth in borrowing:

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

Figure 21 Total annual loan borrowings 1992-2005



Source: Ministry of Social Development and Ministry of Education

Average and median borrowings

The average amount borrowed increased by 2.4 percent (\$150) to reach \$6,408 in 2005, having fallen by \$58 in 2004. The median amount borrowed in 2005 was \$5,485, an increase of 1.1 percent (\$61) from 2004.

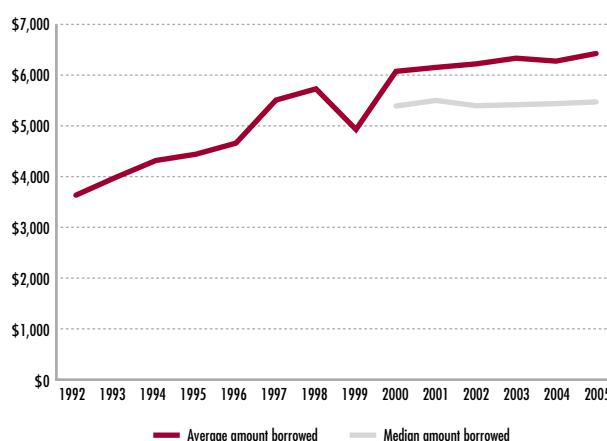
The average amount borrowed¹⁹ showed a steady increase between 1992 and 1998, in part reflecting increases in student fees.

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 1999²⁰ and to other changes that restricted the purposes for which finance from the loan scheme could be used²¹.

Average borrowing increased again in 2000 when some of the changes made in 1999 were rescinded (notably the reduction in course-related costs entitlement and the removal of the right to borrow compulsory student services levies and students' association fees). The fee stabilisation policy implemented in 2001 meant that tuition fees charged by most tertiary education providers did not increase in those years.

From 2004, fees have been regulated by the Fee and Course Cost Maxima policy. Under this policy, providers are permitted to increase fees, but only within strict limits.

Figure 22 Average and median amount borrowed 1992-2005



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

Source: Ministry of Social Development

¹⁹ The average amount borrowed includes all amounts drawn down from a loan account (excluding the \$50 administration fee and 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.

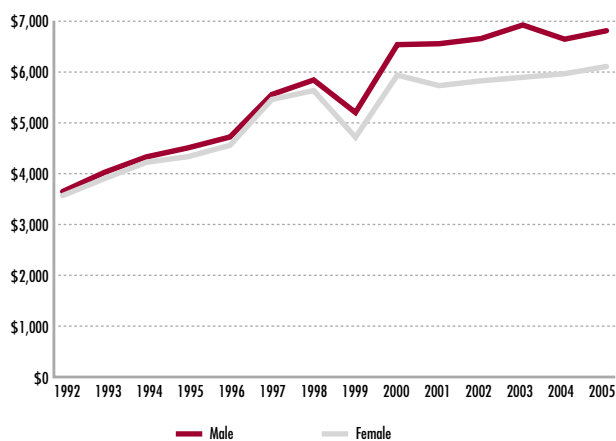
²⁰ The entitlement was changed back to \$1,000 in 2000.

²¹ Living costs were paid in fortnightly instalments instead of lump sums and students' association fees were no longer payable from the scheme. (This latter change was rescinded in 2000.)

Gender differences

While men and women are equally likely to borrow through the loan scheme, women tend to borrow slightly less.

Figure 23 Average annual amounts borrowed by gender 1992-2005

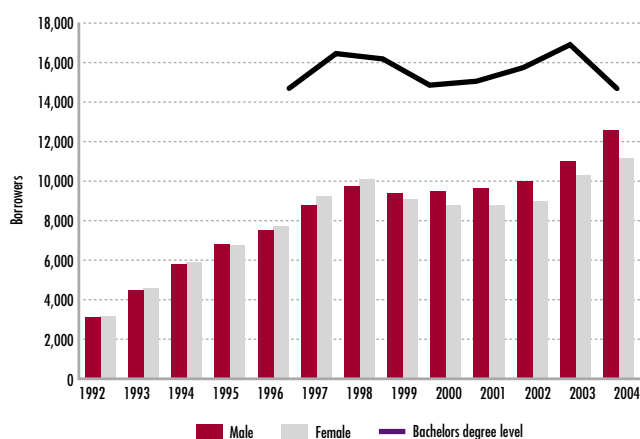


Source: Ministry of Social Development and Ministry of Education

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 reason for this is that women have a higher rate of completion of tertiary education qualifications and are more likely to be enrolled at degree level, and are therefore more likely to remain in study for longer.

Figure 24, drawn from the integrated dataset, gives the median leaving balances of men and women from 1992 to 2004.

Figure 24 Median leaving loan balance 1992-2004



Source: Statistics New Zealand, integrated dataset

The greatest volume of borrowing has tended to be by students at bachelors degree level²². Figure 24 also tracks the leaving loan balances of those who studied at the bachelors level and who had left study between 1997 and 2003.

Loans by component

Most borrowers use the loan scheme to pay the compulsory fees charged by the tertiary education provider. In 2005:

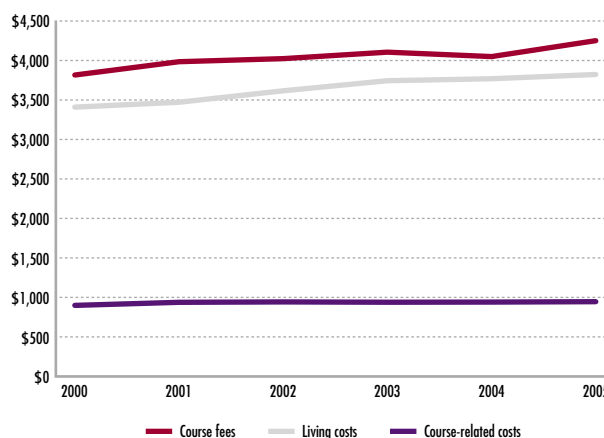
- 92 percent borrowed to pay fees
- 61 percent borrowed to help meet course-related costs
- 24 percent borrowed for fees only
- those who borrowed fees represented 45.5 percent of those eligible to do so.

