

## Student Loans

1992

# Student loan scheme introduced

(Education Counts, 2012)

### Summary

Research and statistical information derived from the student loan scheme

### Introduction

The student loan scheme was introduced in 1992. It provides access to funding for course fees paying for their share of the costs until the benefits of their study are realised in the income they on the earnings of borrowers.

As at 31 December 2006, over 712,000 people had used the student loan scheme since it was

Three government agencies are involved in managing the scheme. These are Ministry of Education (responsible for administration and delivery of student loans) and Inland Revenue (responsible for maintaining loan accounts).

### The history of the student loan scheme

1992	The student loan scheme is introduced. Students can borrow their course fees, course costs of up to \$1000 per year, and living costs of \$150 per week (to a maximum of \$4500 per year.) Repayments are made through the taxation system at the rate of ten percent of income in excess of a threshold which is reviewed annually. The interest rate is related to the government cost of borrowing and consists of a base rate and a (cpi-related) interest adjustment. Any interest arising from the base rate that is not covered by a borrower's repayment obligation is written off for New Zealand residents. Interest write-offs are not available to current borrowers.
1996	The interest rate is set using the average of past and prospective 10 year bond rates plus a margin of 0.9%.
1997	Students can borrow up to \$150 per week for living costs (less any allowance entitlement). The annual limit of \$4500 no longer applies.
1998	Some restrictions are made to student loan borrowings and the way in which they are made: (i) The living cost is paid in fortnightly direct credited instalments (previously there were 3 annual instalments throughout the year), (ii) the compulsory fee entitlement is paid directly to providers (not to students), (iii) the course cost entitlement is reduced from \$1000 to \$500, (iv) parental consent is required for students under 18 to access student loans, (v) Payment of student union fees through the compulsory fee component is abolished.
2000	The 'no-interest while studying' policy is introduced for full-time students and part-time students on low incomes. Students can also borrow for student association fees. The interest rate is set at 7 percent. Interest write-off provisions are relaxed so that any interest arising from the base rate that is not covered by 50% of repayment obligations is written off.
2001	From 1 January 2001, only qualifications that receive Student Component funding or other government funding are eligible for student loans (and student allowances).
2002	Eligibility to student loans (tuition fees and course costs components only) is extended to prison inmates on approved offender management programmes.
2004	Part-time, part-year students undertaking a course load of 0.3 EFTS or more are given access to the tuition fee component of the student loan scheme.
2005	Access to student loans for part-time part-year students is further extended for students with a course load between 0.25 and 0.3 EFTS, subject to vocational and employment criteria.
2006	The interest-free policy comes into effect. This means that borrowers will not pay any interest as long as they meet residency requirements. An amnesty on penalties for overseas borrowers not meeting repayment obligations is introduced.
2007	The amnesty is extended allowing overseas borrowers a three-year repayment holiday. The annual compulsory repayment obligation is also simplified for these borrowers. The vocational and employment criteria for student loan eligibility for part-time, part-year students, undertaking a course load of between 0.25 and 0.30 EFTS is removed.
Future Changes	From 1 January 2009 the living cost component of the student loan scheme will increase from a maximum of \$150 per week to \$155 per week. The maximum entitlement will be annually adjusted for inflation with the first adjustment occurring on 1 April 2009.

### Key Statistics

Table 1 provides some key statistics on student loans. It provides student loan borrowing, repayments and balances from 2001/02 to 2006/07 and forecasts till 2011/02 (BEFU2008). More detailed statistics on student loan can be obtained from the [Financial Support for Students](#) statistics page.

Table 1: Student loan borrowings, repayment and loan balances

Fiscal Year	Loan Borrowings (\$m)	Loan Repayments (\$m)	Loan Balances (\$m)
2001/02	934	395	5,386
2002/03	952	438	6,094
2003/04	997	509	6,821

2004/05	969	572	7,499
2005/06	1,046	551	8,370
2006/07	1,176	555	9,413
2007/08	1,201	611	10,075
2008/09	1,296	675	10,771
2009/10	1,389	758	11,489
2010/11	1,473	838	12,234
2011/12	1,558	924	13,008

Notes:

1. Actual results are up to the end of the 2006/07 fiscal year (the year ending 30 June 2007). The table shows forecasts thereafter.
2. Loan borrowings show the lending in the fiscal year.
3. The student loan balance is the total loan owing at the end of the fiscal year. For example on 30 June 2007 the student loan balance was \$9,413 million.
4. Repayments include principal and interest repayments from all borrowers collected by IRD during the fiscal year.

Table 2: Student loan borrowers and new borrowers

Academic Year	Total borrowers	New borrowers
2002	150,575	62,763
2003	156,286	60,131
2004	157,041	55,379
2005	154,417	51,443
2006	167,425	60,016
2007	173,791	57,604

Notes:

1. Academic year is same as calendar year.
2. Total borrowers include all students who draw a loan during the academic year.
3. New borrowers are the individuals who borrow under the loan scheme for the first time.

## Publications

The *Education Counts* website contains a number of analytical reports on student loans and borrowers. Many of these studies have used the Integrated Dataset on the Student Loan Scheme, maintained by Statistics New Zealand that links data from the three agencies involved in the scheme. More information about the [integrated dataset on student loan borrowers](#) is available on the Statistics New Zealand website.



### The Student Loan Scheme Annual Report

⇒ [The Student Loan Scheme Annual Report](#)

The home page for the annual report on the Student Loan Scheme. An annual report is tabled each year in Parliament containing the annual financial statements of the scheme, data on the level of people's loans, repayment information and information on the costs of the loan scheme.

**Author:** Ministry of Education, Inland Revenue, and Ministry of Social Development  
**Date Published:** Annually



### Does the Student Loan Scheme Discourage Students from Returning to Study?

⇒ [Does the student loan scheme discourage students from returning to study?](#)

This report has been initiated by the Ministry of Education in order to gain an insight into educational pathways and the aspirations of former tertiary students who return to study. By establishing a demographic, educational and borrowing profile of returning students, this reports aims to identify the factors affecting student return to study. In particular, the study focuses on the impact of an individual's student loan borrowed for previous studies on their return.

**Author:** Sarah Tumen & Boaz Shulruf  
**Date Published:** September 2007



### Do Student Loans Drive People Overseas - What is the Evidence?

⇒ [Do Student Loans Drive People Overseas - What is the Evidence?](#)

This report applies statistical modelling to the integrated dataset on the Student Loan Scheme . It provides interesting new information on the likelihood of a borrower being declared overseas five years post study across a variety of characteristics such as size of student loan leaving balance and level of study.

**Author:** Warren Smart  
**Date Published:** May 2006