

APPENDICES

Appendix 1: Elements of the Student Loan Scheme

Eligibility

As a prerequisite to borrowing under the loan scheme, borrowers must sign a loan contract with the Crown. Students younger than 18 years old need parental consent before they can borrow. Undischarged bankrupts are not eligible to apply for a student loan. A new insolvent debtor status, the 'no asset procedure', was put in place by the Insolvency Act 2006 as an alternative to bankruptcy. 'No asset procedure' debtors will be able to access the loan scheme once the new procedures have been implemented by the Insolvency Service (this is expected to be later this year).³⁹

To be eligible a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand, and
- be enrolled in an approved qualification⁴⁰ offered by a recognised tertiary education provider, and
- be studying
 - full-time for not less than 12 weeks, or
 - part-time for a full year (32 weeks or longer), or
 - part-time for part of the year (less than 32 weeks) with a course load of 0.25 equivalent full-time student units or more.

Loan components

A student loan has four components:

Compulsory fees

Students can borrow the full amount of their compulsory fees. These are direct-credited to the borrower's chosen tertiary education provider.

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

Course-related costs

Students can borrow up to \$1,000 each year to help cover expenses related to their studies such as equipment, textbooks and field trips. Students have to provide documents justifying their expenses. This can be either a statement from their provider listing the items needed for their course and an estimate of the cost, or receipts for expenses incurred.

Students studying part-time for part of the year are not able to access this component of the loan scheme.

Living costs

Only full-time students are eligible for the living costs entitlement of up to \$150 per week for each week of the course, less any student allowances.⁴¹ The living costs entitlement is paid in weekly instalments in arrears.

Students nominate the amount they wish to draw each week up to the maximum entitlement. If they nominate less than their full entitlement, the remainder cannot be claimed at a later date.

Administration fee

When a new loan account is established, an administration fee of \$50 is charged. This is added to the student's loan balance when the student first draws from the loan account, or when fees are transferred to the provider (on the student's instructions).

If a student cancels the loan within seven days of the account being established, and repays any money that has been drawn down, the \$50 administration fee (and any interest on it) will be waived. Otherwise, the administration fee is always included in the loan balance.

Loan repayments

The collection of loan repayments is handled through the taxation system. Borrowers have different obligations depending on whether they are New Zealand-based borrowers (called resident borrowers up until 31 March 2006) or overseas-based borrowers (called non-resident borrowers up until 31 March 2006).

New Zealand-based borrowers

New Zealand-based borrowers are all borrowers who qualify for an interest-free loan.

The amount a New Zealand-based borrower is required to repay is based on income. Any borrower earning over the repayment threshold⁴² during a tax year is required to make repayments towards the loan. Compulsory repayments are made at the rate of 10 cents for every dollar of income over the repayment threshold.

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

Self-employed borrowers

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

39 'No asset procedure' debtors are unable to have their loan written off.

40 Only qualifications that receive student component funding (or other government funding) can be recognised for student loan and allowances purposes by the Tertiary Education Commission.

41 Information on student allowances is available on the StudyLink website www.studylink.govt.nz.

42 See the glossary in appendix 4 for details.

Overseas-based borrowers

Borrowers overseas have a different repayment obligation from those based in New Zealand, where repayment obligations are based on income. These obligations have changed with the introduction of a repayment holiday and new obligations that are easier to understand.

From 1 April 2007

From 1 April 2007, some overseas-based borrowers are able to take a repayment holiday for three years. Borrowers do not have to make repayments, although their loans will still attract interest. Those entitled to the repayment holiday include those who went overseas after 1 April 2007 and those who were already overseas and had either kept up to date with their repayments or had been overseas for less than a year.

Overseas borrowers not eligible for a repayment holiday have a new repayment obligation based on the size of their loan balance, which is easier to understand. These repayment obligations are calculated as follows:

Table 20 Overseas borrowers' repayment obligation from 1 April 2007

Loan balance	Amount due per year
Under \$1,000	The whole loan balance
Over \$1,000 and up to \$15,000	\$1,000
Over \$15,000 and up to \$30,000	\$2,000
Over \$30,000	\$3,000

Source: Inland Revenue.

