



Education Report: Student Loan Scheme quarterly report July to September and October to December 2020

To:	Hon Chris Hipkins, Minister of Education		
Cc:	Hon David Parker, Minister of Revenue Hon Carmel Sepuloni, Minister for Social Development Dr Deborah Russell, Parliamentary Under-Secretary of Revenue		
Date:	29 March 2021	Priority:	Medium
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose

This paper provides you with an update on the performance of the Student Loan Scheme (the Scheme) in the periods July to September and October to December 2020. As part of Ministerial governance of the Scheme, officials provide quarterly reports on the performance of the Scheme.

This paper also provides you with updates on ongoing policy and operational work related to the management of the Scheme.

Summary

An overview of key trends is included in the 'Student Loan Scheme at a Glance' sections on pages 3 and 4.

In comparison to the same period last year, the following patterns have been identified for the financial quarters covering July to September 2020, and October to December 2020.

- In both quarters, the total number of students borrowing increased by a small amount and the total amount borrowed increased. This was mostly driven by the temporary increase to course-related costs entitlement introduced in 2020, as part of the Government's COVID-19 response to help students stay engaged in their learning.
- The temporary increase in entitlement for course-related costs resulted in significant increases in the number of students who borrowed for course-related costs (up 42.9% in quarter one and 44.7% in quarter two), and the average amount borrowed for course-related costs per student (up 71.9% in quarter one and 53.3% in quarter two).
- The total amount of repayments increased in both quarters, although the average repayment received directly from customers was lower. This can be attributed to an

increase in the volume of repayments directly from New Zealand borrowers. Some of the increase may also be explained by the move to Inland Revenue's new Simplified Tax and Revenue Technology (START) system, rather than being attributable to COVID-19.

Recommended actions

The Ministry of Education recommends you:

- a. **note** that this report has been prepared with input from the Ministry of Social Development and Inland Revenue
- b. **note** that key information about trends in quarters one and two 2020/21 compared to the same quarter in the previous financial year are summarised in the 'Student Loan Scheme at a Glance' sections on pages 3 and 4
- c. **forward** this report to the Honourable David Parker, Minister of Revenue, the Honourable Carmel Sepuloni, Minister for Social Development, and Dr Deborah Russell, Parliamentary Under-Secretary of Revenue. ✓
- d. **agree that the Ministry of Education will proactively release** this paper, in consultation with the Ministry of Social Development and Inland Revenue, and with any necessary redactions made in line with provisions of the Official Information Act 1982.

Release / Not release

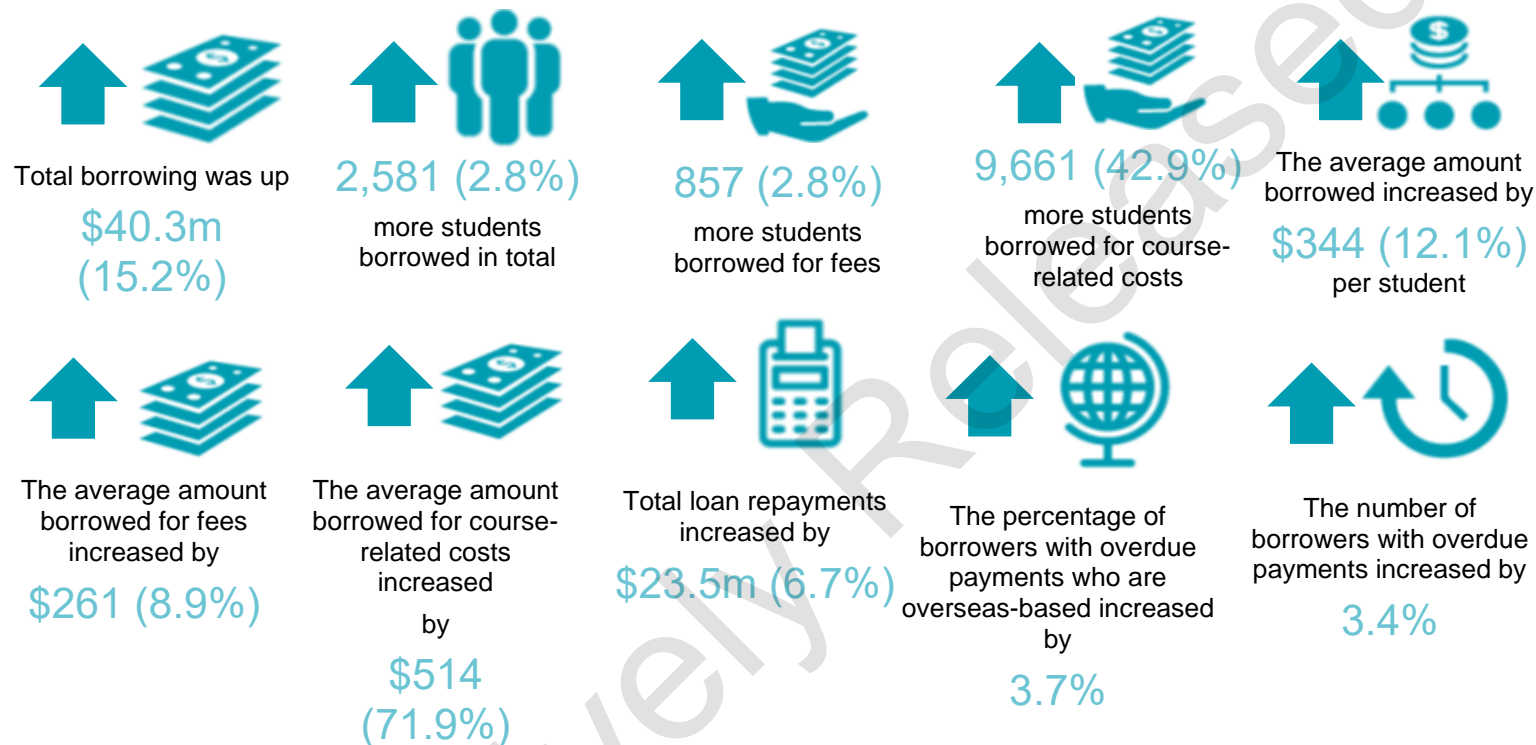

John MacCormick
Acting Group Manager
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29/03/2021