From 2000 to 2005:

- about 61 percent of all money drawn from the loan scheme was used to pay fees
- the amount drawn for course-related costs varied between 9 and 10 percent
- the amount drawn for living costs varied between 29 and 30 percent.

The average amount borrowed to pay fees has not changed much from 2000 to 2004. In part, this reflects the government's fee stabilisation policy introduced in 2001 (see page 26), and the higher incidence of part-time enrolments in tertiary education. These trends are represented in Figures 25 and 26.

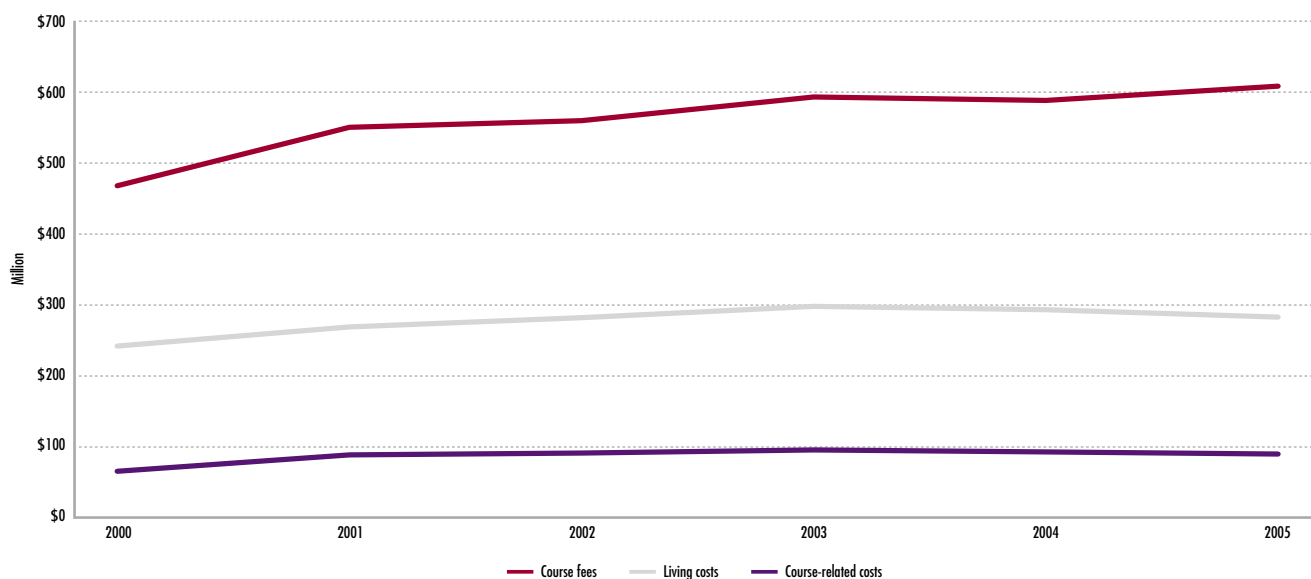
Figure 25 Average amount drawn by loan component 2000-2005



Source: Ministry of Social Development

²² This includes certificates and diplomas at level seven on the National Qualifications Framework.

Figure 26 Total amount drawn by loan component 2000-2005



Source: Ministry of Social Development

Table 3 Borrowing by component and gender 2000-2005

Year	Gender	Number of borrowers who borrowed fees	Average fees borrowed	Number of borrowers who borrowed living costs	Average living costs borrowed	Number of borrowers who borrowed course-related costs	Average course-related costs borrowed
2000	Female	68,449	\$3,653	36,961	\$3,477	41,370	\$888
	Male	54,384	\$4,024	34,021	\$3,328	31,221	\$906
	All	122,833	\$3,817	70,982	\$3,406	72,591	\$896
2001	Female	78,173	\$3,778	40,274	\$3,546	54,240	\$927
	Male	60,161	\$4,254	37,131	\$3,388	40,079	\$946
	All	138,334	\$3,985	77,405	\$3,470	94,319	\$935
2002	Female	79,435	\$3,735	41,304	\$3,681	55,771	\$933
	Male	59,888	\$4,406	36,395	\$3,561	40,792	\$951
	All	139,323	\$4,023	77,699	\$3,625	96,563	\$940
2003	Female	84,373	\$3,767	42,969	\$3,813	60,491	\$930
	Male	60,305	\$4,578	36,404	\$3,678	41,173	\$945
	All	144,678	\$4,105	79,373	\$3,751	101,664	\$936
2004	Female	87,010	\$3,875	42,959	\$3,823	60,271	\$933
	Male	58,539	\$4,312	34,548	\$3,726	38,235	\$945
	All	145,549	\$4,051	77,507	\$3,780	98,506	\$938
2005	Female	86,297	\$4,050	41,522	\$3,885	58,558	\$940
	Male	57,109	\$4,559	32,146	\$3,770	36,224	\$949
	All	143,406	\$4,253	73,668	\$3,835	94,782	\$943

Note: Data in this table is provisional.

Source: Ministry of Social Development

Changes in the level of average borrowing for living costs reflect the reductions in the uptake of student allowances – obliging more full-time students to use the loan scheme. It may also reflect increases in the cost of living, especially as rents have risen.

Provider type

Just over half of all those who borrowed fees, under the compulsory fees component of the loan scheme in 2005, were enrolled at universities. This proportion has remained relatively stable over recent years.

The uptake of loans at wānanga is significantly lower than at other provider types. This reflects the availability of zero-fee qualifications at wānanga and the high proportion of wānanga students enrolled on a part-time basis. The number of borrowers at wānanga has reduced for the first time since 2000. This is largely due to funding changes and a consequent reduction in enrolments at wānanga.

