



Briefing Note: Student Loan Scheme quarterly report for October to December 2022

To:	Hon Jan Tinetti, Minister of Education		
Cc:	Hon Carmel Sepuloni Hon Dr Deborah Russell, Associate Minister of Revenue		
Date:		Priority:	Medium
Security Level:	In Confidence	METIS No:	1305026
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Purpose and Summary

The Student Loan Quarterly Report, along with the Student Loan Annual Report, ensure that the impact of student loan policies and processes can be monitored in a timely and effective manner. The quarterly report provides you with an overview of relevant student loan statistics, initiatives and relevant issues. The Government also requires student loan agencies to make information about student loan borrowings and repayments publicly available at quarterly intervals.

This paper covers:

- the financial performance of the Student Loan Scheme (the Scheme) in the October – December 2022 quarter, including key trends relating to borrowing and repayments for New Zealand and overseas-based repayments; and
- operational initiatives underway; and
- agencies release of key statistics related to the Scheme.

Recommendations

The Ministry of Educations recommends you:

- a. **forward** this report the Honourable Carmel Sepuloni, Minister of Social Development, and the Hon Dr Deborah Russell, Associate Minister of Revenue
- b. **agree** that the Ministry of Education release this paper, in consultation with the Ministry of Social Development and Inland Revenue, and with any necessary restrictions made in line with provisions of the Official Information Act 1982.

☒ **Release** ☐ **Not Release**



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06/03/2023



Hon Jan Tinetti
Minister of Education

18/03/2023

Background

1. The Student Loan Scheme is jointly administered by the Ministry of Education (MoE), Inland Revenue (IR), and the Ministry of Social Development (MSD). MSD operates StudyLink which oversees the borrowing of student loans, IR oversees the repayment of these loans and MoE sets the policy for these student loans.

Borrowing October to December 2022

2. There were 65,178 active borrowers this quarter which is a reduction of 9,024 (12.2%) compared to the same quarter last year.
3. The total amount borrowed in this quarter was \$154.5 million¹, which is a decrease of \$5.4 million (3.4%) compared with the same quarter last year. Most of this decrease is in fees borrowing (\$4.1 million) with 1,719 (13.1%) fewer borrowers having fees paid compared to the same quarter last year. The number of students borrowing for living costs decreased by 8,058 (12.2%) compared to the same quarter last year.
4. Pre-COVID-19 there was a trend of borrowers reducing year on year since 2010. This changed during the pandemic as people who lost jobs and/or were unable to work returned to study to upskill, leading to an increase in both borrowers and the amount of student support sought. The large drop in borrowers that occurred in 2022 is likely a return to the pre-COVID19 trend of reducing borrowers year on year as people resume pre-pandemic habits.

Repayments October to December 2022

5. Across both New Zealand and overseas-based borrowers, 83.8% were meeting their repayment obligations against our performance target of 85% this year. Repayments to Inland Revenue fell slightly this quarter compared to the same quarter last year.
6. Payments from New Zealand-based borrowers from all sources fell by just over \$600,000. Employer deductions grew by 3% with just under \$320 million being received from this source during the quarter. Repayments received directly from New Zealand based borrowers were just over \$41 million (a decrease of over \$10 million)
7. Payments from overseas-based borrowers were just under \$35 million in this quarter (a decrease of \$1 million) compared to the same quarter last year.
8. During the pandemic Inland Revenue prioritised COVID-19 support which required reprioritisation of our compliance activities, such as reduced debt collection efforts. This was a planned decision because we were aware that many debtors were struggling financially during the pandemic and there was uncertainty around its impacts to overall employment. This had an impact on student loan compliance, particularly from overseas-based borrowers.
9. We have seen an increase in hardship applications from New Zealand-based borrowers who have deductions from salary and wages, with the percentage of applications for a Special Deduction Rate (SDRs) increasing by 12.7% in this quarter (1,822) compared with the same quarter last year (1,617).

¹ This excludes establishment fees which are added to a loan but not paid out.

Number of borrowers and balance to 31 December 2022

10. The number of people with a loan and the overall amount owed has dropped this year. At the end of December 2022 there were 636,272 student loan borrowers with balances totalling \$15.76 billion. This represents a reduction of just over 22,000 loans (3%) and \$175 million (1%) compared with the same quarter last year.
11. The percentage of borrowers who are New Zealand-based fell to 83.6% from 84.3% reflecting, reflecting 23,000 fewer New Zealand-based borrowers and just under a 1,000 more overseas-based customers. With borders opening in mid-2022 we saw an increase in departures from NZ and are now starting to see borrowers meeting the 183-day threshold for being considered overseas.

Overdue repayments

12. The number of borrowers with overdue repayments and the total overdue amount have increased over the year by 3% and 15% respectively. While the number of New Zealand-based borrowers has grown over the past year to just over 23,000, it remains below pre pandemic levels; in December 2019 25,000 New Zealand based borrowers had overdue repayments.
13. Overseas-based overdue debt continues to be a large and increasing proportion of overdue repayments. Overseas-based borrowers account for 77% of borrowers with overdue amounts and 93% of the amounts overdue (\$1.96 billion). The number of overseas-based borrowers with overdue debt increased by just under 2.6% and the value of their debt has increased by 15% compared with the same time last year. This is because 84% of overseas-based borrowers in debt have been outside New Zealand for more than five years and interest, late payment interest and the amount of assessed loan that is overdue is continuing to grow.