Hon Chris Hipkins
Minister of Education

21/4/21

Student Loan Scheme at a glance — Performance for quarter one 20/21 (July to September 2020) compared to quarter one 2019/20



Quarter one saw increases to all aspects of student loan borrowing, influenced by increased borrowing for course-related costs as part of the Government's temporary COVID-19 response. It is expected that COVID-19 will continue to influence student loan borrowing as uncertain labour markets may encourage more people to enter tertiary study.

Total repayments increased, although there were also increases to the numbers of borrowers with overdue payments and numbers of overseas-based borrowers in default. This is largely due to system changes as part of Inland Revenue's business transformation to their new Simplified Tax and Revenue Technology (START) system. It is expected that rising unemployment and the negative economic effects of COVID-19 may impact loan repayments in the medium term.

Student Loan Scheme at a glance — Performance for quarter two 2020/21 (October to December 2020) compared to quarter two 2019/20



Total borrowing was up
\$8.4m (4.9%)



2,211 (2.9%)
more students
borrowed in total



1,219 (8.1%)
more students
borrowed for fees



4,543 (44.7%)
more students
borrowed for course-
related costs



The average amount
borrowed increased
by
\$44 (2%)



The average amount
borrowed for fees
increased by
\$99 (2.7%)



The average amount
borrowed for course-
related costs increased by
\$350 (53.3%)



Total loan repayments
increased by
\$24.2m (7.3%)



The percentage of
borrowers with overdue
payments who are
overseas-based increased
by
13.1%



The number of
borrowers with overdue
payments increased by
9.5%

Quarter two saw increases to all aspects of student loan borrowing, influenced by increased borrowing for course-related costs as part of the Government's temporary COVID-19 response. It is expected that COVID-19 will continue to influence student loan borrowing as uncertain labour markets may encourage more people to enter tertiary study.

Total repayments increased, although there were also increases to the numbers of borrowers with overdue payments and numbers of overseas-based borrowers in default. This is largely due to system changes as part of Inland Revenue's business transformation to their new START system. It is expected that rising unemployment and the negative economic effects of COVID-19 may impact loan repayments in the medium term.

Background

1. This report covers the first and second quarters of the 2020/2021 financial year. The previous report covered January to June 2020 [METIS 1235662 refers].
2. This report provides you with an update on (1) the performance of the Student Loan Scheme (the Scheme), (2) Scheme forecast, and (3) ongoing work on Scheme settings.
3. The quarterly report is compiled by the Ministry of Education (MoE), with input from the Ministry of Social Development (MSD), and Inland Revenue (IR).
4. Unless otherwise stated, figures in this report are for:
 - a. financial quarter one, spanning 1 July to 30 September 2020, compared with the corresponding quarter in the 2019/20 financial year; and
 - b. financial quarter two, spanning 1 October to 31 December 2020, compared with the corresponding quarter in the 2019/20 financial year.
5. The 'Student Loan Scheme at a Glance' sections (p.3-4) provide a visual overview of key trends across these two quarters compared to the same quarters in the previous financial year. There were significant increases in loan borrowing in both quarters, mostly due to temporary changes to the course related costs component as part of the Government's emergency COVID-19 response. Loan repayments increased in both quarters, however there was an increase of loans in default in quarter two.

The impact of COVID-19 on the Student Loan Scheme

6. Increased borrowing was the most significant observable impact of COVID-19 on the Scheme. This course-related costs impact is beginning to decline and is expected to disappear over time. This is because the increased entitlement can only be claimed once per student and most eligible students have already claimed it.
7. Due to the impacts of COVID-19 on the labour market, it is expected that more people will enter or remain in tertiary education. We therefore expect an increase to other aspects of student loan borrowing in the medium to long-term.
8. Overall, there were increases in loan repayments of 6.7% in quarter one and 7.3% in quarter two, including increases in repayments directly from New Zealand borrowers of 42.6% in quarter one and 26.7% in quarter two. In quarter two, there was a notable increase in the percentage of overseas-based borrowers in default (13.1%), although this likely reflects changes to reporting in the new Simplified Tax and Revenue Technology (START) system, rather than being attributable to COVID-19.
9. There continues to be significant uncertainty about the future impacts of COVID-19 on the tertiary education sector. It is possible COVID-19 will impact student loan repayment statistics in the medium term, as rising unemployment and the economic effects of global efforts to contain COVID-19 may hinder borrowers' abilities to make repayments.