Table 4 Numbers of students who borrowed fees by provider type 2000-2005

	2000	2001	2002	2003	2004	2005
Universities	62,273	66,635	69,653	71,982	73,183	73,624
ITPs	37,768	39,720	40,452	40,767	39,196	35,424
Colleges of education	5,189	5,307	5,445	5,556	5,434	2,349
PTEs	17,754	27,007	23,537	25,924	26,973	28,707
Wānanga	2,100	2,895	3,118	3,564	3,783	3,302
Total	125,084	141,564	142,205	147,793	148,569	143,406

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. The figures in this table are different from earlier Student Loan Scheme Annual Reports, due to an error in figures shown in earlier reports.

Source: Ministry of Social Development

The reduction in the number of borrowers enrolled at colleges of education follows the amalgamation of the Auckland College of Education with the University of Auckland in 2004 and the merger of the Wellington College of Education with Victoria University of Wellington in 2005.

Qualification level

In 2005, there was a marked difference between the borrowing levels of men and women in the case of diplomas and certificates. The following table shows the differences in borrowing of students at different qualification levels.

Table 5 Student loan borrowers by qualification level, gender and average amounts borrowed in 2005

Qualification level	Gender	Number of borrowers	Average amount borrowed
Doctorate	Female	461	\$5,294
	Male	512	\$5,341
	Total	973	\$5,319
Masters, honours, postgraduate certificates and postgraduate diplomas	Female	5,490	\$5,541
	Male	4,063	\$6,116
	Total	9,553	\$5,786
Bachelors degrees, graduate certificates and diplomas	Female	46,397	\$6,562
	Male	31,951	\$6,999
	Total	78,349	\$6,740
Diplomas	Female	12,987	\$5,362
	Male	7,879	\$7,727
	Total	20,866	\$6,255
Certificates	Female	30,047	\$5,289
	Male	18,214	\$5,655
	Total	48,261	\$5,427
Other	Female	774	\$5,923
	Male	532	\$7,243
	Total	1,306	\$6,461
		154,417	\$6,408

Notes:

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

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

The reason for the high levels of borrowing among men enrolled in diplomas is that there are some vocational qualifications at the diploma level that have high fees and course costs and that have traditionally attracted enrolments from men.

The other group with relatively high borrowing are those undertaking bachelors degrees. These qualifications are multi-year, have higher fees and are more likely to be taken by full-time students – all factors associated with higher levels of borrowing.

Loans and student allowances

The government helps students meet their living costs by providing the Student Loan Scheme and the Student Allowances Scheme. The two schemes are interconnected. Full-time students can borrow up to \$150 a week from the loan scheme, less any student allowances, to meet living costs.

In 2005:

- 12 percent of all 2005 borrowers (18,456 students) borrowed living costs under the loan scheme and also received student allowances. This compares with 17 percent (20,555 students) in 2004. The decline reflects the reduction in the uptake of allowances in 2005 and the trend towards part-time enrolments
- 32.5 percent of people receiving student allowances used the loan scheme to supplement their living costs in 2005, compared with 34 percent in 2004.

Table 6 Student allowances compared with student loan living costs borrowings in 2005

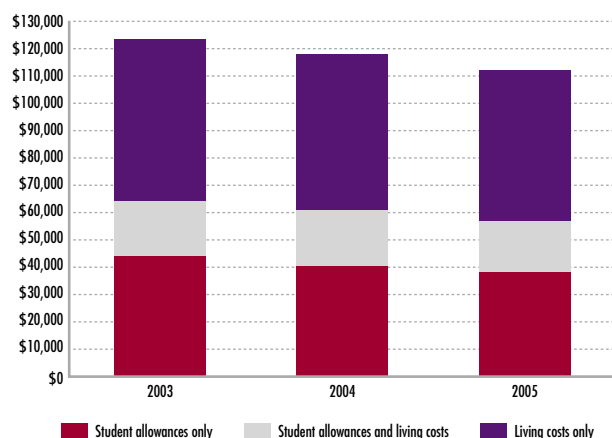
	Number of students	Average allowance	Average living costs	Average allowance and living costs
Student allowances only	38,350	\$6,405	N/A	\$6,405
Student allowances and living costs	18,456	\$5,470	\$1,814	\$7,284
Living costs only	55,580	N/A	\$4,492	\$4,492
Total (living costs and/or allowances)	112,386	\$3,084	\$2,519	\$5,603

Source: Ministry of Social Development

On average, in 2005:

- those who received student allowances received \$6,805
- those who received student allowances *and* used the living costs entitlement under the loan scheme borrowed \$1,765 from the loan scheme and received \$5,460 in student allowances – meaning they got a total of \$7,225 from both schemes
- those who relied solely on the living costs entitlement under the loan scheme received \$4,489.

Figure 27 Proportion of students borrowing living costs and receiving student allowances 2003-2005



Source: Ministry of Education

4.3 People repaying loans

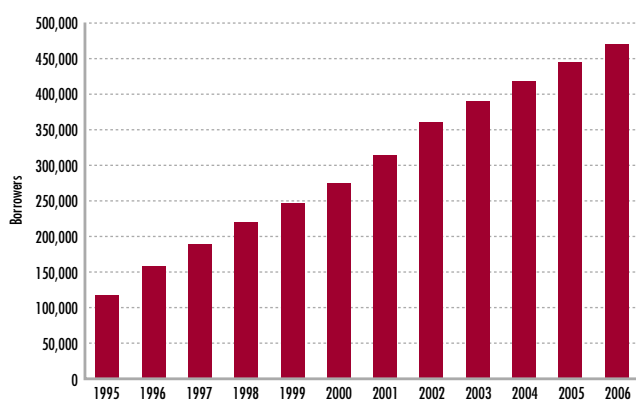
Loans with Inland Revenue

A total of 665,900 people have used the loan scheme since it began. This represents 20.4 percent of the New Zealand population aged over 15. As the loan scheme matures and participation in tertiary education increases, a larger proportion of New Zealand's population can be expected to have student loan balances with Inland Revenue.

