

Changes to the student support system

Introduction

The following details how the Student Loan Scheme has changed since its inception in 1992 and the change to student support policy since 1989.

How the Student Loan Scheme has changed since 1992

Table 1 compares the Student Loan Scheme as it was when introduced in 1992 and as it operated in 2008.¹ The comparison shows that, while there have been some major changes to features of the scheme since 1992, the fundamentals remain much the same.

Table 1 Student Loan Scheme – comparison of features in 1992 with 2008

Features	1992	2009
Compulsory fees	Amount charged by provider except limited to \$4,500 for students at private training establishments only. ² Included students' association fees. Direct-credited to borrower or provider.	Limited to the amount charged by the provider or the relevant fee maximum under the FCCM, ³ whichever is less . Includes compulsory students' association fees. Direct-credited to provider only.
Course-related costs	Up to \$1,000 per annum – no evidence required.	Up to \$1,000 per annum – justification is required.
Living costs (for full-time students only)	Up to \$4,500 less any student allowances - available in three instalments for full-year students.	From April 2009, up to \$160.24 per week less any student allowances – paid weekly in arrears.
Interest	8.2 percent for all tax resident borrowers.	6.7 percent but all interest written off for New Zealand-based borrowers.
Administration fee	\$50 payable once for each loan account.	
Eligibility	New Zealand citizens, permanent residents of New Zealand, refugees.	
Academic requirements	Students must have passed at least half of the work taken in the two preceding years of tertiary study.	None.
Parental consent	None required.	Required for borrowers under 18 years of age.
Bankrupts and 'no asset	Undischarged bankrupts are not entitled to	Undischarged bankrupts are not entitled to

¹ Please see www.studylink.govt.nz and www.ird.govt.nz for 2009 features of the Student Loan Scheme.

² Private training establishment students were not eligible unless their provider was government funded or their course was recognised for student allowances purposes.

³ Fee and course costs maxima policy.

Features	1992	2009
procedure' debtors	student loans.	student loans. 'No asset procedure' debtors ⁴ may have student loans but their existing loans are not written off.
Prisoners	Prison inmates ineligible.	Prison inmates on approved offender management programmes can borrow tuition fees and course-related costs.
Repayment threshold	\$12,670 per annum to 31/03/93.	\$18,148 per annum for the tax year 1/04/08 to 31/3/09. \$19,084 per annum for the tax year 1/04/09 to 31/03/10.
Repayment rate	10 cents for every \$1 earned above the repayment threshold.	
Repayment for borrowers overseas	\$1,000 plus interest or one-fifteenth of the loan balance plus interest, whichever is less.	Based on level of loan balance (see Student Loan Scheme Annual Report, Table 28 in appendix 1.
Repayment holiday	None.	Three-year repayment holiday for overseas travel after study.
Interest write-off	Base interest was written off for New Zealand residents if not currently borrowing and income below \$12,760 or , if the compulsory repayment due was less than the base interest incurred, the difference was written off.	Full interest write-off for New Zealand-based borrowers only.
Minimum repayment to loan accounts manager	\$200.	\$100 to StudyLink (or a lower amount by agreement).
Penalty for overdue repayments	2 percent per month (details in Student Loan Scheme Act 1992).	1.5 percent per month on amounts greater than \$333.
Capital write-off	Loans are written off on death of borrower. Loans are written off on bankruptcy.	

Note: Comparisons are made between the 1992 tax year ending 31/03/93 and the 2008 tax year ending 31/03/09.

Student support policy changes 1989 to 2009

Table 2 sets out some of the key policy changes in student allowances and student loan policy since 1989. The objectives of the more recent policy changes have been focused more on the affordability of tertiary education than on participation objectives per se. (It is important to appreciate that changes in one scheme will impact on the other scheme (e.g. an expansion of allowances will reduce student loan borrowings and vice versa).)

Table 2 Student support policy changes 1989-2009

	Student Allowances Scheme	Student Loan Scheme
1989	Student allowances introduced (parental income tested for 16 to 19 year olds).	

⁴ This is an insolvent debtor status put in place by the Insolvency Act 2006 as an alternative to bankruptcy.

	Student Allowances Scheme	Student Loan Scheme
	General fees grant (maximum \$387).	
1990	Parental income adjustment introduced (\$2,200) for parents with more than one child aged 16 to 19 undertaking post-compulsory education. Fees grant abolished.	
1991	Personal income limit increased from \$129.16 to \$135.13 per week before tax (originally \$4,000 per annum before tax). Student allowances extended to full-time students at private training establishments. Student allowances abolished for secondary school students but reinstated for a limited group of students.	
1992	Parental income test extended to students under 25 years of age. Parental income threshold increased from \$26,832 to \$28,080 per annum before tax. Student allowances reinstated for secondary students aged 18 prior to 1 January of the year of study.	Student Loan Scheme introduced. Only students at private training establishments attracting government funding are eligible to receive student loans for tuition fees (up to \$4,500) and course-related costs. Students enrolled in private training establishment qualifications recognised for student allowances purposes can borrow for living costs.
1993	Second chance provision removed. Courses of national importance provision abolished.	Academic requirement abolished.
1994-1995	No change.	No change.
1996	No change.	Private training establishment students can borrow for all components of the Student Loan Scheme if their qualification is registered on the qualifications framework and offered by an accredited provider. Changes to interest rate setting. The rate is set using the average of past and prospective 10-year bond rates plus a margin of 0.9 percent.
1997	No change.	Full-time students can borrow up to \$150 per week for living costs (less any allowances entitlement). Prior to this a borrower who was a full-time, full-year student had a maximum entitlement of \$4,500 in each academic year. The limit on fees borrowing for private training establishment students increased from \$4,500 to \$6,500 in each academic year.