Scheme performance in quarter one

Table 1: Borrowing and repayments over quarter one 2020/21 (1 July 2020 to 30 September 2020)

	Borrowing (\$m)	Repayments (\$m)
	Jul to Sept 2019	Jul to Sept 2019
	\$264.7m	\$350.0m
	Jul to Sept 2020	Jul to Sept 2020
	\$305.0m	\$373.5m
Difference	\$40.3m	\$23.5m

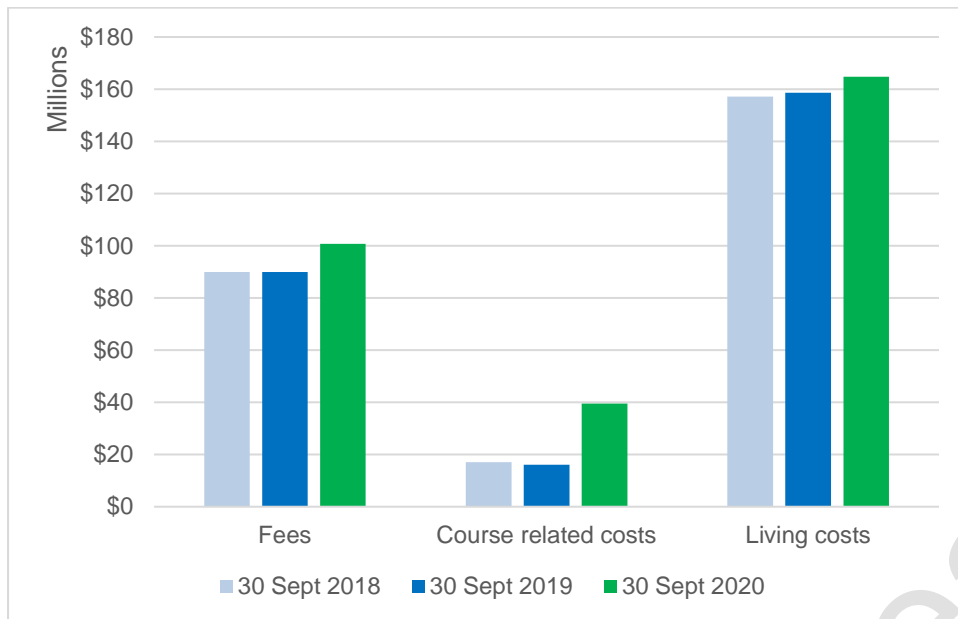
Source: MSD and IR

Loan borrowing¹ in quarter one

10. Total borrowing in quarter one of 2020/21 increased by \$40.3m (15.2%) compared with the same quarter in the 2019/20 financial year. This reflects increases across all components – in particular course-related costs borrowing, which increased by \$23.4m (145.6%) (figure one).
11. The increase to borrowing for course-related costs can be directly attributed to the \$1,000 temporary increase to course-related costs entitlement for eligible students studying in 2020. This was part of the Government's COVID-19 response and aimed to help students meet additional costs and remain engaged in their learning. Compared to July to September 2019, 9,661 (42.9%) more students borrowed \$514 (71.9%) more on average for course-related costs.
12. In the previous quarter, April to June 2020, the number of students who borrowed for course-related costs had increased by almost 41,000 (187.2%) compared to the same quarter in the previous year [METIS 1235662 refers]. The reduction in students borrowing for course-related costs during July to September 2020 compared with April to June 2020, is because the majority of students claimed their additional entitlement during the earlier quarter, following the Government's 14 April announcement of the increased temporary entitlement. April 2020 saw an increase of over 34,000 (232%) course-related costs claims, compared with April 2019.
13. During quarter one, total fee borrowing increased by \$10.7m (11.9%) and average fee borrowing increased by \$261 (8.9%). The number of students borrowing for fees increased by 857 (2.8%). Higher average fee borrowing was expected due to fee rises (within regulated fee limits) and trends towards students opting for higher-cost study programmes and full-time study.
14. The overall increase in borrowing for living costs is consistent with the preceding quarters (January to June 2020), and is due to increases in the amount of living costs borrowed per person. The number of students borrowing for living costs is similar to the same quarter in the previous financial year.

¹ Borrowing refers to the amount students borrow using their student loan. A borrower is anyone who has borrowed from the Scheme and who has not yet repaid this borrowing in full. This includes the amount borrowed for fees, course related costs and living costs. These figures do not include the \$60 establishment fee and do not allow for repayments and fee refunds.

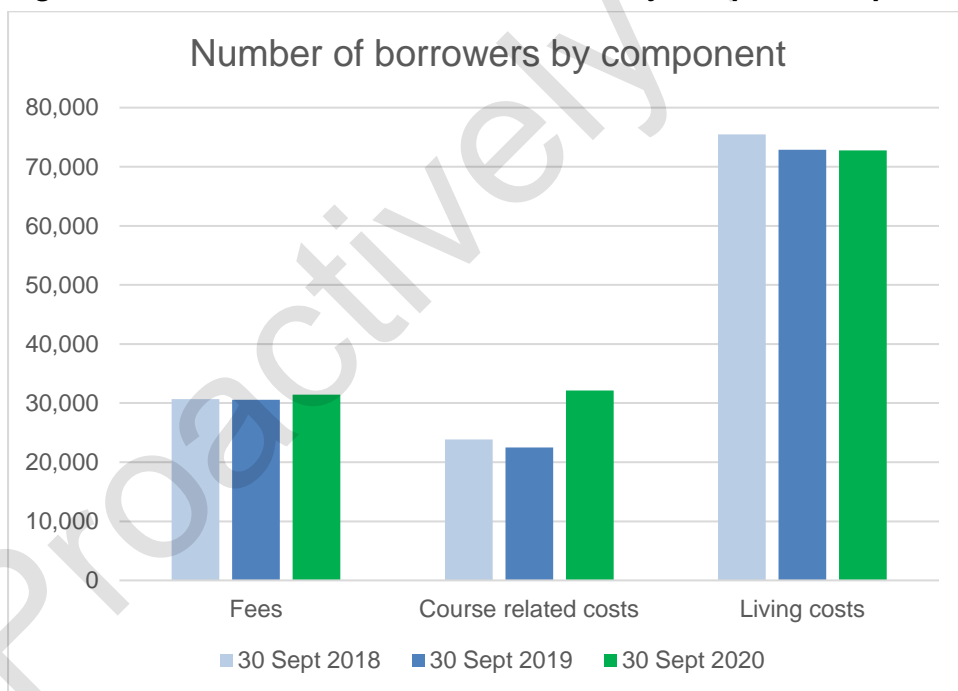
Figure 1: Total student loan borrowing by component (\$) – quarter one