At 30 June 2006, 470,507 people had a student loan. This is a 5.7 percent increase from 2005 and a 71.2 percent increase from 30 June 2000²³.

Those with loans at 30 June 2006 represented 14.4 percent of the population aged 15 and over, compared with 13.6 percent the previous year and 12.8 percent at 30 June 2004.

Figure 28 Borrowers with Inland Revenue at 30 June 1995-2006



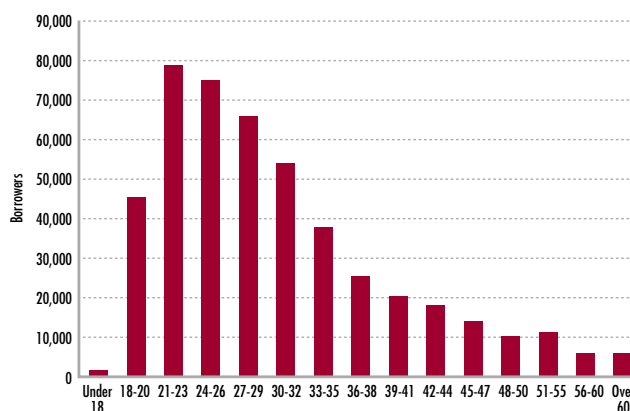
Source: Inland Revenue

²³ Last year's report incorrectly reported the percentage increase in loans between 2000 and 2005 as 38 percent. This figure should have been 61.9 percent.

Characteristics of people with loans

Of those who had loan balances, 58 percent were aged under 30 years, 90 percent were under 45 and only 5 percent over 50. These proportions will change over time 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 under 30 years with student loans represented 31 percent of the population between 15 and 30 years while borrowers over 50 years were less than 2 percent of the whole population in that age range.

Figure 29 Borrowers with Inland Revenue at 30 June 2006 – by age



Source: Inland Revenue

The number of people over the age of 60 with loan balances rose by 148 percent from 2002 to 2006²⁴. 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 increasing age of the population of those with loans. However, at 1.3 percent, those aged 60 years or over are still a very small proportion of all borrowers.

Information from the integrated dataset indicates that of those who had used the loan scheme between 1997 and 2004:

Ethnic group

- 23 percent were Māori
- 7.8 percent were Pasifika peoples
- 9.8 percent were Asian
- 55 percent were European.

Gender

- 55 percent were women.

Provider/sub-sector type

- 39 percent had studied at universities
- 32 percent had studied at polytechnics.

²⁴ Over the same period, the total number of borrowers rose by 30 percent.

Qualification level

- 52 percent had studied at sub-degree²⁵ level only
- 40 percent had studied at bachelors level
- 8 percent had studied at postgraduate level.

Borrowers overseas

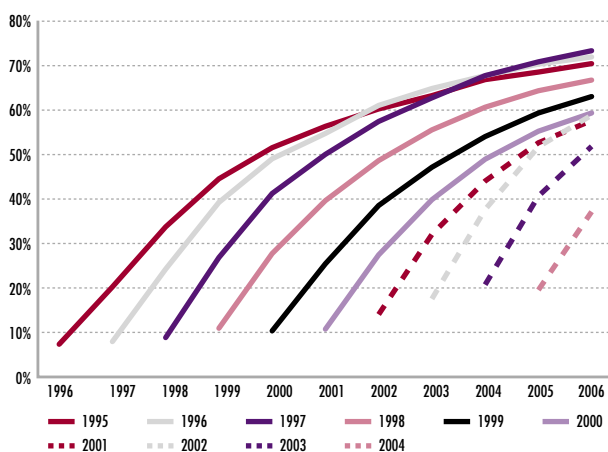
Of the 470,507 New Zealanders to have student loans as at 30 June 2006, 27,620 were known to reside overseas and had non-resident tax status, compared with 25,091 at 30 June 2005 and 25,379 a year earlier. At 30 June 2006, those with non-resident status represented 5.9 percent of all those with student loans, compared with 6 percent in 2005 and 2004. In 1999, the figure was 3.1 percent.

Data on the time spent away from New Zealand by those with student loan balances confirms that the majority of borrowers do eventually return to New Zealand.

By 30 June 2006:

- more than 70 percent of borrowers who left New Zealand between 1996 and 1998 had returned
- more than 60 percent of those who left in 1999 and 2000 had returned
- more than 50 percent of those who left in 2001, 2002 and 2003 had returned.

Figure 30 Percentage of borrowers who left New Zealand in the years 1 July 1995-2003 to 30 June 1996-2005 and who have returned to New Zealand



Note: Each line represents borrowers who left New Zealand and became tax non-resident in a given June year. Percentages represent the proportion who have returned by 30 June of the year shown on the x-axis.

Source: Inland Revenue

Figure 30 shows that the rate of return is increasing over time. Of those who left in 1998, 10 percent had returned by the end of June 1999 and 30 percent within two years. Of those who left in 2002, nearly 20 percent returned by June

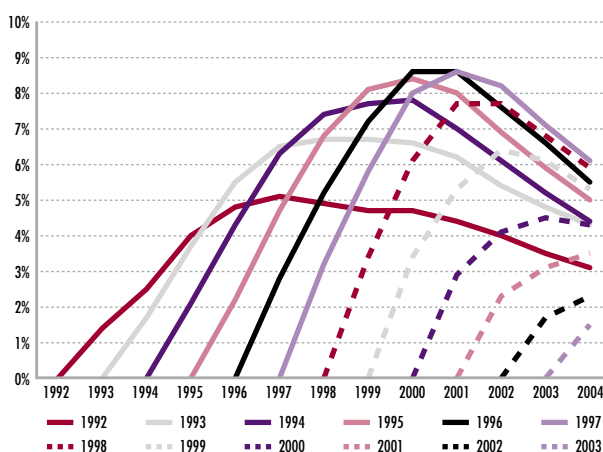
2003 and just under 40 percent the following year.

