**Education Report: Student Loan Scheme quarterly report July to September 2019**

**To:** Minister of Education, Hon Chris Hipkins  

**Cc:**  
Minister of Revenue, Hon Stuart Nash  
Minister for Social Development, Hon Carmel Sepuloni  
Associate Minister of Education, Hon Tracey Martin

**Date:**  
**Priority:** Medium

**Security Level:** In Confidence  
**METIS No.:** 1208741

**Drifter:** Christina Mansfield  
**DDI:** s 9(2)(a)

**Key Contact:** John Brooker  
**DDI:**

**Messaging seen by Communications team:** No  
**Round Robin:** No

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**Purpose**

This paper provides you with an update on the performance of the Student Loan Scheme (the Scheme) in the period July to September 2019. As part of Ministerial governance of the Scheme, officials report quarterly on the performance of the Scheme.

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**Summary**

In comparison to the same quarter last year, total borrowing is up slightly (0.2%). The average amount borrowed has increased by 3.3% (which reflects increases in borrowing for fees and for living costs) but this has been offset by a continued fall in the number of students borrowing across all components of the scheme (this aligns with the trend of declining tertiary enrolments).

For the calendar year-to-date, the average amount borrowed per learner continues to rise (up 4.7% per learner) as the amount per learner borrowed for fees and living costs increases. However, as the number of students borrowing across all three components continues to decline, total borrowing is relatively stable, (total borrowing is up marginally $13.1M (1.1%).

Overall, total loan repayments increased for this quarter compared to the same period last year. This can be attributed to an increase in repayments made by overseas based borrowers, partly offset by a reduction in repayments by New Zealand-based borrowers.

For New Zealand-based borrowers, repayments received from employers increased and repayments received directly from borrowers decreased. Officials will continue to monitor this to identify any ongoing trends.
Recommended Actions

The Ministry of Education recommends you:

a. note that this report has been prepared with input from the Ministry of Social Development, Inland Revenue and Tertiary Education Commission.

b. proactively release this paper, in consultation with the Ministry of Social Development, Inland Revenue and Tertiary Education Commission and with any necessary redactions under the Official Information Act 1982.

Andy Jackson
Group Manager
Tertiary Education
26/11/2019

Hon Chris Hipkins
Minister of Education
8/12/19
Student Loan Scheme at a glance – Performance changes for quarter one 2019/20 (July to September 2019) compared to quarter one 2018/19

Total borrowing was up $0.5m (0.2%)  
2,920 (3.0%) fewer students borrowed in total  
77 (0.3%) fewer students borrowed for fees  
The average amount borrowed increased by $91 (3.3%)

The average amount borrowed for fees increased by $10 (0.3%)  
Total loan repayments increased by $6.9m (2.0%)  
The percentage of borrowers with overdue payments who are overseas-based decreased by 0.1%  
The number of borrowers with overdue payments increased by 3.4%

We expected fewer students borrowing compared to 2018 in line with an overall reduction in tertiary enrolments, in part driven by a strong labour market.

The number of overseas-based borrowers with overdue repayments reduced. This is partly due to Inland Revenue's efforts to improve overseas-based borrower repayments, and partly due to the number of overseas-based borrowers in default who have returned to New Zealand.

Overall the number of borrowers with overdue repayments continued to increase.
Background

1. This is the first quarterly Student Loan Scheme (the Scheme) performance report of the 2019/2020 financial year. The previous report covered April to July 2019 [METIS 1199020 refers].

2. This report provides you with an update on (1) Scheme performance, (2) Scheme forecast, and (3) ongoing work on Scheme settings.

3. The quarterly report is compiled by the Ministry of Education (MoE), the Ministry of Social Development (MSD), and Inland Revenue (IR).

4. Unless otherwise indicated, figures in this report are for the financial quarter one, spanning 1 July to 30 September 2019 compared with the corresponding quarter one in 2018.

Scheme performance

**Table one: Borrowing and repayments over quarter one (1 July to 30 September) for 2019/20**

<table>
<thead>
<tr>
<th>Borrowing ($m)</th>
<th>Repayments ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul to Sept 18</td>
<td>Jul to Sept 18</td>
</tr>
<tr>
<td>$264.2m</td>
<td>$343.1m</td>
</tr>
<tr>
<td>Jul to Sept 19</td>
<td>Jul to Sept 19</td>
</tr>
<tr>
<td>$264.7m</td>
<td>$350.0m</td>
</tr>
<tr>
<td>Difference</td>
<td>Difference</td>
</tr>
<tr>
<td>$0.5m</td>
<td>$6.9m</td>
</tr>
</tbody>
</table>

*Source: MSD and IR*

**Loan borrowing**

5. Total borrowing in the first quarter of 2019/20 was up $0.5m (0.2%), compared with the same quarter in 2018/19. This reflects an increase of $1.4m (0.9%) in borrowing for living costs and $71,000 (0.1%) in borrowing for fees, partly offset by a reduction of $970,000 (5.7%) in borrowing for course related costs (Figure one).

