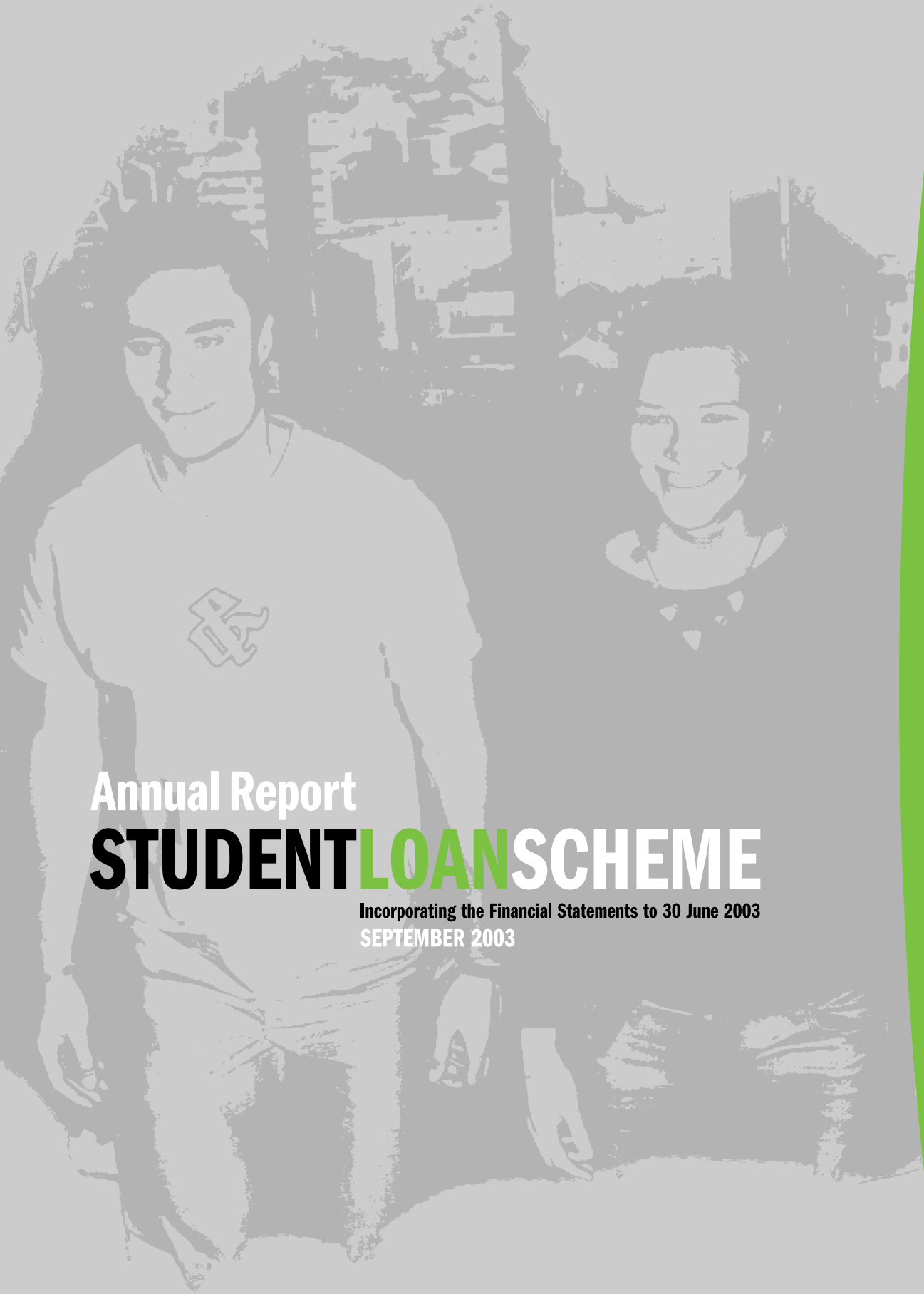

Annual Report
STUDENT LOAN SCHEME

Incorporating the Financial Statements to 30 June 2003

SEPTEMBER 2003

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Annual Report

STUDENTLOANSCHEME

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SEPTEMBER 2003

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Foreword

Student loans first became available to tertiary students in 1992. The objective of the Student Loan Scheme is to make tertiary education more accessible to all New Zealanders by providing financial support for those studying. The numbers participating in tertiary education have grown rapidly since then. Over this time, the New Zealand tertiary education system has moved from an elite system with relatively low participation, to a mass system with high participation. Many factors have contributed to this growth, including the provision of student loans to help students pay fees and meet living costs.

Increased participation in tertiary education has resulted in a higher level of gross debt as greater numbers of students borrow in order to study. The New Zealand Student Loan Scheme is now in its twelfth year of operation – relatively young in comparison with other similar schemes operating around the world. While the number of students who use the scheme has been growing each year, the rate of growth has been slowing in recent years as the scheme has continued to mature.

The aim of this report is to provide clear, accurate information about the Student Loan Scheme as it is today. This is to ensure that the public has a good understanding of how the Student Loan Scheme operates, borrowers' use of the scheme and the scheme's role in helping to meet the government's objective of building a knowledge society.

This year's report includes the financial statements to 30 June 2003 together with statistical information and forecasts of borrowing levels. For the first time, we have been able to include information obtained from the integration of data about borrowing, study, debt and income of borrowers. We are currently developing a more sophisticated modelling of the scheme, based on the integrated dataset, as a means of developing a new fair valuation of the scheme.

This report is a joint publication produced by the three agencies responsible for the Student Loan Scheme. The Ministry of Education is responsible for the strategic policy on student financial support; Inland Revenue is responsible for collecting student loan repayments through the tax system and facilitating interest write-offs for eligible borrowers; and the Ministry of Social Development, through StudyLink, is responsible for the delivery and administration of the payment of student loans.

Howard Fancy
Secretary for Education

David Butler
Commissioner of Inland Revenue

Peter Hughes
Chief Executive
Ministry of Social Development

Executive Summary

New Zealand's future depends on a high performing tertiary education sector producing graduates with knowledge and skills that not only improve their own lives but also the lives of individuals in their communities, and that also advance the country's prosperity and its place in the world.

Participation in tertiary education in New Zealand has increased significantly since the late 1980s. Total government spending on tertiary education has also grown significantly. Spending on tuition subsidies alone has increased by more than 50 percent since the 1999/2000 fiscal year. The government's spending on tertiary education is expected to reach 1.6 percent of the country's Gross Domestic Product in the 2002/03 fiscal year, up from 1.3 percent in 1999/2000.

The main mechanisms that the government uses to provide financial assistance to students participating in tertiary education are tuition subsidies, student allowances and student loans. The objective of the Student Loan Scheme is to make tertiary education more accessible to all New Zealanders by providing financial support for those studying.

The 2003 Student Loan Scheme Annual Report provides a consolidated view of the Student Loan Scheme for the 12 months ended 30 June 2003. It includes information about student borrowing in 2002/03 and in the preceding years, and brings together information about student loans from the three government agencies responsible for the management of different aspects of the scheme:

- the Ministry of Education, responsible for strategic policy;
- the Ministry of Social Development, through StudyLink, responsible for the delivery of loans to students; and
- Inland Revenue, responsible for collecting student loan repayments through the tax system and facilitating interest write-offs for eligible borrowers.

This report also describes the ongoing work being undertaken to improve reporting on the impact of student loans, as recommended in the Auditor-General's June 2000 review of the availability of information on the scheme and in the follow-up report of 2003.