Analysis of the integrated dataset has produced the following findings:

- The proportion of borrowers leaving New Zealand is at its highest in the first year following study.
- The proportion of borrowers leaving New Zealand each year is much higher among those who complete a qualification than those who leave study without successful completion.
- Those who study at a university are more likely to leave than those who study at an institute of technology or polytechnic.
- The pattern of departure for women and men is similar. However, women who complete a qualification have a higher probability of leaving New Zealand than men who complete.

This data is summarised in the following graph.

Figure 31 Proportion of each cohort that is non-resident



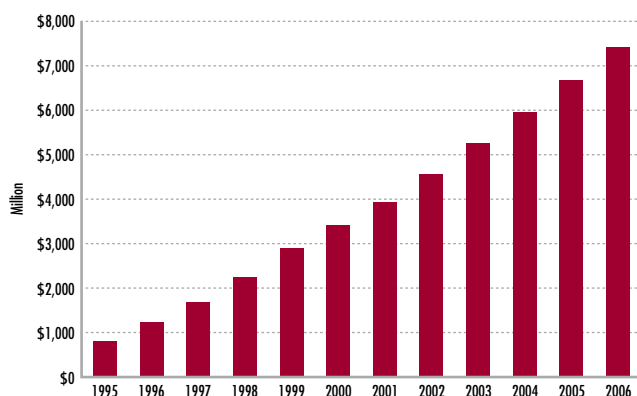
Source: Statistics New Zealand, integrated dataset

4.4 Loan balances

Total balances

At 30 June 2006, the net student loan balance was \$5,569 million, compared with \$6,465 million the previous year. The fall of 13.9 percent over that year reflects the shift in accounting standards that accompanied the introduction of interest-free student loans. Loans are now valued according to new International Financial Reporting Standards (IFRS), the details of which are explained in chapter 6. The gross face value of loan balances was \$8,370 million, compared with \$7,499 million on 30 June 2005. This means that the face value rose by 11.6 percent over the year. Of the current total face value, \$7,473 million was held by Inland Revenue and \$897 million by the Ministry of Social Development.

Figure 32 Nominal value of student loans held by Inland Revenue at 30 June 1995–2006



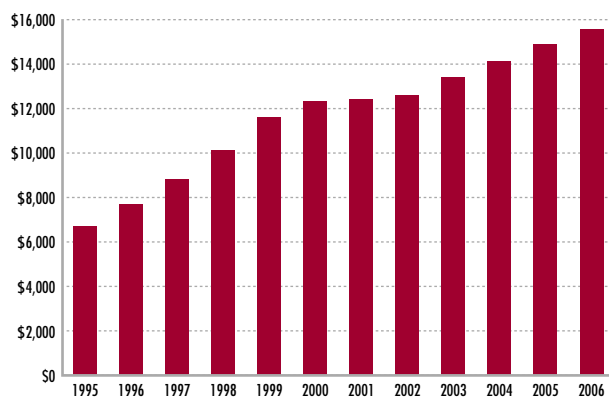
Source: Inland Revenue

Average and median balances

The average loan was \$15,883, an increase of 5.9 percent from \$14,997 on 30 June 2005. The average loan has risen by 27.9 percent since 2000.

The median loan balance on 30 June 2006 was \$10,652, compared with \$10,404 on the same date in 2005 – a rise of 2.3 percent. A quarter of all loans were \$5,999 or under, while only 3.9 percent were above \$50,000 (compared with 3.2 percent in 2005).

Figure 33 Average student loan balance with Inland Revenue at 30 June 1995–2006



Source: Inland Revenue

The average loan balance is much higher than the median because there is a relatively small number of large loan balances, which lift the average. The distribution of balances is shown in the following table.

Table 7 Range of loan balances held by Inland Revenue at 30 June 2006

Range of loan balances	Borrowers	Percentage	Cumulative percentage
\$1 – \$1,999	46,299	9.8%	9.8%
\$2,000 – \$3,999	43,106	9.2%	19.0%
\$4,000 – \$5,999	49,754	10.6%	29.6%
\$6,000 – \$7,999	44,666	9.5%	39.1%
\$8,000 – \$9,999	38,390	8.2%	47.2%
\$10,000 – \$14,999	73,428	15.6%	62.8%
\$15,000 – \$19,999	46,580	9.9%	72.7%
\$20,000 – \$24,999	35,520	7.5%	80.3%
\$25,000 – \$29,999	24,430	5.2%	85.5%
\$30,000 – \$34,999	19,413	4.1%	89.6%
\$35,000 – \$39,999	13,675	2.9%	92.5%
\$40,000 – \$44,999	9,949	2.1%	94.6%
\$45,000 – \$49,999	7,125	1.5%	96.1%
\$50,000 – \$54,999	5,040	1.1%	97.2%
\$55,000 – \$59,999	3,595	0.8%	98.0%
\$60,000 – \$79,999	6,734	1.4%	99.4%
\$80,000 – \$99,999	1,908	0.4%	99.8%
over \$99,999	895	0.2%	100.0%
Total	470,507	100.0%	

Source: Inland Revenue

Information from the integrated dataset shows that on 31 March 2005:

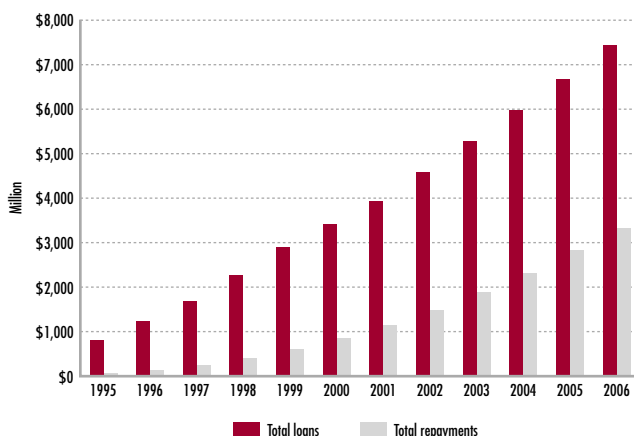
- Māori students had the lowest median loan balance
- Pasifika students had the highest median loan balance
- the median loan balances for those who had last studied at bachelors degree level or higher were much higher than the overall median loan balance. This reflects the higher fees and longer periods of study at those levels
- those who had studied at universities had higher loan balances on average than those who had studied at polytechnics, colleges of education, wānanga and private training establishments – reflecting the longer duration of university qualifications
- the median loan balance was higher for men than for women.

Repayments

Repayments collected

Inland Revenue has collected \$3,313 million in loan repayments since the loan scheme began. Of this, \$1,817 million has been collected by employers through the pay as you earn (PAYE) system. The balance (\$1,496 million) has been paid directly by self-employed borrowers, overseas borrowers, and borrowers who have made additional repayments.

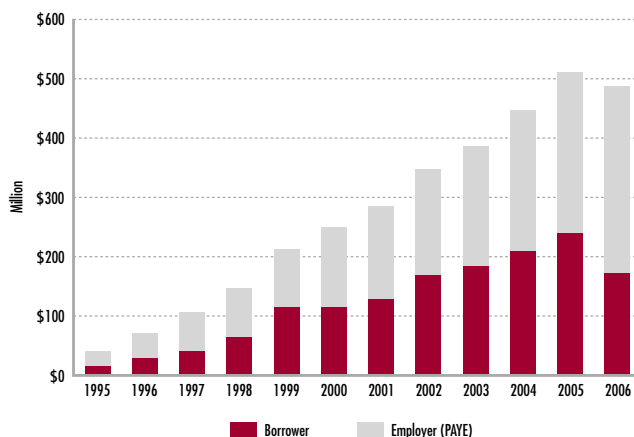
Figure 34 Cumulative student loan repayments received by Inland Revenue compared with aggregate loan balances 1995-2006



Source: Inland Revenue

Figure 35 shows the loan repayments received by Inland Revenue, split by repayments direct from borrowers to Inland Revenue and repayments made by employer deductions under the PAYE system, in each fiscal year.

Figure 35 Value of gross student loan repayments received by Inland Revenue 1995-2006 - borrower/employer split



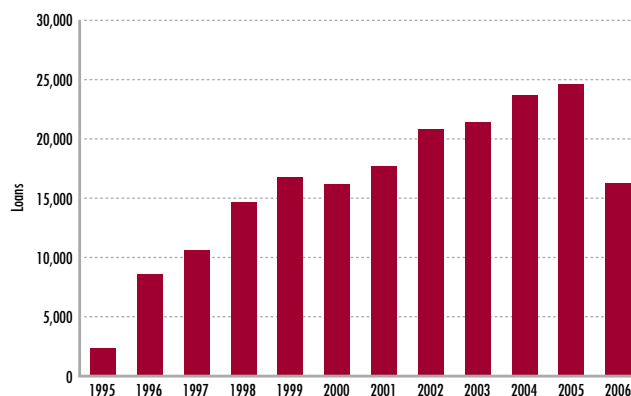
Source: Inland Revenue

While the decline in payments outside the PAYE system in the period to June 2006 occurred in the same period in which the interest-free and amnesty policies were announced, the degree to which this decline is directly related to these policy changes is unclear. If there is a relationship between the two, this is expected to become evident after 1 April 2007.

Loans fully repaid

The number of loans fully repaid in 2005/06 was 16,287. Since the loan scheme began, 195,393 loans have been repaid in full. This represents more than 29 percent of all loans drawn down.

Figure 36 Loans repaid to Inland Revenue at 30 June 1995-2006



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.

Source: Inland Revenue

Future repayments

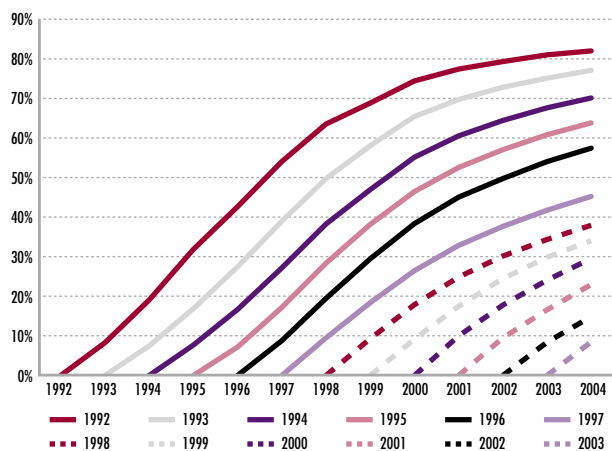
It is expected that there will be significant growth in loan repayments in future years. In 2006/07, the total value of repayments is expected to be slightly higher than estimated for 2005/06 despite the fall in the interest component of loans. This is due to the increase in the amount of principal being repaid on the underlying volume of loans. See section 5.6 for more information on the expected trends in future repayments.

Repayment rates

The main determinant of repayment rates is 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 37 overleaf.

Figure 37 Proportion of borrowers who have fully repaid each year for each cohort of leaving borrowers



Source: Statistics New Zealand, integrated dataset

Studies of repayment rates show that:

- women repay more quickly than men in the early years post-study
- five to six years after leaving study, the proportion of men and women who have repaid in full becomes roughly equal
- successful completion of a qualification is associated with quicker repayment
- those who study at higher qualification levels tend to repay more quickly despite having higher leaving balances
- if all other factors are held constant, those with smaller loans tend to repay more quickly.

