

This report will focus on how student loans affect decision-making by the New Zealand government. A student loan is designed to help tertiary students pay for compulsory fees and/or living costs and/or course-related fees. Student loans are a government-provided financial pathway to study. The government wants to help people to improve their employment prospects.

1

Compulsory fees are what student must pay to their tertiary education provider for their enrolment in an approved programme. They include tuition fees, exam fees and student health levies. A student may also be able to apply for part of the loan to cover expenses such as power, accommodation, food, travel to the provider, etc. A student is only eligible to apply for living costs if they are ineligible for a student allowance. Course-related fees cover materials that are essential for the course.

However, loans can also be a financial burden on the country as many student loans are never repaid.

2

The cost of student loans is increasing each year. In 2006/2007 about \$1200 million had been borrowed. The latest information, 2010/2011 is around \$1450 million so over the five years the value of student loans borrowed and therefore lent by the government was an additional \$250 million.

The increase had a massive impact on the government. Not only was more lent out to students but the cost of repayments has also gradually increased as collection costs (wages, administration etc) have increased.

2

In order to get more defaulters to pay their loans, the 2013 budget proposed a number of changes to the student loan scheme policy: powers of policing serious defaulters, improving the information held about student loan borrowers and the ability to contact them, and increasing repayment requirements for borrowers with large loans.

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Defaulters who have refused to repay their loans or cannot be located have meant that some students are now not able to take out student loans. These people include those over 55 who are limited in what they can borrow, as well as students in some types of courses.

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