6. Increased total borrowing for living costs is due to an increase in living cost borrowing per person. This increase is due to increases to the maximum amount people can borrow for living costs each week and the amount people draw down up to that maximum.

7. The slight increase in borrowing for fees is most likely due to annual fee increases. However, the impact of increased fee borrowing in this quarter is limited as very few students borrow for fees at this time of year.

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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.
8. The number of students borrowing is down across all components (Figure two), with an overall reduction of 2,920 students (3%). 77 (0.3%) fewer students borrowed for fees. The biggest change is 2,630 (3.5%) fewer students borrowing for living costs compared with last year. This aligns with the ongoing trend of declining tertiary enrolments and is a continuation of the pattern we saw in the two previous quarters this calendar year (Jan to Mar 2019 and April to June 2019).

9. Total average borrowing increased by $91 (3.3%) per borrower. Figure three shows little change to the average amount borrowed for fees ($10 or 0.3%) and course related costs compared to the same quarter last year, and an increase of $94 (4.5%) to the average amount borrowed for living costs.
Figure three: Average borrowing per student by component ($) – quarter ending September

Calendar year-to-date loan borrowing and loan repayments

Calendar year-to-date Student Loan borrowing

10. As only a small amount of fee borrowing occurs in the July to September quarter each year, it is also important to consider borrowing for the year to date. Most student borrow for their fees in the first semester of academic year (in March).

11. Total borrowing in the calendar year to 30 September 2019 was up $13.7m (1.1%), compared with 2018. This represents increases in borrowing for fees and living costs of $14.9m (1.9%) and $5.0m (1.3%) respectively, partly offset by a reduction of $6.3m (6.7%) in borrowing for course related costs (see Table one).

12. Average borrowing increased by $398 (4.7%) per student. Compared with 2018, 384 (0.3%) fewer students borrowed for fees, with an average increase of $141 (2.2%) per student. This is expected to be due to annual compulsory course fee increases and the trend towards more full-time study. Although 3,206 (3.6%) fewer students borrowed for living costs (see Table two), average living costs borrowing increased by $226 (5.1%) per student. This could be due to more students borrowing more for living costs and the regular annual increase of the maximum that students can borrow for living costs.
Table one: Student loan borrowing, 2018 and 2019 calendar years

<table>
<thead>
<tr>
<th></th>
<th>As at 30 September 2018</th>
<th>As at 30 September 2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>$797,011,792</td>
<td>$811,946,024</td>
<td>1.9%</td>
</tr>
<tr>
<td>Course related costs</td>
<td>$93,417,626</td>
<td>$87,133,192</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Living costs</td>
<td>$389,104,607</td>
<td>$394,119,561</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total</td>
<td>$1,279,534,025</td>
<td>$1,293,198,777</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: MSD

Figures have been rounded
Does not include repayments and refunds

Table two: Student loan borrowers, 2018 and 2019 calendar years

<table>
<thead>
<tr>
<th></th>
<th>As at 30 September 2018</th>
<th>As at 30 September 2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>123,325</td>
<td>122,941</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Course related costs</td>
<td>97,727</td>
<td>91,340</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Living costs</td>
<td>88,076</td>
<td>84,870</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Number of students</td>
<td>151,205</td>
<td>145,960</td>
<td>-3.5%</td>
</tr>
</tbody>
</table>

Source: MSD

Loan repayments

13. Overall, student loan repayments increased by 2%. Repayments from all New Zealand based borrowers decreased by 9.4% (both directly and via employers). However, repayments made through employers were 3.4% higher.

14. A report on the change of reporting and the implications of IR’s system changes for repayments under the Business Transformation was provided to the Minister of Revenue on 20 September 2019 [IR2019/498 refers].

Default

15. The total number of borrowers in default increased by 3.4% this quarter. The total amount of student loans in default is $1,481m. The amount in default increased by 11.7% this quarter. The increase in the total amount in default can be attributed to the late payment interest charges on overdue amount for overseas-based borrowers.