Source: MSD

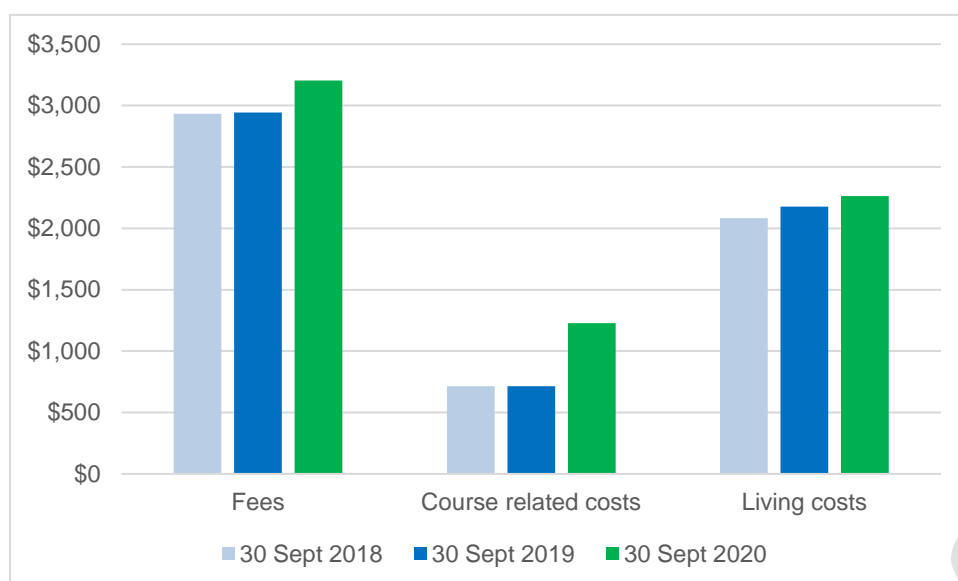
15. Overall, 2,581 (2.8%) more students borrowed in quarter one compared with the same quarter in the previous financial year. Figure two shows increases in the number of students borrowing for fees (857, or 2.8%) and course-related costs (9,661, or 42.9%). The number of students borrowing for living costs decreased by 103 (0.1%).

Figure 2: Number of student loan borrowers by component – quarter one



Source: MSD

16. Total average borrowing increased by \$344 (12.1%) per borrower compared with the same quarter in the previous financial year. Figure three shows increases of \$261 (8.9%) to the average amount borrowed for fees and \$87 (4%) for living costs. The average amount borrowed for course-related costs increased by \$514 (71.9%). This is due to the temporary increase in course-related costs entitlement.

Figure 3: Average borrowing per student by component (\$) - quarter one

Source: MSD

Loan repayments² in quarter one

17. Overall student loan repayments increased by \$23.5m (6.7%) in quarter one compared with the same quarter in the previous financial year, although the average direct repayment per borrower decreased. This reflects increases in repayments received directly from borrowers (17.3%) and repayments made through employer deductions (2.6%) (table 2).

Table 2: Repayments for quarter one (1 July to 30 September) for 2019/2020 and 2020/2021

	July to Sept 2019	July to Sept 2020	% Change
Repayment via employers	\$252.6m	\$259.3m	2.60%
Repayment via borrowers	\$97.4m	\$114.3m	17.30%
Repayments via borrowers split by:			
Overseas-based borrowers	\$61.6m	\$63.1m	2.60%
New Zealand borrowers	\$35.8m	\$51.1m	42.6%
Total	\$350.0m	\$373.6m	6.7%

Source: IR

18. Overall repayments from New Zealand borrowers increased by 42.6% in this quarter with significantly more repayments received directly from New Zealand borrowers, although the average amount per direct repayment is lower. This may be because IR's reminder notification cycle now includes interim due dates and system reminders to pay.
19. The increased repayments can also be attributed to transfers from other tax types and a decrease in refunds. This reflects account maintenance work IR undertook in preparation for the shift to the new START system, along with reduced overpayments once in the new system.

² The Student Loan repayment threshold sets the amount of income a New Zealand based borrower can earn before they are required to start making repayments on their Student Loan balance. This threshold can be adjusted by Order in Council and has been increased annually by the rate of CPI (excluding tobacco) to ensure that, over time, price level rises do not increase the risk that an individual's repayment obligations are causing them financial hardship.

20. IR has also made significant inroads engaging with more borrowers to repay their student loans. Policy administration changes and marketing activities have focused on helping borrowers to understand their obligations and get their outstanding loan repayments back on track.

Default in quarter one

21. The total number of borrowers in default increased by 3.4% in quarter one compared to the same quarter in the previous financial year. The total amount of student loans in default is \$1,590.6m, an increase of 7.4% compared to the same quarter in the previous financial year (see table 3). The increase to the total amount in default continues to be attributed to late payment interest charges on overdue amounts for overseas-based borrowers (OBBs).

Table 3: Loan amounts in default for quarter one (as at 30 September) for 2019/2020 and 2020/2021

	30 Sept 2019	30 Sept 2020	% Change
New Zealand loans overdue	\$134.1m	\$137.2m	2.30%
Overseas-based loans overdue	\$1,347.3m	\$1,453.4m	7.9%
Total	\$1,481.4m	\$1,590.6m	7.4%

Source: IR

22. New Zealand borrower default increased by 2.3% in quarter one. This is likely because missed interim repayments are now within START's billing cycle and are considered overdue in quarter one. These missed interim repayments would not have been considered overdue before the transition to START.
23. COVID-19 may have an impact on repayment and default statistics in future quarters.