The integration of data from the three agencies involved, under the management of Statistics New Zealand, is designed to provide a better understanding of the outcome of having a student loan for the borrower. The first report on the integrated dataset was completed in December 2002. An analysis of repayment rates, drawn from the integrated dataset, is included in this report.

Highlights from the report include:

- The average amount borrowed in an academic year has increased from $3,628 in 1992 to $6,135 in 2001 and $6,204 in 2002.
- In the 2002 academic year, 150,575 students borrowed $934 million through the Student Loan Scheme.
- 52 percent of all borrowers had a loan balance under $10,000.
- 5 percent of all borrowers had a loan balance greater than $40,000.
- Since the commencement of the scheme, $1,870 million in interest and principal repayments has been collected.
- As at 30 June 2003, 128,688 borrowers had repaid their loans in full since the scheme began in 1992. 21,770 loans were repaid in 2002/03.
- The level of overdue loan repayments as at 30 June 2003 was $101 million, of which 43.5 percent ($44 million) was under instalment arrangement for payment.
- The average cumulative student loan debt owing to the government and administered by Inland Revenue has increased from $5,525 in 1993/94 to $12,643 in 2001/02 and $13,680 in 2002/03.
- There were 390,027 people with outstanding loan balances held by Inland Revenue at 30 June 2003.
- The total outstanding debt held by both Inland Revenue and the Ministry of Social Development through StudyLink at 30 June 2003 was $5,370 million.
- The Student Loan Scheme has a provision for doubtful debts, currently calculated at 11.4 percent of the value of the outstanding debt. At 30 June 2003, the doubtful debt provision was $724 million.
- The total value of interest write-offs recorded in the year to 30 June 2003 was $198 million.
- The forecast overall average loan repayment time is estimated at 9.5 years compared with a forecast time in June 2002 of 10.3 years.

INTRODUCTION

STUDENT LOAN SCHEME ANNUAL REPORT

Introduction

The role of tertiary education

Tertiary education is fundamental to enhancing and improving the nation's skills. New Zealand's future depends on a high performing tertiary education sector producing graduates with knowledge and skills that not only improve their own lives but also the lives of individuals in their communities, and, that also advance the country's prosperity and its place in the world.

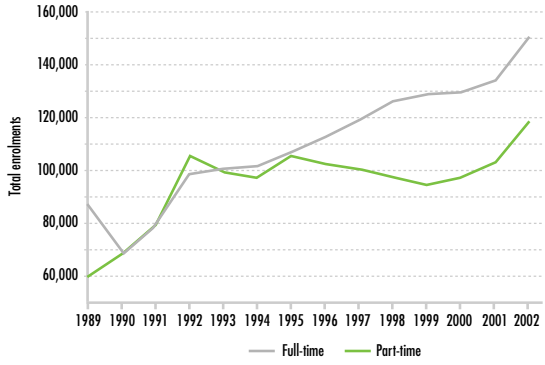
Tertiary education also bestows benefits on those who are able to enjoy it. Among the most significant benefits identified are: improved employment and income prospects, improved health outcomes and improved prospects for their children.

In order to ensure that the contribution that tertiary education makes to New Zealand's economic, social and environmental development is maximised, the government has undertaken a series of reforms[1] of the tertiary education system.

Participation trends

A strength of the current system of tertiary education is that all New Zealanders are able to access tertiary education. New Zealand has an open access tertiary education system with high participation rates and a high level of growth in participation. As a result of New Zealand's commitment to open access to tertiary education, all New Zealanders with the desire and capacity to participate in tertiary education can do so. The country's overall net entry rate to tertiary education is the highest in the OECD[2].

Fig 1 (Table 19) Formal Enrolments at Tertiary Education Providers at 31 July 1989 - 2002[3]



Source: Ministry of Education

The following key statistics reflect participation[4] growth in tertiary education:

- 10.5 percent of the population aged 15 and over were in tertiary study at 31 July 2002, up from 9.6 percent in 2001 and from 8.4 percent in 1999.
- Māori participation has been growing steadily during the 1990s. It reached 17.2 percent of the Māori population aged 15 and over at 31 July 2002, up from 14.4 percent in 2001 and from 10.4 percent in 1999.
- Non-Māori participation grew from 8.9 percent at 31 July 2001 to 9.5 percent at 31 July 2002.

Females participate at a higher rate than males, among both Māori and non-Māori and across all provider types. Around 58 percent of all students at 31 July 2002 were female. Female enrolment as a proportion of all students has been increasing since 1994. Overall, 11.8 percent of females aged 15 and over were enrolled at 31 July 2002, compared with 9.0 percent of males. These participation rates were up from 10.6 percent and 8.5 percent respectively in 2001.

Participation has increased not only in aggregate, but also for all major groups of New Zealanders. In particular, Māori and women have enjoyed increases in participation since the late 1980s. Pasifika peoples' enrolments have also grown – by 11 percent in 2002. The share of the Pasifika population aged 15 and over engaged in tertiary education rose from 9.7 percent at 31 July 2001 to 10.6 percent in 2002.

The government's financial contribution

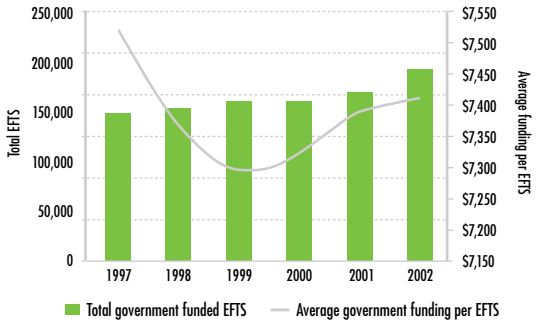
The main mechanisms that the government uses to provide financial assistance to students participating in tertiary education are tuition subsidies[5], student allowances and student loans[6]. Student allowances are available to students who meet income-based and age related eligibility criteria. The Student Loan Scheme can be accessed to enable students and their families to meet other costs of their tertiary education[7].

Participation in tertiary education in New Zealand increased significantly in the 1990s. Total government spending on tertiary education also grew significantly. To make sure that

1. Further information on these reforms is available from the Ministry of Education's website: www.minedu.govt.nz
2. Refer to *Education at a Glance, OECD Indicators 2002*, page 231. The figure used here for the net entry rate to tertiary education is calculated by adding the net entry rates to Type A and Type B tertiary education.
3. Enrolments in this graph are point-in-time figures as at 31 July for the years stated, rather than total enrolments in that year. The cumulative rates are considerably higher, but follow a similar trend. The data in Table 19 and in this graph include international students but exclude students in private training establishments who do not access funding through the tuition subsidy system or through access to student loans and allowances.
4. Refer to the *Participation in Tertiary Education 2003* report on the Ministry of Education's website: www.minedu.govt.nz
5. The government expects students and their families to share the costs of tertiary education. Therefore, government funding of tertiary education is referred to as a 'tuition subsidy'.
6. There are a number of other government awards to students which are not within the scope of this report, eg Top Achievers' Scholarships, the Prime Minister's Scholarships, Training Incentive Allowances.
7. This includes industry trainees undertaking courses at tertiary education providers if they meet the appropriate eligibility criteria.

the increased participation was funded, the share of the cost to be met by student fees rose. Students *and* the government paid more in total dollar terms throughout the period. The government's level of funding per equivalent full-time student (EFTS), however, fell. In the universities, the value of tuition subsidies per EFTS dropped 24 percent between 1991 and 1999 in real terms[8]. Since 2000, however, the progressive funding reductions have stopped. Between 2000 and 2002, funding rates were increased by 5.1 percent in nominal terms[9]. The government is expected to spend on average nearly $7,800 per EFTS on tuition subsidies in 2003.