Up until 31 March 2007

Up until 31 March 2007, borrowers overseas had a repayment obligation similar to mortgage repayments – designed so that the loan balance (plus interest) was repaid within 15 years of their departure from New Zealand. The repayment amount is based on the borrower's loan balance as at 1 April following the date of departure. It is made up of two components:

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

The principal amount was determined by the loan balance outstanding, with one-fifteenth of the amount payable in the year.

Table 21 Non-resident borrowers' repayment obligation until 31 March 2007

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

Source: Inland Revenue.

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

Voluntary repayments

By making voluntary repayments towards their student loan, borrowers can repay their loan faster. Borrowers are able to make voluntary repayments towards their student loan at any time; they don't have to wait until the end of the tax year.

Voluntary repayments can be made in a number of ways, including through a borrower's salary or wages, by automatic payment or online.

Borrowers who are overseas can also make voluntary repayments at any time. For these borrowers, making voluntary repayments may reduce the amount of interest they are charged and enable them to repay their loan faster. Repayments from overseas can be made by telegraphic transfer, MasterCard or Visa.

Overdue repayments

Collection of overdue loan repayments is achieved in the same way as for overdue taxes.

Interest is not charged on overdue repayments. However, from 1 April 2007, borrowers are charged a penalty of 1.5 percent (previously 2 percent) per month on outstanding amounts greater than \$330 (previously \$250). Penalties continue to be charged on the total outstanding (including penalties) until the amount is repaid in full.

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

Interest

Interest is made up of the base interest rate and an interest adjustment rate, which is sometimes called the inflation component. The total interest rate dropped by 0.1 percent for the 2007 tax year to 6.9 percent.

Interest-free student loans

Interest-free student loans came into effect on 1 April 2006. To be eligible, student loan borrowers must be living in New Zealand for 183 consecutive days or more, or qualify for an exemption. They have their interest written off automatically after the end of the tax year – the first interest write-off was in April 2007.

Those borrowers who don't qualify for an interest-free student loan will continue to be charged interest at the rate set by Order in Council each year.

Exemptions

Borrowers overseas who were undertaking postgraduate study or voluntary work qualify for an exemption and are therefore eligible for an interest-free student loan. From 1 April 2007, the exemption was extended to include undergraduates studying full-time at bachelors-degree level, with loans they'd taken out before leaving New Zealand.

Other interest write-offs

Before the introduction of interest-free student loans, there were the following interest write-off provisions in the loan scheme. As of 1 April 2006, these provisions are no longer available except to those people who do not meet the criteria for interest-free student loans.

Full interest write-off

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

Borrowers who undertook approved study during the year, but did not meet the full-time, full-year criteria above, were still eligible to have all interest charged on their loan for the previous year written off as long as their total net income was below the income threshold. For 2006/07 the income threshold was \$27,699.

Base interest write-off

Borrowers whose net income was equal to or less than the repayment threshold in any income year qualified for a full base interest write-off. This ensured that the loan balances for borrowers in this situation did not increase by more than the rate of inflation.

Base interest reduction (50/50 rule)

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

The amount of any base interest reduction depended on the ratio of the loan balance to income and the level of the base interest rate.

Additional criteria for all interest write-offs

Eligibility for all interest write-offs, except the interest-free student loan interest write-off, was limited to the period for which the borrower was a tax resident.

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

All income-contingent write-offs (ie full interest write-offs for confirmed part-time students, base interest write-offs and base interest reductions) were subject to borrowers confirming their income with Inland Revenue by filing an individual tax return (IR3) or receiving a personal tax summary from Inland Revenue.

For borrowers required to file an IR3 tax return, interest write-offs were calculated after the return was filed. All other eligible borrowers received their interest write-off entitlement after receiving a personal tax summary in May/June each year.

Non-resident interest write-offs

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

Non-residents must have:

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

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

Small balance write-offs

Small balance write-offs⁴³ occur where a borrower has repaid the majority of the loan and only a minor balance (a few dollars and/or cents) is outstanding. These amounts are written off in accordance with sections 51 and 60 of the Student Loan Scheme Act 1992. The total value of small balance write-offs since the loan scheme began is \$223,600.