Overseas-based borrowers (OBBs) in quarter one

24. The numbers of OBBs with overdue repayments in quarter one increased by 3.7% compared to the same quarter in the previous financial year (table 4). This increase is also reflected in the total value of overseas-based loans overdue which has increased by 7.9% compared to the same quarter in the previous financial year (table 3).

Table 4: Numbers of overseas-based borrowers in default for quarter one (as at 30 September) for 2019/2020 and 2020/2021

	30 Sept 2019	30 Sept 2020	% Change
Overseas-based borrowers in default	73,114	75,815	3.70%

Source: IR

25. This increase to OBBs in default may be due to IR undertaking work to confirm and correct the status of borrowers as either New Zealand or overseas based.

Scheme performance in quarter two

Table 5: Borrowing and repayments over quarter two 2020/21 (1 October 2020 to 31 December 2020)

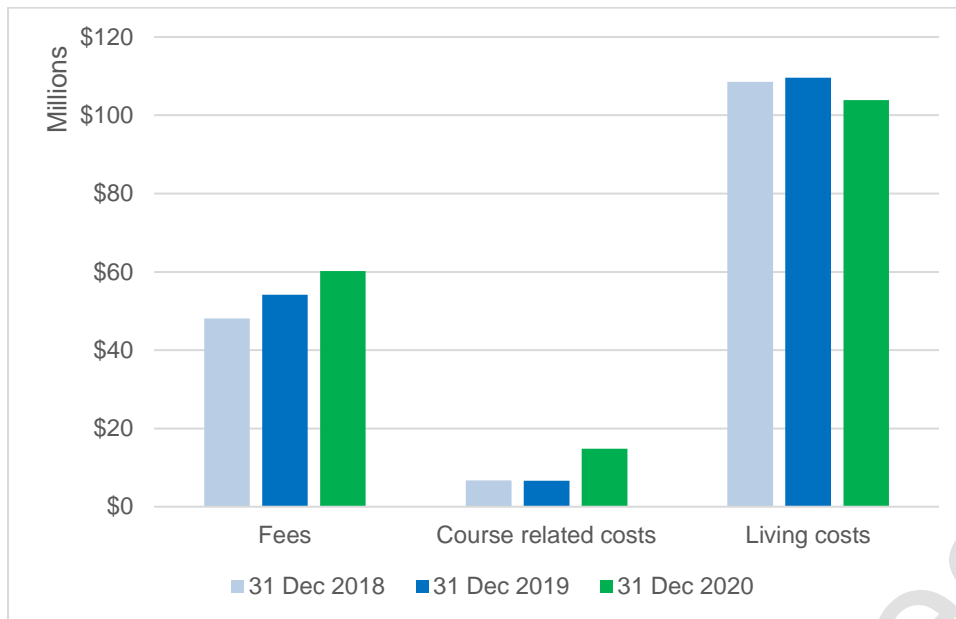
	Borrowing (\$m)	Repayments (\$m)
	Oct to Dec 19	Oct to Dec 19
	\$170.5m	\$333.5m
	Oct to Dec 20	Oct to Dec 20
	\$178.9m	\$357.7m
Difference	\$8.4m	\$24.2m

Source: MSD and IR

Loan borrowing³ in quarter two

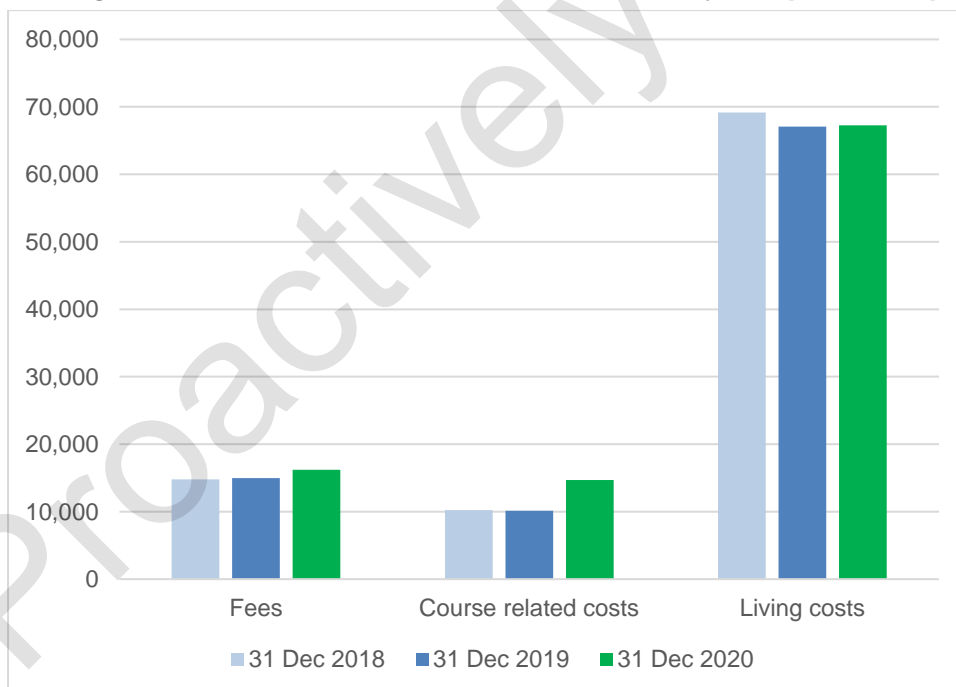
26. Borrowing in quarter two of 2020/21 increased by \$8.4m (4.9%) compared with the same quarter in the previous financial year. This is due to increased borrowing for fees and course-related costs, partially offset by a reduction in borrowing for living costs.
27. Figure five shows borrowing for course-related costs increased by \$8.1m (121.8%). In quarter two, 4,543 (44.7%) more students received course-related costs than during the same quarter of the previous financial year. This can be attributed to the temporary increase of \$1,000 to course-related costs entitlement for eligible students studying in 2020.
28. As for quarter one, borrowing for course-related costs continued to decline compared to the previous quarter. This is because most students borrowed their additional entitlement in the final quarter of 2019, shortly after the Government's 14 April announcement of the increased entitlement.
29. Borrowing for fees increased by \$6m (11.1%), with 1,219 (8.1%) more students borrowing for fees during quarter two (figure five). This may be due to increased numbers of students enrolling for study during summer school.
30. Borrowing for living costs decreased by \$5.7m (5.2%) (figure five), despite a slight increase of 203 (0.3%) in the number of students borrowing for living costs compared to the same quarter in the previous financial year.