Fig 2 Total Government Funded EFTS and Average Funding per EFTS in Public TEIs 1997 - 2002



Note: The EFTS numbers only include places funded by the Ministry of Education and exclude international student places. Funding per EFTS is GST inclusive. Figures are in nominal dollars.

Source: Ministry of Education.

The following table details some of the increase in the total support government has provided over the last seven years. (This excludes an estimated $190 million in 2002/03 for Industry Training and programmes such as Training Opportunities, Youth Training, Modern Apprenticeships, Gateway and Skill Enhancement.)

Table 1 Government Financial Support for Tertiary Study

Fiscal Year	Student Allowances[10] ($m)	Tuition Subsidies[11] ($m)	Student Loans[12] ($m)
1996/97	327	1,130	542
1997/98	344	1,144	657
1998/99	378	1,167	624
1999/00	376	1,262	701
2000/01	391	1,344	873
2001/02	401	1,551	934
2002/03	387	1,754	952

Source: Annual Reports of the Ministry of Education and the Ministry of Social Policy/Development. Figures quoted are in nominal dollars.

Student allowances expenditure has decreased in 2002/03. This is attributed to a lower uptake in student allowances than in previous years.

Other tertiary education related spending went to fund a variety of activities, including the Training Incentive Allowance for beneficiaries, community education and administrative support as well as the Unemployment Benefit Student Hardship, and the Accommodation Supplement during vacations.

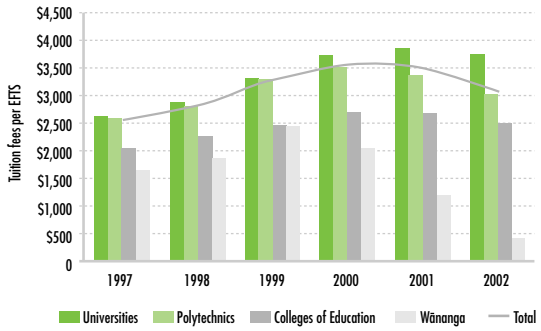
Government expenditure on tertiary education – excluding the capital spending on student loans – is expected to reach 1.6 percent of the country's Gross Domestic Product (GDP) in the 2002/03 fiscal year, up from 1.3 percent in 1999/2000. When you add in the capital expenditure on student loans, government spending on tertiary education reaches 2.0 percent of GDP, compared with 1.7 percent in 1999/2000.

8. This calculation is derived from *Shaping the Funding Framework*, Tertiary Education Advisory Commission, November 2001. Refer to page 16.
9. The increase in actual average funding rates is less than this amount because of a shift in the balance of enrolments from higher funded courses to courses funded at lower rates.
10. Student allowances amounts are before tax (gross) amounts.
11. As the confirmed figures are not always available in the current year, the Supplementary Estimate figures are used and updated in the succeeding year.
12. Student loan amounts are capital amounts. For the purposes of calculating its operating expenditure, the government expenses 11.4 percent of the total amount provided for student loans.

Trends in tertiary fees

The average tuition fee per EFTS in public tertiary education institutions increased by 38.3 percent between 1997 and 2000 and then dropped by 13.9 percent between 2000 and 2002. These trends reflect the reductions in funding rates until 1999 (that led to compensating fee increases), the fee stabilisation policy implemented in 2001 and the move to zero fees in some providers, initially at the Southern Institute of Technology and Te Wānanga O Aotearoa, and more recently in other providers.

Fig 3 Domestic Tuition fees per EFTS in TEIs by Tertiary Provider Type 1997 - 2002



Source: Ministry of Education. Figures are in nominal dollars.

The role of the Student Loan Scheme

The Student Loan Scheme plays an important role in supporting the government's goals for tertiary education and hence, its social and economic goals. Introduced in 1992, the scheme is designed to support the participation of all New Zealanders in tertiary education by providing students with access to finance for tuition fees and other education related costs. The scheme provides money on terms more generous than are available for similar unsecured loans from the private sector.

Debt repayment is income-contingent, which means that borrowers are not required to repay any money until they earn sufficient income[13]. The repayment threshold is currently $15,964, increased from $15,496 on 1 April 2003. The amount of repayment required in any income year is determined by the amount of income earned over this threshold. The minimum rate of repayment is 10 cents per dollar earned over the repayment threshold. Voluntary repayments can also be made at any time and are encouraged. The scheme also recognises that some borrowers may not be earning sufficient income to allow them to meet the interest charged each year. If this is the case, borrowers may qualify for an interest write-off. (See Interest Write-offs in Appendix 1.)

13. The exception to this is Student Loan Scheme borrowers who are resident overseas. Refer to Table 13 on page 40 in Appendix 1 for the repayment obligations of non-residents.

Ongoing work in the area of student support and related areas

There are a number of interconnected pieces of work that are in progress related to student support.

Data integration

Over the past year, the agencies managing the Student Loan Scheme have been working on a data integration project. This project involves integrating students' educational and demographic information (collected by the Ministry of Education) with data on loan drawdowns (from the Ministry of Social Development) and data on post-study income and outstanding loan debt (from Inland Revenue). This project has created a dataset that forms a longitudinal record for each borrower, held securely by Statistics New Zealand, following protocols approved by the Privacy Commissioner. This dataset shows income post-study, periods with low income, repayment times, amounts of write-off received and periods spent overseas, for different groups of student loan borrowers.

The dataset will provide opportunities for research that will underpin future policy development and provide accurate and timely information for:

- monitoring, analysis and forecasting;
- reporting the value of student loans in the Crown accounts;
- understanding the cost of the scheme to the Crown;
- costing policy changes; and
- assessing some socio-economic impacts of the Student Loan Scheme, including estimation of the return on investing in tertiary education and information on borrowers going overseas.

Some of the initial findings from this dataset are set out on pages 23 to 25 in this report.

Reporting the fair value of the Student Loan Scheme

The fair value is defined as the price a willing buyer would offer a willing seller to purchase the Scheme. This does not imply that there is any wish to 'sell' the Student Loan Scheme asset; rather, the fair value is a hypothetical figure, based on what a tax liable buyer with perfect information would be prepared to pay, *if* the asset were to be sold.

The fair valuation of the scheme at 30 June 2003, using the Treasury's long term salary inflation forecast, is $5,592 million. The fair value has been calculated using a new model being constructed for the Ministry of Education based on the integrated dataset. This model will also be able to

better inform estimates of the doubtful debt provision and economic costs of the scheme. This further work will be undertaken during 2003/04.

The fair valuation model considers current debt owed by borrowers with various characteristics including assumptions regarding their future earnings/income. The hypothetical buyer values future income or costs lower, so future repayments and write-offs are worth less in real terms. In addition, the future income is further offset by costs incurred for the administration of the repayment system. The fair valuation of the scheme differs from the economic cost to the Crown in part because the discount rate applied differs between the two calculations. While the economic cost uses the pre-tax long-term borrowing rate to reflect the cost to the Crown of the scheme, the fair valuation uses the after-tax long-term borrowing rate plus a risk premium to reflect the tax paying status of a third party and the added risk to that third party of the uncertainty of the timing of future cash flows. The fair valuation of the scheme recognises that the Crown forgoes revenue due to death, bankruptcy and write-offs, and also due to defaults.