Interest write-offs

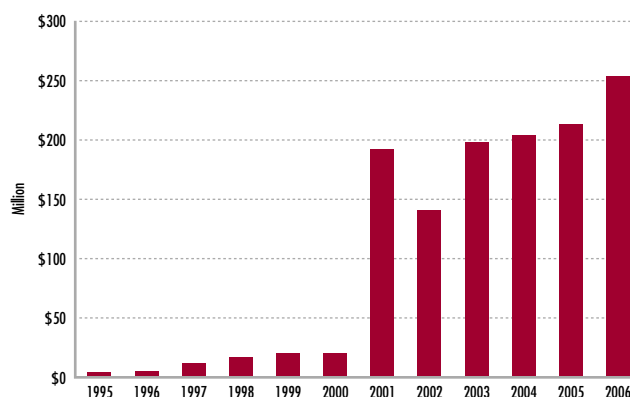
With the introduction of interest-free student loans on 1 April 2006, all interest will be written off for borrowers who are resident in New Zealand. That write-off will occur from the end of the tax year on 31 March 2007.

However, many borrowers have already been entitled to have all or some of the interest on their loans written off. In 2000, full interest write-offs were introduced for all full-time students and for part-time students on low incomes, while low income people have had some interest write-offs since the loan scheme began.

A total of \$1,283.6 million in interest has been written off since the loan scheme began.

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

Figure 38 Value of interest write-offs at 30 June 1995-2006



Notes:

1. Data in this graph relates to fiscal years (ie ending 30 June). The data in Figures 39 and 40 relates to tax years (ie years ending 31 March). Therefore there is an overlap between the fiscal year 2006 and the tax year 2007. Caution needs to be exercised in comparing the data in this graph with that in Figures 39 and 40.
2. The decrease in the total amount written off for the fiscal year to June 2002 occurred because some 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 the 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 that amounts written off were lower.
3. The majority of interest write-offs for the 1999/2000 income year were credited to the borrowers' loan accounts in October 2000. This means the values in the above table are understated for 1999/2000 and overstated for 2000/01.

Source: Inland Revenue

Interest write-offs are calculated on a tax year basis (to 31 March of each year). Therefore, the majority of interest write-offs in each tax year relate to the borrower's situation in the previous calendar year.

Except for the interest write-off given to full-time students, the write-offs depend on the borrower's income. The timing of when an interest write-off is applied to a borrower's loan account depends on when the borrower supplies their income details to Inland Revenue. As a consequence, the amount of interest written off for a particular year changes over the following few years, as late returns are processed. This means that the amount shown as written off in the most recent year is likely to understate the final total amount written off.

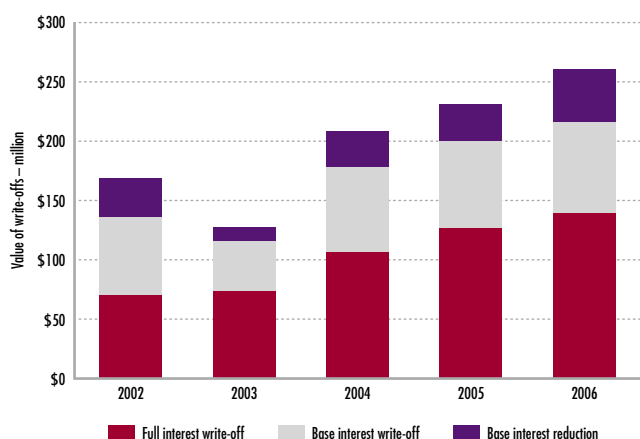
In the year to 30 June 2006:

- borrowers whose income was less than the repayment threshold were credited with \$77.1 million in base interest write-offs²⁶
- borrowers earning over the repayment threshold were credited with \$44.4 million in base interest reductions²⁷.

²⁶ See Glossary for definition.

²⁷ See Glossary for definition.

Figure 39 Student loan interest write-offs by type and value at 31 March 2002-2006

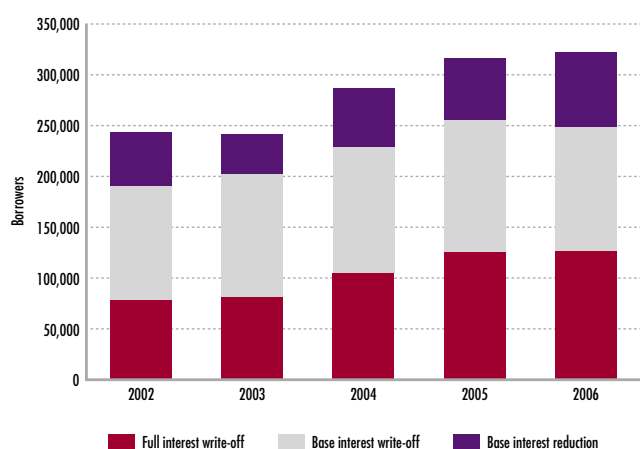


Notes:

1. This graph differs from Figure 38, which shows total write-offs by fiscal year, ie by year to 30 June.
2. The write-offs for the year ending 31 March 2001 (which relate to the 2000 academic year) are included in the figures for the year ending 31 March 2002. This is the reason for the difference between the 2002 and 2003 figures.

Source: Inland Revenue

Figure 40 Student loan interest write-offs by type and number of recipients at 31 March 2002-2006



Notes:

1. This graph differs from Figure 38, which shows total write-offs by fiscal year, ie by year to 30 June.
2. The write-offs for the year ending 31 March 2001 (which relate to the 2000 academic year) are included in the figures for the year ending 31 March 2002. This is the reason for the difference between the 2002 and 2003 figures.