	Student Allowances Scheme	Student Loan Scheme
1998	No change.	No change
1999	Administration transferred from Ministry of Education to Work and Income. Five year entitlement changed to 200 weeks. Weekly instead of fortnightly payments.	The Student Loan Scheme was tightened as follows: <ul style="list-style-type: none"> • Living costs entitlement paid in fortnightly direct-credited instalments (previously there were three annual instalments throughout the year). • Compulsory fees entitlement paid directly to providers (not to students). • Maximum course-related costs entitlement reduced from \$1,000 to \$500. • Parental consent required before students under 18 could have access to student loans. • Payment of student union fees through the compulsory fees component abolished.
2000	No change.	Administration transferred from Ministry of Education to Work and Income. Living costs paid weekly in arrears instead of fortnightly. 50 percent of compulsory repayments, less the inflation component, goes to repayment of principal. Interest abolished for full-time, full-year students and part-time or part-year students on low incomes. Interest rate frozen at 7.0 percent for 2000/01. Payment of compulsory student union fees through the compulsory fees component was reinstated. Course-related costs were increased to \$1,000.
2001	No change.	New interest-setting mechanism using average 10-year bond rate over the preceding January to December. The margin on the interest rate for administration, death and bankruptcy write-offs revised down from 0.9 to 0.8 percent.
2002	No change.	Tuition fee and course-related costs components extended to prison inmates on approved offender management programmes. Integrated dataset established. Actuarial valuation for reporting fair value of

	Student Allowances Scheme	Student Loan Scheme
		<p>scheme and risk to the Crown.</p> <p>Administration costs margin in interest rate revised from 0.4 percent to 0.5 percent to take account of cost increases.</p>
2003	Access to student allowances for 16 and 17 year olds who have completed year 13 or NCEA Level 3.	New simulation model for determining the fair value, the doubtful debt provision and the economic cost of the scheme.
2004	No change.	Part-time, part-year students studying 0.3 or more equivalent full-time student units given access to the tuition fee component of the Student Loan Scheme.
2005	<p>Parental income threshold adjusted 20 percent.</p> <p>Parental income threshold to be annually adjusted for inflation.</p> <p>Student allowances policy made more consistent with the Human Rights Act 1993.</p>	<p>Increased availability of student loans for tuition fees for students studying between 0.25 and 0.3 equivalent full-time student units (subject to conditions).</p> <p>Removal of the \$6,500 limit on fee borrowing for private training establishment students.</p>
2006	<p>Personal income limit increased from \$135.13 to \$180 per week before tax and a dollar-for-dollar abatement introduced.</p> <p>Parental income threshold adjustment increased for those with dependent children in post-compulsory education, with an increase for additional dependent children aged 16 to 25 in full-time study.</p> <p>Parental income threshold adjustment of \$3,400 for separated parents introduced.</p>	<p>'No asset procedure debtors' can access Student Loan Scheme but cannot have loan written off.</p> <p>New methodology introduced for setting interest rates based on the five-year average of the 10-year bond rate to December in the preceding tax year plus a margin of 0.74 percent.</p> <p>Interest rate set at 6.9 percent for 2006/07.</p> <p>Student loan interest-free policy for borrowers living in New Zealand introduced. Only overseas borrowers are liable for interest.</p> <p>Amnesty on student loan penalties offered to certain overseas borrowers.</p>
2007	<p>Students who undertake qualifications that do not receive student component funding are no longer eligible for student allowances.</p> <p>Parental income threshold adjusted 10 percent.</p>	<p>Vocational employment requirements for part-time, part-year students with a course load of between 0.25 and 0.3 equivalent full-time student units removed.</p> <p>Interest rate set at 6.8 percent for 2007/08.</p> <p>New repayment obligations and provisions for overseas borrowers introduced.</p> <p>Overseas borrowers allowed to take a three-year holiday from repayment obligations.</p> <p>Amnesty on penalties for overseas borrowers extended by one year.</p>

	Student Allowances Scheme	Student Loan Scheme
		Students who undertake qualifications that do not receive student component funding are no longer eligible for student loans.
2008	Parental income threshold adjusted 10 percent. Personal income limit to be adjusted annually for inflation.	Interest rate set at 6.7 percent for 2008/09.
2009	Student allowances parental income threshold for full student allowance increased by 10 percent from \$45,743.88 to \$50,318.22 per annum. Parental income cut-off point at which students become ineligible for student allowances raised from \$71,280.88 to \$82,237.80 per annum for students living away from home and from \$71,280.88 to \$75,855.32 per annum for those living at home. Age limit for parental income testing reduced from 25 to 24 years of age.	One-off increase in student loan living cost component from \$150 per week to \$155 per week on 1/01/09. Student loan living costs component indexed by inflation on 01/04/09. Students can borrow up to \$160.24 per week from 01/04/09. Interest rate set at 6.8 percent for 2009/10.

Additional student support changes:

2004: Step Up Scholarships introduced to help students from low-income backgrounds enter degree-level study in areas of skill shortage.

2006: Bonded Merit Scholarships awarded to recognise high academic achievement in tertiary study.

2008: Increase in the number of Bonded Merit Scholarships awarded in 2008 for the 2009 academic year from 1,000 to 1,500.

2009: Step Up and Bonded Merit Scholarships no longer offered.