As an example of the fair valuation, if the discount rate is increased by 1 percent, the fair value will decrease by $217 million (-3.9 percent); if the discount rate is decreased by 1 percent, the fair value will increase by $233 million (4.2 percent).

Improved modelling

As part of the development of the fair value model for the scheme, the agencies will be working on a more sophisticated model of borrowing, repayments and other aspects of the Student Loan Scheme. This modelling will give agencies a clearer understanding of the probable future status of the Student Loan Scheme and its outcomes. It will enable agencies to assess much more accurately such things as the impacts of the scheme on different ethnic groups; women; the borrowing and repayment behaviour of borrowers studying in different fields of study or studying at different levels.

Student support policy development

Student support is one of the key means by which the government ensures that tertiary education is affordable and accessible. The major mechanisms are student allowances and student loans. In addition the government has introduced fee/course cost maxima as a means of providing parameters for fee setting.

The government's goal is to have in place a fairer, more sustainable student support system.

The government has released a discussion document, *Student Support in New Zealand*, which is available on the Ministry of Education website:
http://www.minedu.govt.nz/goto/tertiarystudentsupport
The purpose of this document is to ensure that all those with an interest in student support issues have a common base of information and share common points of understanding as the government moves to develop a student support package. Any changes that are made will need to be incremental and made over successive budgets. The closing date for public feedback is 30 October 2003.

Fee/course cost maxima policy

Since 2001, the government has stabilised tuition fees as part of its commitment to help keep tertiary education affordable for students. This policy has been replaced from 2004 with the fee/course costs maxima (FCCM) policy. FCCM are being introduced to:

- provide certainty for students as to future costs; whilst also
- giving some flexibility to providers in terms of their fee setting.

There are four dimensions to the FCCM policy as it has now been finalised:

- an increase in subsidy rates;
- an annual fee movement limit;
- a set of maximum fee levels; and
- the triennial setting of subsidy rates.

These dimensions balance the interests of students, providers and the government.

While the FCCM policy is not a student support policy, it will have the effect of limiting the reliance of students on the Student Loan Scheme. The policy has, therefore, had an impact on the modelling and forecasting of loan balances.

Recent student support policy changes

The government has made changes to the Student Loan Scheme and Student Allowances as part of Budget 2003. The following changes will become effective from 1 January 2004:

- *Access to Student Allowances for 16 and 17 year olds who have completed year 13 or who have success in University Bursary or NCEA Level 3[14] if they have not completed year 13.*

  This policy change was made to remove an anomaly that penalised students who are younger than average or who are gifted and finish school earlier than others.

14. University Bursary qualifications will have their last year in 2003 and will need to be presented when applying for student allowances in 2004. Students applying for an allowance in 2005 will need to present a letter from their school indicating that they have completed year 13 or verification that they have obtained 42 credits or more at NCEA Level 3 (which is equivalent to obtaining 3 Cs in Bursary) if they have not completed year 13.

- *Access to the tuition fee component of the Student Loan Scheme for part-time part-year students undertaking a course load of 0.3 EFTS or more.*

  Extending eligibility to part-time part-year students is intended to help provide greater equity of access to loans. Previously, students enrolled in similar course loads but delivered under different arrangements were treated differently. For instance, a student taking two courses totalling 0.3 EFTS, taught over a full year was able to get a loan. However, a student taking two courses with the same or greater EFTS value, taught in one semester, was not able to get a loan. The threshold of 0.3 EFTS is the closest equivalent to the full-time loan eligibility requirement of 12 weeks and removes this anomaly.

  Access to the Student Loan Scheme by part-time part-year students does not include the living costs or course-related costs components.

The Costs of the Student Loan Scheme

This section looks at the costs and value of the Student Loan Scheme, including:

- the assumptions and processes used in the models that produce the cost and valuation estimates;
- estimates of debt and repayment times;
- the provision made for estimated future non-recovery of loans (doubtful debts); and
- the progress towards calculating the fair value of the scheme and the results to date.

The Student Loan Scheme is a significant item on the government's accounts. The portfolio is forecast to grow to $12,500 million by the year 2014/15. This forecast is lower than earlier estimates of the value of the scheme in 2014/15[15], reflecting the impact of policy changes introduced in Budget 2003.

The costs of the scheme are shared between students and the government in the following manner:

- Borrowers meet a share of the government's estimated cost of capital through interest payments.
- Part of the administration costs are met by borrowers through a one-off administration fee of $50 for each loan.
- The government meets the costs resulting from fluctuations in uptake and transactions.
- The government also covers the cost of system changes to implement new policies or improve delivery.

The government writes off the following sums, which represent a cost to the Crown:

- all or part of the base interest charge for borrowers who meet write-off eligibility criteria;
- all interest for borrowers who were studying during the year and meet certain criteria;
- debt from deceased or bankrupt borrowers; and
- small balances.

Calculating the costs of the Student Loan Scheme

The Tertiary Education Student Loan Analysis (TESLA) model was developed for the Ministry of Education to forecast student loan debt and repayment periods and to assist with the evaluation of policy options. The TESLA model generates a representative student population from a profile of borrower characteristics. Each individual in this model has student loan characteristics, which give an overall annual estimate of debt, repayments, interest and write-offs. (See Appendix 6 for further details of this model, including the assumptions on which it is built.)

The Doubtful Debt Provision

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death[16], and loans discharged as a result of bankruptcy, as well as debt that will not be collected due to retirement, child-rearing or disability because these borrowers do not meet the repayment threshold, so have no obligation to repay. It also includes the full interest write-offs for students studying full-time and partial write-offs for low-income earners in a particular year.

The provision was set at 15 percent in 1992 when the Student Loan Scheme was first incorporated into the Crown Financial Statements. It was revised to 10 percent from 1996 until 2001 using the TESLA model. The Ministry of Education revised the DDP in June 2002 in consultation with Treasury and Inland Revenue. The provision was set at 11.4 percent for 2001/02[17]. The DDP was reviewed again in 2002/03. The difference was within the margin of error for the 11.4 percent figure. Thus, no change has been made to the DDP for the fiscal year 2002/03. At 30 June 2003, the DDP stood at $724 million compared with $637 million at 30 June 2002. The provision is sensitive to the assumptions on borrowers' and borrowing characteristics and income growth profiles. The DDP will be regularly reassessed.

The economic cost to the Crown

The gross economic cost of the scheme to the Crown is

15. In 2002, the estimate of the value of the scheme in 2014/15 was $14,400 million. Refer to Table 2.

16. There are no write-offs for 'defaulters'. Debt that accumulates due to people not meeting their repayment obligations is written off as a death write-off when the person dies.

17. The DDP is sensitive to assumptions about the level of debt that will be repaid by those in arrears, and also the future real income growth of borrowers. The DDP is estimated to be within the range of 10.4 percent to 12.4 percent, with a best estimate of 11.4 percent.

equivalent to the resources the Crown forgoes by lending money under the scheme. It incorporates the cost of loans written off due to write-off policies, death and bankruptcy and accounts for the timing of loan repayments discounted using a gross discount rate equal to a 'risk free rate', based on projected yields of government stock. The economic cost is calculated from the Ministry of Education's TESLA model. With the construction of a new fair value model the economic cost will need to be reassessed, based on the results from the fair value model. This reassessment will occur throughout 2003/04. (Refer to the description of the fair value model on pages 8 and 9).