Source: Inland Revenue

Interest write-offs by death or bankruptcy

The loan balances of deceased borrowers are written off under section 60 of the Student Loan Scheme Act 1992. There were 237 borrowers who died during 2005/06 – resulting in \$4.2 million being written off.

The student loans of borrowers adjudicated bankrupt are written off under the Insolvency Act 1967. There were 785 borrowers registered as bankrupt during 2005/06 – resulting in \$10.5 million being written off.

Since the loan scheme was introduced:

- 4,109 borrowers have had a loan balance written off due to bankruptcy²⁸
- \$69.2 million has been written off for deceased and bankrupt borrowers.

Tables 8 and 9 show the amounts and numbers of write-offs for deceased and bankrupt borrowers.

Table 8 Value of deceased and bankruptcy write-offs at 30 June 1998-2006

Year	Deceased Million	Bankrupt Million
1998	\$1.2	\$1.1
1999	\$2.3	\$2.3
2000	\$1.6	\$2.8
2001	\$2.3	\$2.8
2002	\$2.6	\$3.5
2003	\$2.3	\$3.5
2004	\$4.5	\$8.5
2005	\$3.6	\$9.5
2006	\$4.2	\$10.5

Source: Inland Revenue

Table 9 Number of deceased and bankruptcy write-offs at 30 June 1998-2006

Year	Deceased	Bankruptcy
1998	180	210
1999	212	299
2000	239	265
2001	263	331
2002	303	411
2003	340	479
2004	274	597
2005	343	732
2006	237	785

Notes:

1. Because a student loan account can be finalised after the end of the fiscal year, the number of deceased and bankrupt borrowers for an earlier year may change.
2. The number of borrowers in this table does not necessarily directly relate to the amounts written off for the corresponding year, because the years relate to the date of death or bankruptcy, not the date of write-off.

Source: Inland Revenue

²⁸ Inland Revenue does not bankrupt student loan borrowers solely on the basis of student loan borrowings or overdue repayment obligations.

Write-offs do not necessarily occur in the same year as the death or bankruptcy. The amount written off (Table 8) relates to the year the write-off occurred, whereas the number (Table 9) relates to the year they died or were adjudicated bankrupt.

It can take some time for a bankruptcy to be settled and for the actual write-off to occur. Finalising the bankrupt's account and writing-off the loan balance cannot happen until the Official Assignee produces a final report on the case. In some situations, this can take up to three years after filing for bankruptcy. Therefore, care should be taken when comparing Table 8 with Table 9.

Projected repayment

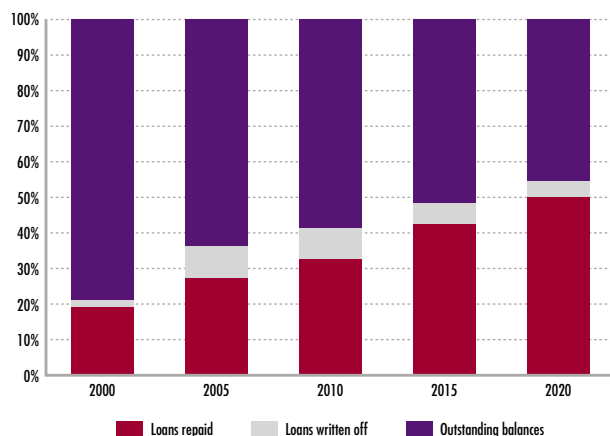
At the end of 2005, around 27 percent of all loan balances accumulated under the loan scheme since it began (through interest, penalties and drawings) had been repaid and about 9 percent written off.

This means that 64 percent of the aggregate accumulated loan balance remains outstanding. As the loan scheme is maturing, these proportions will change:

- In 2000, 19 percent had been repaid and 1.75 percent written off.
- By 2010, it is expected that about a third of the aggregate accumulated loan balances will be repaid, 11 percent will be written off and around 57 percent will remain outstanding.
- By 2015, it is forecast that 42 percent will be repaid, 5.97 percent will be written off, and 52 percent will remain outstanding.
- By 2020, more than half is expected to have been repaid.

Figure 41 shows the actual and forecast trends in the value of the aggregate accumulated loan balances against the trend in repayment.

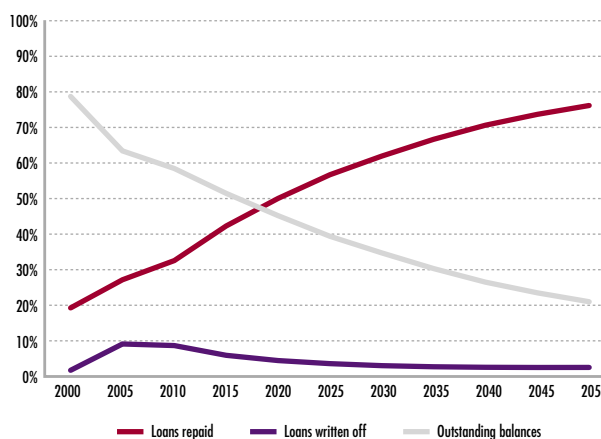
Figure 41 Actual and forecast proportions of loan repayments made, loans written off and outstanding loan balances 2000-2020



Source: Ministry of Education and Inland Revenue

Long-term projections suggest that by 2050 around 76 percent of the aggregate accumulated loan balance (including interest, penalties and drawings) will have been repaid, with less than 3 percent written off, and around 21 percent outstanding.

Figure 42 Actual and forecast proportions of loan repayments made, loans written off and outstanding loan balances 2000-2050



Source: Ministry of Education and Inland Revenue

By 2034, it is expected that total repayments of student loans each year will exceed borrowings. However, interest charged to borrowers living overseas means that the aggregate student loan balance will still be rising, if at a much reduced rate.

Before the introduction of the interest-free policy, it was projected that repayments would exceed drawings in the year 2016.

Source: Ministry of Education and Inland Revenue