43 If a borrower has a loan balance of less than \$10 as at the last day of any income year, the loan balance is reduced to zero.

Appendix 2: Forecasting and costing

A stochastic model is used to forecast the value of the loan scheme and to cost policy options. The model starts with actual data and projects future trends in student loans, utilising the past behaviour of borrowers to model future events.

Student Loans Integrated Model (SLIM)

SLIM is built on the integrated dataset, so it draws on data about the actual behaviour of individual borrowers (including former loan borrowers). Actuaries engaged by the Ministry of Education rebuild the model each year, using the most up-to-date information. The experience of past borrowers forms the core of the model, and is used to predict what present and future borrowers will do in the future.

However the loan scheme is in a far from steady state; and recent policy changes have led to changes in borrower behaviour particularly with regard to voluntary repayments.

The administrative data upon which SLIM 2007 was built runs from the beginning of the loan scheme in 1992 to just before the introduction of interest-free student loans for New Zealand-based borrowers in April 2006. Between this date and the valuation date there is a 'lag' of 15 months, covering the crucial first year of interest-free student loans and the introduction of new rules for overseas borrowers in April 2007. Therefore, external assumptions about the effect of recent policy changes are imposed over the

'data'-derived models to allow for behavioural changes that have occurred or are expected to occur as a result of these changes.

SLIM's results are more reliable than earlier models. It gives agencies, researchers and the public a clearer understanding of the loan scheme's probable future status and outcomes. It enables more accurate assessments, for example, the likely effects of the loan scheme or of policy changes on different groups, such as ethnic groups or gender, and the borrowing and repayment behaviour of borrowers in different fields or levels of study.

SLIM is based on a large number of categorical regression tree models developed from the integrated dataset. The 2007 version of SLIM, which is used in this report, has 40 sub-models comprising over 36,000 lines of decision-tree code. Together, these sub-models encapsulate former borrowers' borrowing, repaying, income growth, travelling overseas and other characteristics. A number of borrower features, including residency, income, study duration, borrowing amounts and voluntary repayments, are modelled and projected into the future.

Each sub-model uses a number of predictive variables (for example, study-related fields such as the level of study undertaken and the completion status, or demographic fields such as age and gender, or loan-related data such as the loan balance, penalties, amount borrowed and so on). SLIM works out the probabilities that an individual is going to be in work, overseas, repaying or some other state.

Table 22 Summary of SLIM model assumptions

Area	Assumption
Enrolment and student loan uptake assumptions	As forecast for the <i>Budget Economic and Fiscal Update 2007</i> , using the most up-to-date enrolment and borrowing data available at that time.
Economic assumptions	For valuation purposes, economic assumptions are set by the consulting actuaries in consultation with Treasury, Inland Revenue, the Ministry of Social Development and the Ministry of Education. For example, the long-term CPI growth is 2.4 percent, and the long-term Average Weekly Earnings growth is 3.4 percent. The long-term risk-free discount rate used was 6.19 percent.
Income of borrowers	Personal income growth from 'career advancement' is modelled from the experience of the loan scheme and from Census data for longer durations. Salary inflation is imposed on top of this 'career advancement' analysis, as an economic assumption.
Transitions between being a student, employment and overseas	Modelled from the experience of the loan scheme's participants.
Voluntary repayments	The probability and amount of voluntary repayments are modelled from the experience of the loan scheme and then adjusted to allow for the introduction of interest-free student loans.
Threshold increases	Assumed to follow CPI growth.
Resident under-payments	Modelled from the experience of the loan scheme's participants.
Bankruptcy	Age-specific, graduated rates were constructed based on the experience of the loan scheme. For example, the rate of bankruptcy at age 40 is 2.28 per 1,000 borrowers each year.
Mortality	Based on the experience of the loan scheme: males 57 percent and females 68 percent of the New Zealand Life Tables 2000-2002.

Source: Ministry of Education.

Appendix 3: Estimated administration cost

The cost of administering the loan scheme varies from year to year, depending on the number of borrowers, the number of transactions, and any system changes required to implement new policies. Borrowers contribute to the cost of administering the loan scheme through an administration fee which is charged to the borrower's account when it is first used.