The effective interest rate

The full interest rate for the income year 2003/04 is 7.0 percent, comprising 4.2 percent base interest and 2.8 percent for the inflation component. Not all borrowers face the full interest rate because many are eligible for an interest write-off or interest reduction. The effective interest rate is estimated[18] to be 3.5 percent for 2002/03. It represents the average interest rate charged per borrower, calculated as the total net interest for all borrowers as a percentage of total debt. An estimated 46.5 percent of interest accrued during 2003 will be written off. Nearly a quarter of a million borrowers benefited from an interest write-off in the year ending 31 March 2003.

Student loan expenditure forecast

In the most recent student loan forecast, it is estimated that the average annual increase in the number of loan borrowers, for the period 2003 to 2007, will be 3.0 percent per annum. The June 2002 estimate of the rate of growth in the number of borrowers was 2.4 percent. The increase in the forecast rate of growth in the number of borrowers reflected the policy change allowing access to course fee borrowings for part-time part-year students. The average annual increase in the total amount borrowed is expected to be 5.6 percent per annum over the years 2004 to 2007. The previous estimate was a 5.5 percent average annual increase in the total borrowings.

For the period 2004 to 2007, the average increase in the average amount borrowed per borrower is expected to be around 2.5 percent per annum. The latest forecasts can be read on the following Ministry of Education website: http://www.minedu.govt.nz/goto/studentloans

Overall student loan debt projection

The following long-term debt projection from the TESLA model shows the estimated overall gross student loan debt at the end of each fiscal year.

Table 2 Forecast Gross Debt Levels

Fiscal year	2009/10 $m	2014/15 $m	2019/20 $m
June 2003 debt projections	10,200	12,500	14,400
June 2002 debt projections	11,200	14,400	17,000
Projection change	-1,000	-1,900	-2,600

Source: Ministry of Education - TESLA model

The main contributing factors to the decrease in projected long-term debt levels were the policy changes introduced in Budgets 2002 and 2003 especially the triennial fee/course cost maxima[19].

The estimates of overall student debt level are very sensitive to assumptions on participation. Reasonable variations in participation projections lead to estimates of total debt by 2019/20 ranging from $14,000 million to $16,000 million. Projections of total debt are less sensitive to variations in income assumptions. If the real income growth of borrowers is adjusted by 0.2 percent per annum, the error for 2019/20 is $400 million.

Average student loan debt repayment periods[20] by gender and ethnicity

Males and European/Pākehā borrowers have the shortest repayment times while women have longer repayment times due to different income projections in the model for these groups. Repayment times are sensitive to changes in the income assumptions used in the TESLA model. An annual increase in borrowers' real income growth of 0.2 percent results in repayment times that are shorter by up to half a year.

Table 3 Estimated Average Repayment Times by Gender and Ethnicity

Average repayment times in years	Males	Females	Overall
European/Pākehā	6.8	10.6	8.9
Māori	7.4	10.8	9.4
Other[21]	9.0	13.0	11.2
All groups	**7.4**	**11.1**	**9.5**

Source: Ministry of Education - TESLA model

The overall repayment period has fallen to 9.5 years from 10.3 years at 30 June 2002. Lower repayment periods for each gender and ethnicity group have been estimated. This projected decrease is the result of policy changes over the last year, particularly the triennial fee/course cost maxima policy.

18. All estimates are derived from IRD.

19. Changes were made to the fee/course cost maxima policy as a result of the gazetting of the maxima and the statutory consultation phase. The forecast was not revised to take account of these changes. The effects, however, are not considered significant to the gross debt level or repayment time forecasts.

20. The number of 'repayment years' for each individual in the model is the number of years, prior to the final year of borrowing, when a repayment is made without borrowing, plus every year, after the final year of borrowing, until the debt is paid off.

21. Other includes Asian, Pasifika peoples and other ethnic groups.

12

General

STUDENT LOAN SCHEME

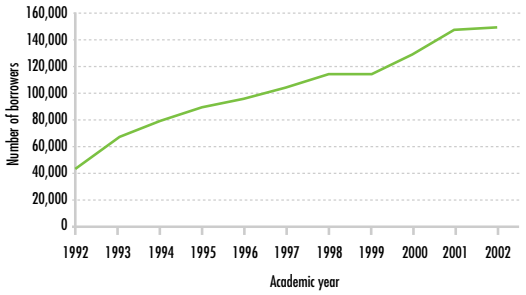
Statistics

General Student Loan Scheme Statistics

Uptake of student loans

Since the inception of the Student Loan Scheme, the number of students borrowing has continued to increase. The only exception was 1999, when policies aimed at curbing unnecessary borrowing were introduced. In 1992, the first year of operation of the scheme, there were 44,202 borrowers[22]. By 2002[23] this had increased to 150,575 students compared with 148,174 students in 2001, a rise of 1.6 percent. This represents a slowing in the growth of the number of borrowers as shown in the following graph.

Fig 4 (Table 22) Number of Student Loan Borrowers in Each Academic Year 1992 - 2002



Source: Ministry of Education and Ministry of Social Policy/Development

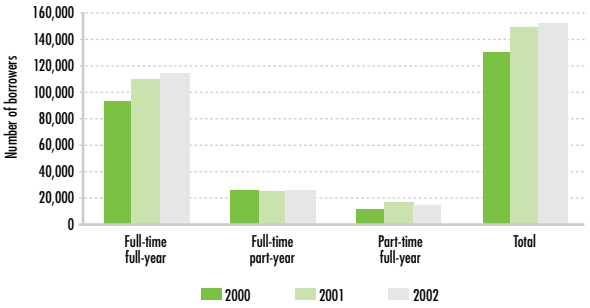
The proportion of students eligible to draw down a student loan who have chosen to do so has increased over recent years. In 1999 it was 50 percent, while in 2000 the proportion was 55 percent and in 2001, 56 percent. In 2002, around 57 percent of eligible students drew down a student loan.

There was a decrease in the proportion of students eligible to borrow under the Student Loan Scheme in 2002, because of the full-time part-time mix of tertiary students. In 2004, some part-time part-year students will become 'loan eligible'. As a result of this policy change, the overall uptake rate is expected to decrease in the future.

Student loan borrowers by study status

Student loans are available to those studying on a full-year basis and to those studying full-time for a period of twelve weeks or more. The graph below shows the split of students by study status between 2000 and 2002.

Fig 5 (Table 23) Number of Borrowers by Study Status



Source: StudyLink, Ministry of Social Development

Average annual amount borrowed

Table 4 Average Amount[24] Borrowed Annually

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total $	3,628	3,979	4,309	4,432	4,649	5,494	5,714	4,917	6,058	6,135	6,204
Percentage Increase		9.7%	8.3%	2.9%	4.9%	18.2%	4.0%	-13.9%	23.2%	1.3%	1.1%

Source: StudyLink, Ministry of Social Development and Ministry of Education

22. The definition of a student loan borrower from 2000 is a student whose loan account was established and activated for study that commenced between 1 January and 31 December of the applicable year. The loan account will run for a maximum of 52 weeks (in most cases).
23. With the transfer of the delivery of student loans to the Ministry of Social Development from 1 January 2000, the collection and storage of the loan data, and the assumptions used to extract it, have changed. This means that some of the data from 2000 onwards in the following tables and figures are not exactly comparable with the corresponding figures for 1999 and earlier. In most cases this has not resulted in a material difference. Where differences have been identified, a note has been included under the table to explain the change.
24. All financial data is expressed in nominal dollars without adjustment for inflation.