³ Borrowing refers to the amount students borrow using their student loan. A borrower is anyone who has borrowed from the Scheme and who has not yet repaid this borrowing in full. This includes the amount borrowed for fees, course related costs and living costs. These figures do not include the \$60 establishment fee and do not allow for repayments and fee refunds.

Figure 5: Total student loan borrowing by component (\$) – quarter two

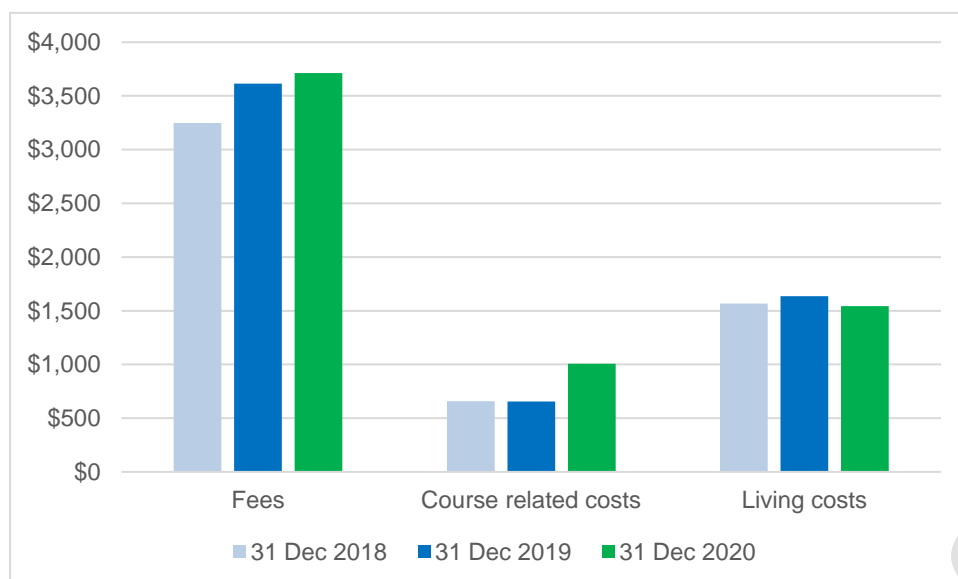
Source: MSD

31. The number of students borrowing for course-related costs increased by 4,543 (44.7%) compared with quarter two of the previous financial year (figure 6). The number of students who borrowed for fees increased by 1,219 (8.1%), and the number of students who borrowed for living costs increased by 203 (0.3%). Overall, 2,211 (2.9%) more students borrowed in quarter two this year, compared to the previous financial year.

Figure 6: Number of student loan borrowers by component – quarter two

Source: MSD

32. Total average borrowing increased by \$44 (2%) per borrower compared to quarter two in the previous financial year. Figure seven shows a decrease of \$90 (5.5%) to the average amount borrowed for living costs and increases to the average amounts borrowed for fees (\$99, or 2.7%) and course-related costs (\$350, or 53.3%). The increase to the average amount borrowed for course-related costs is due to the temporary increase in course-related costs entitlement.

Figure 7: Average borrowing per student by component (\$) – quarter two

Source: MSD

Loan repayments in quarter two

33. Overall loan repayments increased by \$24.2m (7.3%) in quarter one compared with the same quarter in the previous financial year, although the average direct repayment per borrower has decreased. This reflects increases in repayments received directly from borrowers (11.0%) and repayments made through employer deductions (6.1%) (table 6).

Table 6: Repayments for quarter two (1 October to 31 December) for 2019/2020 and 2020/2021

	Oct to Dec 2019	Oct to Dec 2020	% Change
Repayment via employers	\$256.3m	\$272.1m	6.10%
Repayment via borrowers	\$77.2m	\$85.7m	11.00%
Repayments via borrowers split by:			
Overseas-based borrowers	\$43.8m	\$43.3m	-1.10%
New Zealand borrowers	\$33.4m	\$42.4m	26.70%
Total	\$333.5m	\$357.8m	7.3%

Source: IR

34. The increased loan repayments may be because IR's reminder notification cycle now includes interim due dates and system reminders to pay. The increased repayments can also be attributed to transfers from other tax types and a decrease in refunds. This reflects account maintenance work IR undertook in preparation for the shift to the new START system, along with reduced overpayments once in the new system.
35. Recent marketing activity by IR has encouraged borrowers to make contact if they require assistance to get their loans back on track. This may also be a contributing factor to the increase in repayments from borrowers.
36. COVID-19 may have an ongoing impact on repayment statistics in future quarters.