Table 23 Estimated administration cost 2002/03-2006/07

	2002/03 \$ million	2003/04 \$ million	2004/05 \$ million	2005/06 \$ million	2006/07 \$ million
Ministry of Social Development	12.5	11.4	11.8	13.3	17.5
Inland Revenue	8.9	9.2	9.6	18.3	22.7
Gross administration cost	21.4	20.6	21.4	31.6	40.2
Less loan administration fees	7.6	7.8	7.5	8.0	8.7
Net administration cost	13.8	12.8	13.9	23.6	31.5

Notes:

1. All amounts exclude GST.
2. All figures for cost are estimates. They include estimated administrative cost and estimates of operating initiatives. For example, Inland Revenue made system changes to implement interest-free student loans and the amnesty, and the Ministry of Social Development made improvements to systems and support services. The figures do not include costs of other agencies such as the Ministry of Education or education providers.
3. Inland Revenue has revised and improved its costing methodology. Some figures from earlier years have been revised and therefore differ from those previously published.

Source: Inland Revenue, Ministry of Social Development.

Appendix 4: Glossary

Academic year

The academic year is from 1 January to 31 December.

Approved qualification

A formally assessed qualification approved by the New Zealand Vice-Chancellors' Committee or the New Zealand Qualifications Authority (NZQA) or bodies delegated by NZQA.

Average net interest rate

This represents the average interest rate charged. It is calculated as the total net interest incurred as a percentage of the total loan balance outstanding. The average net interest takes into account that around 75 percent of interest accrued during 2006 is expected to be written off.

Base interest rate

This is the difference between the interest adjustment rate and the total interest rate. The base interest rate was 4.1 percent from 1 April 2007, and 3.8 percent from 1 April 2006.

Base interest reduction

The amount by which a borrower's base interest is reduced and capped at 50 percent of their annual minimum repayment obligation. This means that at least 50 percent of any payments are credited against the interest adjustment (inflation) component of the loan and the loan principal.

Base interest write-off

This refers to the base interest charged being written off due to earnings not exceeding the repayment threshold in an income year. The repayment threshold for 2006/07 was \$17,160 and is \$17,784 from 1 April 2007.

Borrower

Any person who has received a student loan and has an outstanding loan balance.

Borrowers overseas

Until 31 March 2007, a borrower living overseas was called a non-resident borrower and defined as a borrower not living in New Zealand in terms of section OE 1 of the Income Tax Act 1994.

From 1 April 2007, borrowers living overseas are referred to as overseas-based borrowers. An 'overseas-based borrower' now includes anyone not eligible for an interest-free student loan.

Cohort

A group of people with a common statistical factor. For example, a cohort could be a group of students for whom 2007 is their first year of tertiary education.

Compulsory fees or tuition fees

Fees charged for tuition by public and private tertiary education providers.

Compulsory repayments

Compulsory repayments are when a borrower has to start repaying his/her loan because his/her income has crossed the repayment threshold. When this happens, loan repayments must be made to Inland Revenue, even if the borrower is still studying. The repayments are 10 cents in every dollar earned over the repayment threshold.

Course (also called a paper, module or unit standard)

A component of education. A course or collection of courses forms a programme of study which, if completed successfully, results in the award of a qualification.

Course-related costs

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

Equivalent full-time student

'Equivalent full-time student' is a measure used to count tertiary student numbers. A student taking a normal year's full-time study generates one 'equivalent full-time student' unit. Part-time or part-year students are fractions of a unit.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fee and Course Costs Maxima policy (FCCM)

This policy replaced the fee stabilisation policy from 2004. There are three dimensions to this policy: an increase in subsidy rates, an annual fee movement limit, and a set of maximum fee levels. The policy rationale was to provide certainty for students as to future costs, while allowing providers some flexibility in setting their fees.

Fee stabilisation policy

The fee stabilisation policy was introduced in 2001 to prevent increases in tuition fees before the FCCM policy was developed. The policy involved institutions agreeing not to increase their fees and the government agreeing to increase tuition fee subsidies.

Fiscal year

Government's accounting year – starting on 1 July and ending on 30 June.