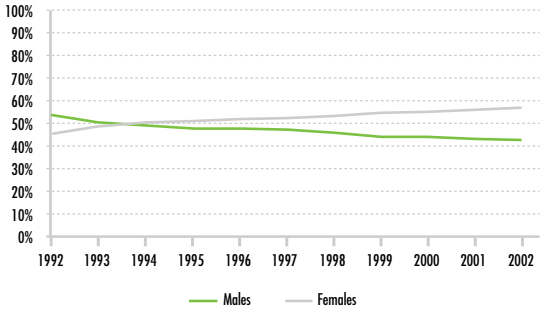
The average amount borrowed includes all amounts drawn down from a loan account (but does not include the $50 administration fee and the interest charged) and is calculated by dividing the total amount borrowed in that year by the number of students borrowing in that year. The $50 administration fee and interest are not included as they are not linked to any particular period of study, but are charged to the loan account as a whole.

Students studying with private training establishments (PTEs) borrow more on average than students studying in public tertiary education institutions (TEIs), because tuition fees tend to be higher for study with private providers. There is a cap of $6,500 on borrowing for fees by PTE students. University students borrow more than students in other public institutions.

The average amount borrowed showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. The decrease in average borrowing for 1999 is due to the decrease in the maximum course-related costs entitlement from $1,000 in 1998 to $500 in 1999[25] and to other changes, which restricted the uses to which finance from the scheme could be used[26]. Average borrowing increased again in 2000 when some of the changes made in 1999 were rescinded (notably the reduction in course-related costs entitlement and the removal of the right to borrow compulsory student services levies and students' association fees). The fee stabilisation policy implemented in 2001 and 2002 reduced the fee increase for those years. The fee stabilisation offer was accepted by all TEIs and most PTEs, which meant that fees remained unchanged for most courses.

Student loan borrowers by gender

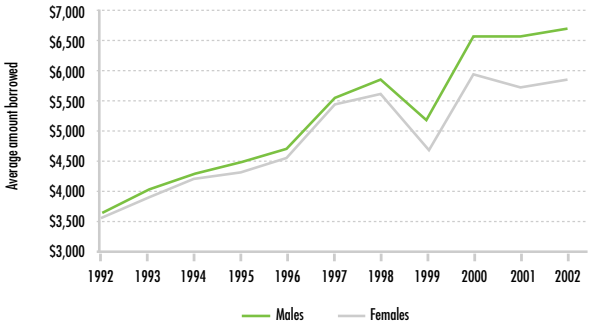
Fig 6 (Table 25) Percentage of Borrowers by Gender 1992 - 2002



Source: StudyLink, Ministry of Social Development and Ministry of Education

There are significantly more females enrolled in tertiary education (58 percent of tertiary students in 2002 were female). The proportion of borrowers who were female was 57 percent, although women tend to borrow less than men (see Fig 7 and Tables 20, 25 and 26).

Fig 7 (Table 26) Average Annual Amount Borrowed by Gender



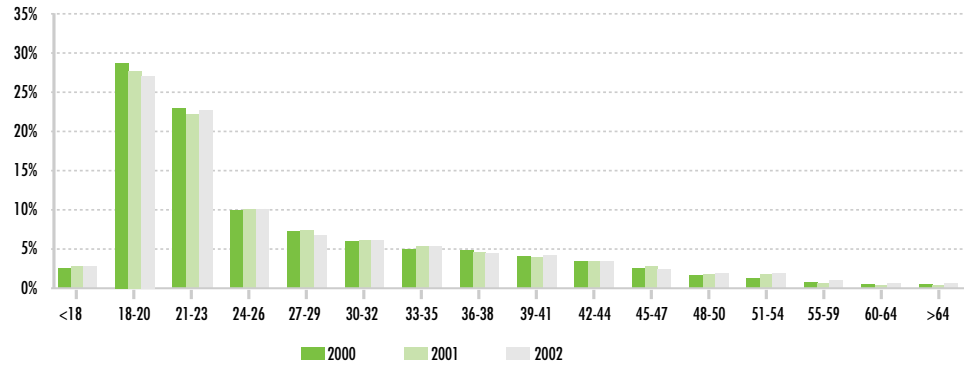
Source: StudyLink, Ministry of Social Development and Ministry of Education

25. The entitlement was changed back to $1,000 in 2000.
26. Living costs were paid in fortnightly instalments instead of lump sums and students' association fees were no longer payable from the scheme. (This last change was rescinded in 2000.)

Student loan borrowers by age band

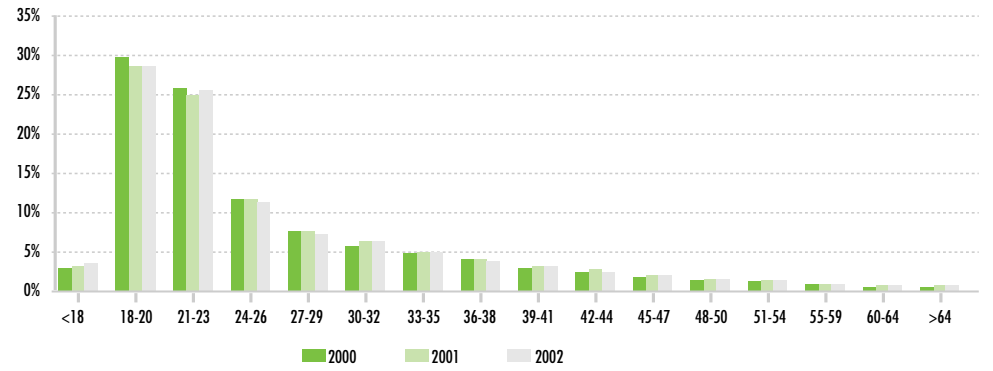
The following graphs show the profile of all student loan borrowers by age band at the time when the loan was advanced. Seventy-two percent of all current student loan borrowers are under the age of 30 and 1.7 percent are over the age of 55 (see Table 27). While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have increased significantly since 2000, from 1,136 borrowers to 2,584 borrowers in 2002, a rise of 127 percent.

Fig 8 (Table 27) Percentage of Female Borrowers by Age Band 2000 - 2002



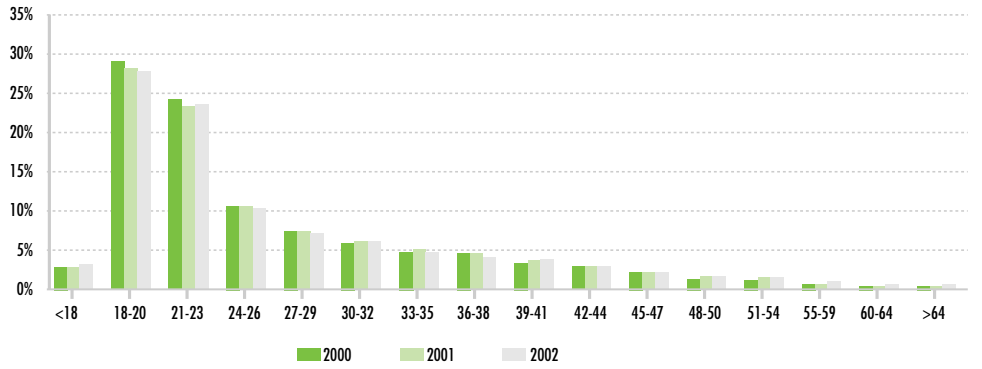
Source: StudyLink, Ministry of Social Development