Default in quarter two

37. The amount of student loans in default increased by 15.1% compared to quarter two in the previous financial year, to a total of \$1,697.8m (table 7). The total number of borrowers in default in quarter two has increased by 9.5% compared with the same quarter in the previous financial year. Although there was a slight decrease in the number of New Zealand borrowers in default (-0.6%), it is worth noting that New Zealand borrowers have no interim repayments due in quarter two.
38. The number of OBBs in default increased by 13.1% compared with the same quarter in the previous financial year. Changes to IR's new START system mean OBBs can now be considered overdue twice per year in June and December, rather than just in June under the previous system. Increases to numbers of OBBs in default in quarter two therefore reflect these customers missing their 30 September interim repayment, and being considered overdue from December. However, it should be noted that there is no increase in the amount of penalties applied as a result of the move to START.

Table 7: Loan amounts in default for quarter two (as at 31 December) for 2019/2020 and 2020/2021

	31 Dec 2019	31 Dec 2020	% Change
New Zealand loans overdue	\$134.4m	\$134.2m	-0.1%
Overseas-based loans overdue	\$1,340.2m	\$1,563.6m	16.7%
Total	\$1,474.6m	\$1,697.8m	15.1%

Source: IR

39. The increase in the total amount in default for OBBs continues to trend upwards (16.7%) compared to the same quarter in the previous financial year. A returning borrowers' status does not change to being a New Zealand borrower until the person has been back in the country for six months (183 days). If a borrower has been back in New Zealand for at least 152 of those days, an interest write-off will be applied to the account from the day the borrower returned. IR is currently developing statistical data on the number of OBBs returning to New Zealand.
40. Given the current economic climate, the increase in the amount of student loans in default is expected to continue into 2021.

Overseas-based borrowers (OBBs) in quarter two

41. The number of OBBs with overdue repayments in quarter two increased by 13.1% compared with the same quarter in the previous financial year (table 8). Correspondingly, amounts overdue have increased by 16.7% from the same quarter in the previous financial year. This may have been impacted by IR undertaking work to confirm or correct the status of borrowers (as New Zealand or overseas-based), along with the change where customers who missed the 30 September payment are now shown in default.

Table 8: Numbers of overseas-based borrowers in default for quarter two (as at 31 December) for 2019/2020 and 2020/2021

	31 Dec 2019	31 Dec 2020	% Change
Overseas-based borrowers in default	70,827	80,177	13.1%

Source: IR

42. IR continues to focus on helping OBBs get their repayments back on track, most recently by introducing self-service activation options for OBBs to support them in gaining a MyIR account and managing their student loan obligations online.

Calendar year-to-date borrowing and repayments

43. To put the information about loan borrowing, repayments and defaults into the wider context of the academic year, we have included calendar-year-to-date information in this section.

Calendar year-to-date borrowing

44. Total borrowing in the 2020 calendar year increased by \$88m (6.01%), compared with the 2019 calendar year. This is primarily due to an increase of \$85m (90.6%) in borrowing for course-related costs as a result of the Government's temporary increase to course-related costs entitlements, in response to COVID-19. Borrowing for fees in 2020 increased by \$4.5m (0.5%), while borrowing for living costs decreased by \$1.5m (-0.3%) (see table 9).
45. Average borrowing increased by \$612 (6.2%) per student compared with the 2019 calendar year. Compared with 2019, 2,885 more students borrowed an average of \$835 (85.1%) more per student for course-related costs. Although 2,245 (1.8%) fewer students borrowed for fees, average borrowing for fees increased by \$160 (2.3%) per student. This is expected to be due to annual fee increases (within regulated fee limits) and trends towards students opting for higher-cost programmes and more full-time study. The number of students who borrowed for living costs decreased by 944 (1.1%), while the average amount borrowed for living costs increased by \$46 (0.8%) per student.

Table 9: Student Loan borrowing, 2019 and 2020 calendar years

	As at 31 December 2019	As at 31 December 2020	% change
Fees	\$866,133,763	\$870,618,548	0.5%
Course-related costs	\$93,799,443	\$178,776,774	90.6%
Living costs	\$503,732,911	\$502,229,689	-0.3%
Total	\$1,463,666,117	\$1,551,625,011	6.01%

Source: MSD

Does not include repayments and refunds

Table 10: Student Loan borrowers, 2019 and 2020 calendar years

	As at 31 December 2019	As at 31 December 2020	% change
Fees	126,388	124,143	-1.8%
Course-related costs	95,575	98,460	3.0%
Living costs	86,907	85,963	-1.1%
Number of students	149,229	148,905	-0.22%

Source: MSD

Repayments and overdue repayments for quarter one and two 2020

46. To put the information about loan repayments and default into the wider loan repayment context, we have included repayments and default information for January to December 2020 in table 11. Compared to the same period in 2019, table 11 shows a 10.2% increase in total repayments; from \$1,383.8m in 2019 to \$1,525.2m in 2020.

47. The overdue amount continues to increase as it does each year. This is due to late payment interest charges applied to loan amounts each month they are overdue. The number of borrowers in default at the end of the 2020 Calendar Year has also increased by 9.5% compared to the same date in 2019.

Table 11: Repayments and overdue repayments, January to December 2019 and 2020

	Jan to Dec 2019	Jan to Dec 2020	%change
Repayment via employers	\$1,010.4m	\$1,115.5m	10.4%
Repayment direct from borrowers:	\$373.4m	\$409.7m	9.8%
New Zealand based	\$166.1m	\$197.0m	18.6%
Overseas-based	\$207.4	\$212.7m	2.6%
Total	\$1,383.8m	\$1,525.2m	10.2%
	As at 31 Dec 2019	As at 31 Dec 2020	
Overdue amount	\$1,474.7m	\$1,678.m	
Number of defaulting borrowers	95,916	105,044	

Source: IR

Scheme forecast in quarter one

Borrowing versus forecast⁴

48. The first quarter of the 2020/2021 financial year saw a \$30.8m overspend compared to the forecast, as the forecast predates the temporary increase to course-related costs as part of the Government's COVID-19 response (table 12). This temporary increase was funded from the \$50bn set aside by Government in the COVID-19 Response and Recovery Fund.