Planned activity for 2023

14. In late 2022 Inland Revenue began new contracts with third party providers (TPP) to track, trace and facilitate the collection of student loan overdue debt from overseas-based borrowers. We have now started sending cases to these providers. We are also beginning to explore the feasibility of an automated solution for the flow of information between IR and the TPPs that would allow us to track cases more efficiently and have better visibility of providers performance. We have approximately 43,000 overseas based customers whose whereabouts are unknown, which the TPPs will assist in locating.
15. We are currently trialling a new “recent travellers” campaign to proactively engage with borrowers who have been out of New Zealand for between 60-90 days. The purpose is to encourage customers to stay engaged with their student loan as they are about to transition to overseas-based borrowers. In mid-2023 we will analyse the effectiveness of this campaign.
16. We have a regular data matching on passport renewals with the Department of Internal Affairs, and arrival and departure information from the New Zealand Customs Service. We are piloting automated messaging to proactively contact customers through SMS and emails and prompt them to update their address and contact information in myIR. We expect to have the results of this pilot by the middle of 2023.
17. A new legal enforcement team has been established and will be working on tailored interventions based on the borrowers’ situations. In the third and fourth quarter of

2023, the enforcement team's initial focus will be on legal remedies for 328 overseas based borrowers who collectively owe just under \$14 million in overdue repayments and who own property in New Zealand.

18. We have 28,690 overseas based customers confirmed as living in Australia owing approximately \$618 million of repayment arrears. We have begun engaging with the Australian Tax Office about receiving income data for our customers residing in Australia. This will assist with prioritising the collection of student loan from these customers.
19. We are also planning to continue with bespoke marketing campaigns throughout this year, again targeting a more diverse range of customer groups based on their situation.
20. These activities are in addition to our normal activities such as contacting borrowers as result of information received through information sharing from Customs, Department of Internal Affairs and the Australian Tax Office.

Release of student loan statistics

21. Quarterly Student Loan Statistics will be published on IR and the MSD's respective websites 20th March. A copy of the statistics are attached in the annexes.

Annexes

Annex 1: MSD statistics for publication on website

Annex 2: IRD statistics for publication on website

Proactively Released

Annex 1: MSD statistics to publish on website



Student_data_document_SA_Jan_Dec_2022



Student_data_document_SL_Jan_Dec_2022



Student_data_dashboard_A3_Jan_Dec_2022

Proactively Released

Annex 2: IRD statistics to publish on website

Number of borrowers

Number of borrowers	As at 31 Dec 2021	As at 31 Dec 2022	% change
NZB	555,201	532,125	-4.2%
OBB	103,292	104,147	0.8%
Total	658,493	636,272	-3.4%

Loan Balance

Nominal balance is the loan balance held by Inland Revenue as at end of the quarter. The balance includes:

- all outstanding loans
- any penalties, interest or fees.

Nominal loan balance	As at 31 Dec 2021	As at 31 Dec 2022	% change
NZB	\$12,468,925,808	\$12,129,857,531	-2.7%
OBB	\$3,468,031,045	\$3,632,173,546	4.7%
Total	\$15,936,956,853	\$15,762,031,077	-1.1%

Median loan balance	As at 31 Dec 2021	As at 31 Dec 2022	% change
All	\$16,937.24	\$17,268.75	2.0%

Repayments

The amount repaid includes all money received:

- directly from borrowers (voluntary payments, payments from borrowers with income other than salary and wages, and overseas based borrowers)
- from employers through deductions from salary or wage earners.

Repayment types	Oct - Dec 2021	Oct - Dec 2022	% change
Repayments via employers	\$310,169,038	\$319,995,149	3.17%
Repayments via customers	\$87,376,308	\$76,082,573	-12.93%
New Zealand based borrowers	\$51,875,647	\$41,431,498	-20.13%
Overseas-based borrowers	\$35,500,661	\$34,651,075	-2.39%
Total	\$397,545,346	\$396,077,722	-0.37%

Repayment thresholds - New Zealand-based borrowers

New Zealand-based borrowers receiving salary or wages are required to repay 12 cents of every dollar earned over the pay period repayment threshold (eg, \$409 per week from 1 April 2022). The deductions are considered to be sufficient and do not result in additional repayments provided they are within a determined threshold. If significant under-deductions occur, the employer is required to make compulsory extra deductions.

Borrowers who earn \$500 or more of adjusted net income (income that's not salary and wages and adjustments) and whose total income including salary or wages is \$500 or more

than the annual repayment threshold are required to make payments on this income. Table shows the repayment threshold by year ending 31 March (the tax year).

Tax year	2019	2020	2021	2022	2023
Threshold	\$19,448	\$19,760	\$20,020	\$20,280	\$21,268

Repayment thresholds – Overseas-based borrowers

Overseas-based borrowers repayment obligations were set to a fixed minimum based on their loan balance as at 31 March 2014 or, if they left New Zealand after this date, their departure date. The overseas-based repayment obligation will not decrease as the loan balance decreases but can increase if the loan balance increases.

Total loan balance	Repayment obligation
Under \$1000	Whole loan balance
\$1,000 and up to \$15,000	\$1,000
Over \$15,000 and up to \$30,000	\$2,000
Over \$30,000 and up to \$45,000	\$3,000
Over \$45,000 and up to \$60,000	\$4,000
Over \$60,000	\$5,000

Overdue repayments

If a borrower does not meet some or all of their repayment obligations by the due date, the amount due but not paid becomes an overdue repayment. Late payment interest is charged on the overdue amount.

Borrowers with overdue repayments	31-Dec-21	30-Dec-22	% change
New Zealand-based	22,107	23,158	4.75%
Overseas-based	77,726	79,721	2.57%
Total	99,833	102,879	3.05%

Amount overdue	31-Dec-21	30-Dec-22	% change
New Zealand-based	\$134,829,780	\$146,615,876	8.74%
Overseas based	\$1,704,042,985	\$1,964,964,476	15.31%
Total	\$1,838,872,764	\$2,111,580,353	14.83%