Fig 9 (Table 27) Percentage of Male Borrowers by Age Band 2000 - 2002



Source: StudyLink, Ministry of Social Development

Fig 10 (Tables 27 and 32) Percentage of All Borrowers by Age Band 2000 - 2002

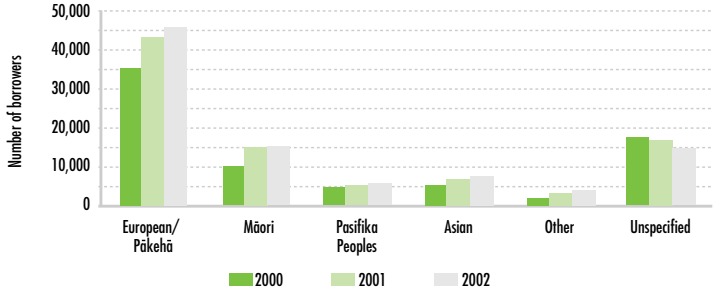


Source: StudyLink, Ministry of Social Development and Inland Revenue

Student loan borrowers by ethnicity[27]

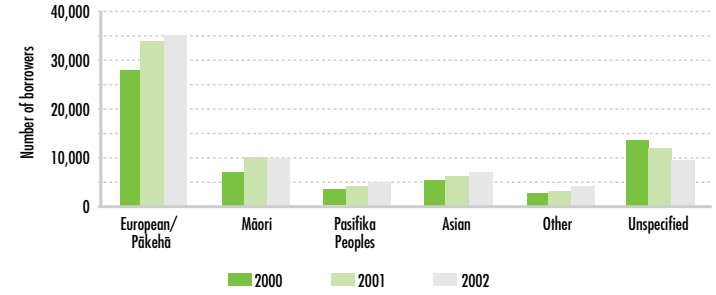
The proportion of borrowers who were Māori was 16 percent in 2002 and in 2001. The corresponding figure for 2000 was 13 percent. This shows that Māori have a lower propensity to borrow than non-Māori as 20 percent of domestic students in 2002 were Māori. Seven percent of borrowers in 2002 were of Pasifika ethnicity, up from 6 percent in 2001 (see also Table 26). Pasifika peoples represented 5.5 percent of those formally enrolled in tertiary education at 31 July 2002.

Fig 11 (Table 26A) Number of Female Borrowers by Ethnicity 2000 - 2002



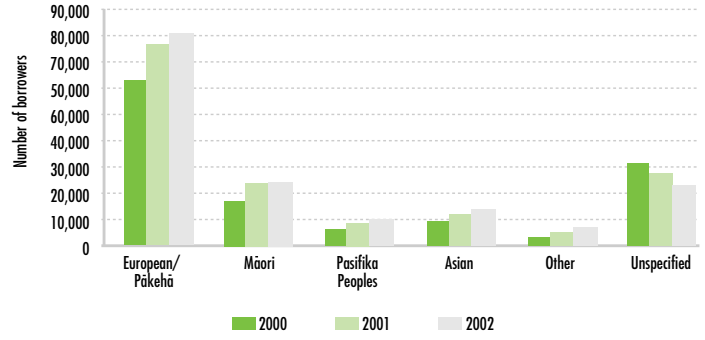
Source: StudyLink, Ministry of Social Development

Fig 12 (Table 26A) Number of Male Borrowers by Ethnicity 2000 - 2002



Source: StudyLink, Ministry of Social Development

Fig 13 (Table 26A) Total Number of Borrowers by Ethnicity 2000 - 2002



Source: StudyLink, Ministry of Social Development

27. The ethnicity question is optional for students. They can choose multiple ethnic groups. The methodology used to record ethnicity has changed since the annual report to 30 June 2002, which used prioritised ethnicity reporting. The figures quoted in this section and used in these graphs, use the total response method of reporting ethnicity. In this method, the number recorded for each ethnicity includes those who cited that ethnicity as part of a multiple ethnic group response, as well as those who chose that ethnicity as a sole response. Tables 26A and B give data on ethnicity on a total response basis while Table 26 gives combination data.

Table 5 Average Amount Borrowed by Ethnicity[28] Each Year 1992 - 2002

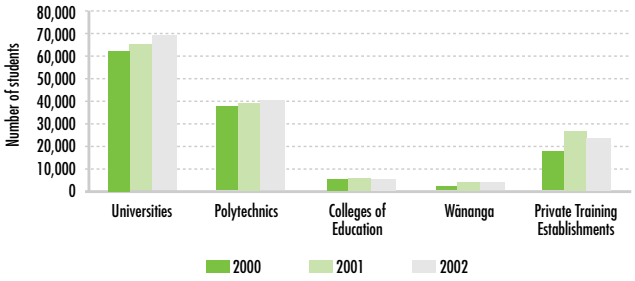
Ethnicity	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
European/Pakeha	3,767	4,111	4,450	4,577	4,811	5,704	5,889	5,048	6,136	6,215	6,393
Māori	3,122	3,461	3,837	3,994	4,325	5,338	5,557	4,613	5,777	5,802	5,734
Pasifika Peoples	3,168	3,734	4,157	4,376	4,841	5,836	6,298	5,278	6,387	6,143	6,260
Asian	3,573	4,023	4,269	4,145	3,996	4,490	4,875	4,645	5,842	6,174	6,547
Other	3,064	3,801	4,105	3,690	3,993	4,807	5,252	4,909	5,955	5,927	6,092

Source: Ministry of Education and StudyLink, Ministry of Social Development

On average, Māori borrowed less than other ethnic groups in each year from 1999 to 2002. Among the reasons for this trend are the availability of fee subsidy schemes for Māori (such as Manaaki Tauira) and, since 2001, the increase in the availability of zero fee qualifications at wānanga.

Students who borrowed fees by provider type[29]

Fig 14 (Table 24) Number of Students who Borrowed Fees[30] by Provider Type 2000 - 2002



Source: StudyLink, Ministry of Social Development

Table 6 Percentage of Students who Borrowed Fees by Provider Type[31] 1992 - 2002

Provider Type	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Polytechnics	36.7	41.1	39.1	39.3	39.1	39.6	39.8	40.6	30.1	27.9	28.3
CoE	5.5	5.2	4.9	5.4	5.5	5.6	4.3	4.5	4.0	3.7	3.7
Universities	56.3	51.4	53.0	50.8	49.6	46.8	45.4	42.2	50.0	47.3	49.3
Wānanga	0.1	0.1	0.3	0.4	0.5	0.7	0.9	1.2	1.7	2.0	2.2
PTEs	1.4	2.2	2.7	4.1	5.3	7.3	9.6	11.5	14.2	19.0	16.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Ministry of Education and StudyLink, Ministry of Social Development

Only 2.2 percent of wānanga students borrowed fees in 2002, whereas on 31 July 2002, 9 percent of all students were enrolled at wānanga. The uptake of loans in wānanga is significantly lower than at other provider types. The difference reflects the availability of zero fee qualifications at wānanga. The proportion of university students using the Student Loan Scheme to pay fees, at 49 percent, is considerably above that provider type's share of all enrolments (37 percent). This difference reflects the higher propensity of university students to study on a full-time basis.