Table 12: Borrowing versus forecast for quarter one ending 30 September 2020

	Jul to Sep 2019	Jul to Sep 2020
Actual Lending	\$270.3m	\$306.1m
As a percentage of forecast	101.3%	111.2%

Source: MoE

Collections performance compared with IR's forecast and the valuation forecast

49. Repayments received directly from borrowers were 115% of what we expected for quarter one, while employer deductions were 113% of what was expected (table 13). Overall actual repayments for this quarter tracked above the forecast.

Table 13: Net repayment versus forecast for quarter one ending 30 September 2020

	Jul to Sep 2019	Jul to Sep 2020
Actual	\$350.0m	\$373.5m
As a percentage of forecast	-3.3%	115%

Source: IR

⁴ MoE prepares student loan forecast information for MSD twice a year for BEFU and HYEPU, and PREFU in election years.

Scheme forecast in quarter two

Borrowing versus forecast

50. In quarter two of 2020/2021, there was a \$4.1m underspend compared to the forecast, of which \$2.6m was for living costs, \$1.3m was for course-related costs, and \$0.2m was for fees.

Table 14: Borrowing versus forecast for quarter two ending 31 December 2020

	Oct to Dec 2019	Oct to Dec 2020
Actual Lending	\$166.2m	\$179.4m
As a percentage of forecast	100.0%	97.8%

Source: MoE

Collections performance compared with IR's forecast and the valuation forecast

51. Repayments received directly from borrowers were 116% of what we expected for quarter two, while employer deductions were 114% of what was expected. Overall actual repayments for this quarter tracked above the forecast. This is due to the repayments being accounted for earlier with the movement of the student loan scheme to IR's new START system in 2020.

Table 15: Net repayment versus forecast for quarter two ending 31 December 2020

	Oct to Dec 2019	Oct to Dec 2020
Actual	\$333.5m	\$357.7m
As a percentage of forecast	100%	116%

Source: IR

Ongoing work on Scheme settings

StudyLink Applications and Processing Times

52. StudyLink's peak application season runs from September to March each year, as students apply for assistance over the study break, and for the coming academic year.
53. The annual 'Call to Action' campaign commenced on 13 September 2020. The campaign encourages students to apply online and provide their supporting documents by the target date of 16 December. Maintaining a high level of early applications enables MSD to manage the large volume of work effectively.
54. From 13 September 2020 to 2 January 2021, StudyLink processed 99,456 applications for Student Loans. This represents 46% of the number of Student Loan applications forecast for 2020/21 in the Half Year Economic and Fiscal Update (HYEFU) '20 applications forecast.
55. As at 2 January, 25,865 (36%) applications for study in 2021 had already been finalised.

IR Business Transformation Programme

56. IR continues to go through a multi-year transformation programme [METIS 1235662 refers]. In April 2020, IR successfully moved student loans into its new START system.

There are now improved self-service options to make it easier for borrowers, through their online account, to:

- a. see what they owe;
- b. make repayments; and
- c. apply for special deduction rates, instalment arrangements and concessions for hardship.

57. Other improvements include notifying borrowers as they get close to paying off their student loans, which helps to avoid any overpayment.

58. These changes, along with the current support measures, assist borrowers with their obligations in a more user-friendly manner. The intention is to reduce the number of borrowers who get into default, particularly while they are overseas.

s 9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Release of Student Loan statistics

64. IR published quarterly student loan statistics to September 2020 and December 2020 on its website on 24 February 2021.
65. MSD intends to publish quarterly student loan statistics to September 2020 and December 2020 on its website early in April 2021.

Annexes

Annex 1: Further information on legal cases

Annex 2: Overview of advice on ongoing work related to the Student Loan Scheme

Annex 1: Further information on legal cases

New Zealand

- a) There has been no movement in New Zealand legal cases due to COVID-19.

Australia

1 July 2020 to 30 September 2020

- a) There was no movement in Australian legal cases between 1 July 2020 and 30 September 2020 due to COVID-19.

1 October 2020 to 31 December 2020

- a) 2 bankruptcy proceedings in the Australian Courts.
- b) 1 case referred to Trustees in bankruptcy for further investigation.
- c) 1 New Zealand Judgement registered in the Australian Court.
- d) 1 case obtained Judgement in a New Zealand Court.

United Kingdom

- a) There has been no movement in United Kingdom legal cases due to COVID-19.

Warrant to arrest

- a) We have 1 active warrant of arrest yet to be executed.

Annex 2: Overview of advice on ongoing work related to the Student Loan Scheme

The table below provides an overview of recent reports sent to you regarding ongoing work on or related to the Student Loan Scheme.

Titles of recent reports	Date	Minister
<i>Ministry of Education</i>		
Education Report: Improving tertiary education equity and learner outcomes through a focus on learner wellbeing [METIS 1245064 refers]	9/12/2020	Hipkins
Briefing Note: Tabling the Student Loan Scheme Annual Report 201920 [METIS 1245571 refers]	5/2/2021	Hipkins
<i>Ministry of Social Development</i>		
Request for approval of expenditure for the 2020/2021 tertiary graduates' awareness programme	18/11/2020	Sepuloni Copy to Hipkins
MSD LEG Cabinet Paper: Annual general adjustment 2021 and related regulatory changes	Cabinet 22/2/2021	Sepuloni
MSD and MoE joint Education Report: Student support issue as part of the Annual General Adjustment 2021 [METIS 1249642 refers]	29/1/2021	Hipkins Sepuloni Parker
<i>Inland Revenue</i>		
Student loan scheme report (quarter three 2020)	13/07/2020	Nash
Student loan scheme (Repayment threshold) Regulations 2020	16/11/2020	Parker