Full interest write-off

In 2000, full interest write-offs were introduced for all full-time students and for part-time students on low incomes. This means they have the interest on their loan written off automatically after the end of the tax year. Low-income people have had some interest-write offs since the loan scheme began. From 1 April 2007, full interest write-offs ceased to exist due to the introduction of interest-free student loans.

Full-time

Any programme of study undertaken by a student that is either:

- 32 weeks or more and at least 0.8 equivalent full-time student units is designated full-time, full-year, or
- 12 weeks or more and at least 0.3 equivalent full-time student units or the equivalent on a pro rata basis (for example, 24 weeks and 0.6 equivalent full-time student units is designated full-time, part-year).

This definition is used to determine eligibility for the living costs component of the student loan and for student allowances. It was used in applying the student loan full interest write-off for full-time students, which has now been replaced by a full interest write-off for New Zealand-resident borrowers (interest-free student loans).

Impairment

A decrease in the value of a long-term asset to an amount less than that shown.

Income year or tax year

From 1 April to 31 March.

Industry training organisations (ITOs)

These are organisations that develop high-quality, systematic training arrangements (through tertiary institutions, private training establishments and the workplace) for employees in their industry.

Institutes of technology

'Institutes of technology' is an alternative name for polytechnics. Institutes of technology and polytechnics are public tertiary education institutions characterised by diverse vocational and professional programmes.

Integrated dataset

The integrated dataset is managed by Statistics New Zealand. It combines:

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

Interest adjustment rate

The interest adjustment rate and the base interest rate make up the total interest rate. The interest adjustment rate is based on the movement of the CPI, or the cost of living. It can move up or down depending on inflation. The interest adjustment rate was 3.1 percent for 2006/07 and is 2.7 percent for 2007/08.

Interest-free student loans

From 1 April 2006, student loans for borrowers living in New Zealand for 183 consecutive days or more (about six months), and for borrowers who are exempt, are interest free. This is the 183-day requirement.

Interest (rate) setting

This is the annual process by which the Order in Council sets the loan scheme's interest rate.

Interest write-offs

The loan scheme has had a number of provisions under which interest that has been accrued is written off or cancelled. From 1 April 2007, interest write-offs ceased to exist due to the introduction of interest-free student loans. Refer also to: base interest reduction, base interest write-off, full interest write-off, and interest-free student loans.

New borrowers

Borrowers who entered the loan scheme for the first time in 2006. A small number of new borrowers may have borrowed during the 1990s.

New Zealand-based borrowers

All borrowers who qualify for an interest-free student loan.

Non-degree

Non-degree level applies to programmes of study and qualifications that are not at degree or postgraduate level.

Non-resident borrower

A borrower who is not living in New Zealand in terms of section OE 1 of the Income Tax Act 1994. From 1 April 2007, this definition has been replaced by 'overseas-based borrowers'. Overseas-based borrowers are all borrowers who are not eligible for an interest-free student loan.

Other tertiary education providers (OTEPs)

Providers recognised by the Minister of Education under section 321 of the Education Act 1989 as bodies that provide an educational or developmental service or facility.

Overseas-based borrowers

All borrowers who are not eligible for an interest-free student loan.

Part-time

A programme of study of 32 weeks that is less than 0.8 equivalent full-time student units (or the equivalent on a pro rata basis).

Pasifika

This is a collective term for people of Samoan, Cook Islands, Tongan, Niuean, Tokelauan, Fijian and other Pasifika or mixed heritages. It includes a variety of combinations of ethnicities, recent migrants and third, fourth and fifth generation New Zealanders.

Private training establishments (PTEs)

These are private providers of tertiary education registered with the New Zealand Qualifications Authority.

Programme of study

A programme of study is a collection of courses, classes or work that lead to a qualification.

Qualification

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

Repayment deductions

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

Repayment obligation

The amount a borrower is required to repay toward their loan in any given income year. For resident borrowers, this is calculated as the amount by which the borrower's net income exceeds the repayment threshold, multiplied by 10 percent. From 1 April 2007, the amount of repayment for overseas-based borrowers is based on the size of their loan.