Overseas-based borrowers

16. IR reports on the compliance of overseas-based borrowers.

17. Figure four shows the number of borrowers who are compliant or repaying has decreased slightly (by 0.4%) compared to the same quarter in 2018/19. The number of borrowers not paying has also decreased slightly (by 1.5%) compared to the same quarter in 2018/19. Officials will continue to monitor this to identify any ongoing trends.

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2 A borrower is in default if they fail to meet their loan repayment obligations. The default amount is the amount that is overdue.

IN CONFIDENCE
18. To put the information on loan repayments and default for the quarter into the wider loan repayment context, we have included the calendar year-to-date repayments and default. These figures show a slight positive change (0.6%) from the previous year. Employer repayments increased by 2.4%, offsetting reductions in repayments direct from borrowers.

19. The overdue amount continues to increase as it does each year because of the late payment interest charges on amounts each month that they are overdue.

20. IR was unable to complete a number of campaign activities both passive and active during the year because its officials are supporting the success of IR’s Business Transformation programme. This is one of a number of contributing factors attributed to the increase in the number of borrowers in default.

Table three: Repayments and overdue repayments, calendar years

<table>
<thead>
<tr>
<th>Type</th>
<th>As at 30 Sep 2018</th>
<th>As at 30 Sep 2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment via employers</td>
<td>$736,387,188</td>
<td>$754,080,375</td>
<td>2.4%</td>
</tr>
<tr>
<td>Repayment direct from borrowers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand based</td>
<td>$139,003,081</td>
<td>$132,642,952</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Overseas based</td>
<td>$168,558,563</td>
<td>$163,585,437</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$1,043,948,832</td>
<td>$1,050,308,764</td>
<td>0.6%</td>
</tr>
<tr>
<td>Overdue amount at Sep ($m)</td>
<td>$1,326,396,387</td>
<td>$1,481,341,037</td>
<td>11.7%</td>
</tr>
<tr>
<td>Number of defaulting borrowers</td>
<td>96,548</td>
<td>99,846</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: IR

3 Compliance means borrowers who are meeting their current obligations and are not in default, or borrowers who are repaying their default amount.
Scheme forecast

Borrowing versus forecast

21. Quarter one 2019/20 saw a $3.4m (1.3%) increase in borrowing compared to forecast. This is due to higher than expected amount of borrowing for living costs ($4.5m) and for course-related costs ($0.2m), but this was partially offset by lower than expected borrowing for course fees ($1.3m).

Table two: borrowing versus forecast for the quarter ending 30 September 2019

<table>
<thead>
<tr>
<th></th>
<th>Jul to Sep 2018</th>
<th>Jul to Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual vs forecast ($)</td>
<td>-3.8m</td>
<td>3.4m</td>
</tr>
<tr>
<td>Actual vs forecast (%)</td>
<td>-3.2</td>
<td>1.3</td>
</tr>
</tbody>
</table>

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

22. Table three shows that quarter one repayments were $11.9m (3.3%) less than expected. See report on implications of IR’s system changes for repayments under its Business Transformation programme [IR2019/498 refers].

Table three: Net repayment versus forecast for the quarter ending 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Jul to Sep 2018</th>
<th>Jul to Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual vs forecast ($)</td>
<td>-$14.9m</td>
<td>-$11.9m</td>
</tr>
<tr>
<td>Actual vs forecast (%)</td>
<td>-4.18%</td>
<td>-3.3%</td>
</tr>
</tbody>
</table>

Ongoing work on Scheme settings

23. Officials provided a joint report [IR2019/577 refers] on adjusting the Student Loan repayment threshold and Cabinet paper on 24 October 2019. The Cabinet paper seeks approval to be considered at (LEG) Cabinet Legislation Committee on 3 December 2019 and Cabinet on 9 December 2019.5

24. On 4 November, MoE provided you with a report seeking your direction on option/s to progress increase student support for older students and asks you to seek Cabinet agreement to extend student loans to students attending the New Zealand Institute of Skills & Technology (NZIST) and its subsidiaries [METIS 1209954 refers].

25. s 9(2)(f)(iv)

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4 MoE prepares student loan forecast information for MSD twice a year (for BEFU and HYEFU) – expand these acronyms.
5 The Student Loan repayment threshold is 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.

IN CONFIDENCE
27. We recommend proactively releasing this report. Prior to release we would need to consult with MSD and IR regarding any recommended redactions consistent with the provision of the Official Information Act 1982 (OIA).