Repayment threshold

The amount a person can earn in a year before they have to start paying back their loan (\$17,160 before tax from 1 April 2006 to 31 March 2007). Once a person earns more than the threshold, they will have to pay 10 cents for every dollar earned over the threshold.

Resident borrower

Until 31 March 2007 this referred to a person who is resident in New Zealand in terms of section OE 1 of the Income Tax Act 1994. From 1 April 2007, we refer to New Zealand-based borrowers – this term includes all borrowers who qualify for an interest-free student loan.

SLIM

Student Loans Integrated Model. See chapter 5 and appendix 2 for more information.

Student allowances

Income-tested grants that provide assistance to students who are unable to support themselves or do not have access to alternative sources of support while undertaking full-time study.

Student loan borrower

Any person who has received a student loan that they have not fully repaid.

Study status

This refers to whether a person is studying full-time or part-time.

StudyLink

StudyLink is responsible for the delivery and administration of student loan payments, student allowances, Step Up Scholarships and the unemployment benefit (student hardship). StudyLink is part of the Ministry of Social Development.

Tertiary education

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

Tertiary education institutions (TEIs)

Tertiary education institutions are public providers of tertiary education. TEIs are universities, institutes of technology and polytechnics, wānanga, and colleges of education. On 1 January 2007, the last two remaining colleges of education merged with their local universities.

Tertiary education organisations (TEOs)

These are all institutions and organisations that provide or facilitate tertiary education. They include tertiary education providers and industry training organisations.

Tertiary education providers (TEPs)

Tertiary education providers are all the institutions and organisations that provide tertiary education. These include public tertiary education institutions, private training establishments, other tertiary education providers and government training establishments.

Tertiary Education Strategy (TES)

The Tertiary Education Strategy sets the government's goals and priorities for New Zealand's tertiary education system so that it contributes to New Zealand's national goals and is closely connected to enterprise and local communities.

Total interest rate

This is the interest charged on loans. It is made up of the base interest rate and the interest adjustment rate. The total interest rate was 6.9 percent for 2006/07 and is 6.8 percent for 2007/08. From 1 April 2007, only overseas-based borrowers are liable for interest.

Tuition fees or compulsory fees

Fees charged for tuition by public and private tertiary education providers.

Voluntary repayments

Any student loan repayment that is made over and above a borrower's compulsory annual repayment obligation and is not an overpayment.

Wānanga

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

Index of figures

Figure 1 Domestic tuition fees per equivalent full-time student in tertiary education institutions by provider type 1998-2006 ...	10
Figure 2 Ratio of the average domestic student tuition fee at tertiary education institutions to average weekly income for the employed 1998-2006	10
Figure 3 Total government-funded equivalent full-time student places and average funding per equivalent full-time student in public tertiary education organisations 1998-2006	11
Figure 4 Participation by domestic students in tertiary education 1994-2006.....	15
Figure 5 Domestic students completing tertiary qualifications by level 2000-2006	15
Figure 6 Standardised mortality rates (from all causes) of the New Zealand population aged 25-77 by gender and Census cohort 1981-1984 to 1996-1999	16
Figure 7 Student loan uptake rates for full-time students 1999-2006.....	16
Figure 8 Percentage of borrowers fully repaid by 31 March in each year - those who left study in 1992, 1994, 1997, 1999 and 2001.....	17
Figure 9 Percentage of borrowers who left study in 1998 and 2001 who had completely repaid their loans by 31 March 2005 by gender and completion status.....	18
Figure 10a Proportions of borrowers who left study in 1992 who had repaid all, some or none of their student loans by 31 March 2005	18
Figure 10b Proportions of borrowers who left study in 1997 who had repaid all, some or none of their student loans by 31 March 2005	18
Figure 11 Student loan borrowers in each academic year 1992-2006 and new borrowers 2002-2006	24
Figure 12 Student loan uptake rates 1999-2006	24
Figure 13 New borrowers by gender and total 2002-2006	24
Figure 14 Age of new borrowers 2002-2006.....	25
Figure 15 Borrowers by study status 2000-2006	25
Figure 16 Percentage of borrowers by gender 1992-2006.....	25
Figure 17 Percentage of borrowers by age - people actively borrowing 2000-2006.....	26
Figure 18 Borrowers by ethnic group 2000-2006.....	26
Figure 19 Total loan borrowing by year 1992-2006	27
Figure 20 Average amount borrowed by year 1992-2006 and median amount 2000-2006	27
Figure 21 Average amount borrowed by gender and year 1992-2006.....	27
Figure 22 Median leaving loan balance for 1992-2005 leaving cohorts by gender - all borrowers and those who studied at bachelors level 1997-2005	27
Figure 23 Average amount drawn by loan component 2000-2006	28
Figure 24 Total amount drawn by loan component 2000-2006	28
Figure 25 Average course fees borrowed by provider type 2002-2006.....	29
Figure 26 Students borrowing living costs and receiving student allowances 2003-2006.....	30
Figure 27 Borrowers with Inland Revenue at 30 June 1995-2007.....	30
Figure 28 Borrowers with Inland Revenue at 30 June 2007 by age.....	31
Figure 29 Nominal value of student loans held by Inland Revenue at 30 June 1995-2007	32
Figure 30 Average student loan balance with Inland Revenue at 30 June 1995-2007 and median balance 2003-2007.....	32
Figure 31 Cumulative student loan repayments received by Inland Revenue compared with aggregate loan balances 1995-2007... ..	33
Figure 32 Value of gross student loan repayments received by Inland Revenue 1995-2007 - borrower/employer split	33
Figure 33 Loans fully repaid to Inland Revenue at 30 June 1995-2007.....	33
Figure 34 Proportion of borrowers who have fully repaid each year for each cohort of leaving borrowers 1992-2005.....	34
Figure 35 Value of interest write-offs at 30 June 1995-2007	34
Figure 36 Projected proportions of loan repayments made, loans written off and outstanding balances 2000, 2005, 2010, 2015 and 2020	35
Figure 37 Projected proportions of loan repayments made, loans written off and outstanding balances 2000-2050	35
Figure 38 The loan scheme's nominal value, book value and fair value at 30 June 2004-2007	39
Figure 39 Nominal loan balance projections 2007-2020.....	39
Figure 40 Projected full repayment for recent leavers for selected levels of study (NZ based).....	40

Index of tables

Table 1 Government financial support for tertiary study 1997/98-2006/07.....	11
Table 2 Overseas borrowers' repayment obligation from 1 April 2007.....	20
Table 3 Average age of new borrowers who had not previously borrowed from StudyLink 2002-2006.....	25
Table 4 Students who borrowed fees by provider type 2000-2006.....	28
Table 5 Student loan borrowers by qualification level, gender and average amounts borrowed 2005-2006.....	29
Table 6 Student allowances compared with student loan living costs borrowings in 2006.....	30
Table 7 Range of loan balances held by Inland Revenue at 30 June 2007.....	32
Table 8 Value of deceased and bankruptcy write-offs at 30 June 2003-2007.....	35
Table 9 Number of deceased and bankruptcy write-offs at 30 June 2003-2007.....	35
Table 10 Lending and repayment forecasts 2007/08-2010/11.....	37
Table 11 Fair value note to the accounts at 30 June 2004-2007.....	38
Table 12 Book value of the loan scheme at 30 June 2004-2007.....	38
Table 13 Percentiles of forecast repayment times for those who last studied in 1999, whose loans remained unpaid in March 2000 and who remain in New Zealand by gender.....	39
Table 14 Percentiles of forecast repayment times for those who last studied in 2003, whose loans remained unpaid in March 2004 and who remain in New Zealand by gender.....	40
Table 15 Schedule of revenue and expenditure for the year ended 30 June 2007.....	43
Table 16 Schedule of assets as at 30 June 2007.....	44
Table 17 Schedule of cash flows for the year ended 30 June 2007.....	45
Table 18 Consolidated movements schedule for the year ended 30 June 2007.....	47
Table 19 Recent changes to key assumptions.....	48
Table 20 Overseas borrowers' repayment obligation from 1 April 2007.....	52
Table 21 Non-resident borrowers' repayment obligation until 31 March 2007.....	52
Table 22 Summary of SLIM model assumptions.....	54
Table 23 Estimated administration cost 2002/03-2006/07.....	55