28. This table excludes those with ethnicity not known or not declared.

29. Information in this report that is provided by provider type should be used with care, as there have been a number of changes in the providers that make up each sector. Because of reclassification of providers and mergers, the number of providers in each provider type may vary from year to year. Examples of changes affecting the data in this section are the reclassification of Auckland Institute of Technology as the Auckland University of Technology in 2000 and the incorporation of the Palmerston North College of Education into Massey University in December 1997. The effect of these developments is reflected particularly in Table 6 above.

30. Only students who borrowed fees are included in Fig. 14 because the other components are not recorded by provider.

31. Only students who borrowed fees are included in 2000, 2001 and 2002.

Loans by component in 2002

The following table shows the total amount borrowed or drawn down each month by component, and the total amount of administration fees, interest charged and repayments received, together with the amounts transferred to Inland Revenue, for all student loans processed by StudyLink between 1 January and 31 December 2002.

Table 7 Borrowing by Component in 2002 ($000)

	Course Fees	Course-Related Costs	Living Costs	Admin Fee	Interest	Repaid	Transferred To IRD
January	34,624	3,427	4,991	493	5,042	1,910	40
February	122,798	15,275	10,799	2,048	6,662	2,589	31
March	208,910	26,769	33,148	2,594	2,877	4,323	841,901
April	40,061	9,079	57,516	486	6,265	4,947	3,763
May	24,144	6,843	30,107	302	3,722	5,529	1,985
June	17,915	4,311	28,444	183	1,461	4,148	7,519
July	40,006	6,659	19,943	456	4,325	3,582	5,091
August	25,177	7,163	39,491	334	5,864	7,053	653
September	12,776	3,941	28,756	159	4,951	6,208	2,988
October	12,251	3,609	31,554	134	5,359	3,564	221
November	10,511	2,486	20,887	103	6,744	2,163	428
December	11,819	1,266	4,590	111	5,528	2,341	115
Totals	**560,993**	**90,829**	**310,224**	**7,403**	**58,801**	**48,357**	**864,733**

Source: StudyLink, Ministry of Social Development

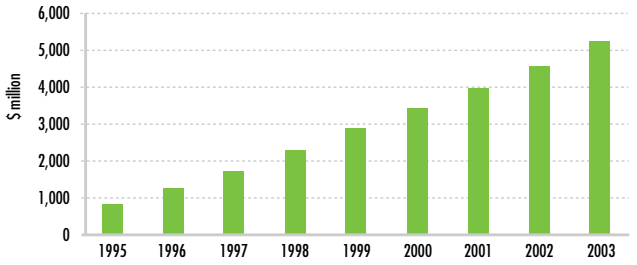
Notes:

- High levels of borrowing for fees and course-related costs in February and March reflect the start of the academic year for most students.
- The majority of loans are transferred to Inland Revenue in March.
- The repaid figures include refunds made by institutions to students' loan accounts, where students change their course of study, resulting in changes to the fees charged.
- The amounts transferred to Inland Revenue include balances for deceased and bankrupt students which are transferred once this status is confirmed and not as part of the yearly transfer in February and March (following the year of study).

Student loan debt

At 30 June 2003 the total balance of student loans was $5,370 million, after the provision for doubtful debts was subtracted[32].

Fig 15 (Table 30) Value of Student Loan Debt held by Inland Revenue at 30 June 1995 - 2003



Source: Inland Revenue

Average student loan balance

The median student loan balance at 30 June 2003 was $9,470[33]. The average student loan balance now stands at $13,680. This represents an increase of 8.2 percent between the 2002 and 2003 years.

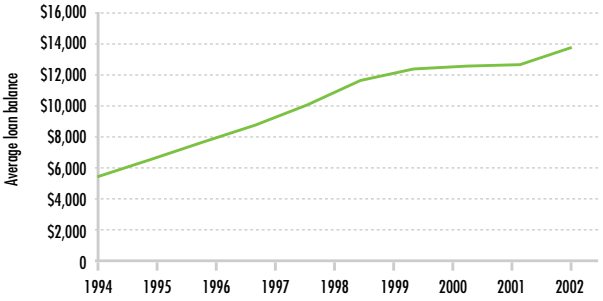
The year-to-year change in the average loan balance depends on the combined effect of a number of factors:

- the volume of additional borrowings;
- the number of new borrowers;
- the volume of repayments made; and
- the number of borrower accounts ceased as loans are repaid, including loan balances cleared by the under $10 write-off process[34].

All four factors are increasing in volume and/or numbers each year. The influence of each of the four factors is different. The combined effect of those four components on the resulting average debt figure can be unpredictable.

In 2002/03, there was a 27 percent increase in the number of fully repaid loans. Analysis suggests that this increase in the number of loans repaid contributed the most to the 8.2 percent increase in the average debt. The rise in loans repaid also included a larger than usual number of smaller debts being cleared completely, thus raising the average.

Fig 16 (Table 31) Amount of Average Student Loan Balance with Inland Revenue at 30 June 1994 - 2003



Source: Inland Revenue

Just over half of all loan balances are for amounts less than $10,000. About 70 percent of balances are less than $15,000. Loan balances over $40,000 make up about 5 percent of all student borrowers, while around 2 percent of borrowers owe more than $55,000. This translates to 6,316 borrowers.

32. This amount includes student loans held by the Ministry of Social Development as well as $4,650 million with Inland Revenue.
33. The term 'median' loan balance is the sum that is greater than half of all balances and that is less than half of all balances.
34. During the 2001/02 fiscal year a process which writes off loan balances of less than $10 did not occur as scheduled in April 2002. The under $10 process did occur in August 2002 and in April 2003. This resulted in an increase in the numbers of loans repaid during the 2002/03 fiscal year where the loan balance amounts cleared were small in relation to the number of loans repaid.

Range of student loan balances

There were 390,027 borrowers with outstanding debt as at 30 June 2003. The total outstanding debt at that date was $5,267 million, an increase of $708 million (15.5 percent) compared with the situation as at the end of June 2002[35]. The following table shows the number and percentage of borrowers by student loan balances held by Inland Revenue as at 30 June 2003.

Table 8 Range of Loan Balances held by Inland Revenue at 30 June 2003

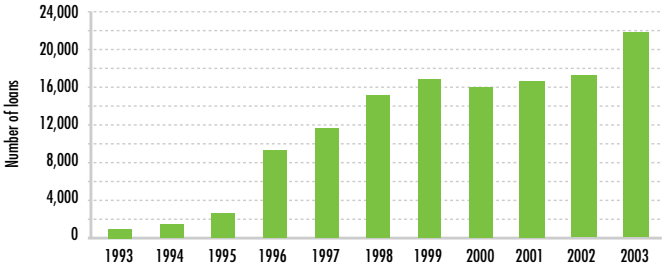
Range of Loan Balances	Number of Borrowers	Percentage	Cumulative Percentage
$1 - $1,999	37,637	9.65%	9.65%
$2,000 - $3,999	43,266	11.09%	20.74%
$4,000 - $5,999	46,901	12.03%	32.77%
$6,000 - $7,999	40,948	10.50%	43.27%
$8,000 - $9,999	34,424	8.83%	52.09%
$10,000 - $14,999	62,259	15.96%	68.06%
$15,000 - $19,999	36,926	9.47%	77.52%
$20,000 - $24,999	26,877	6.89%	84.41%
$25,000 - $29,999	18,087	4.64%	89.05%
$30,000 - $34,999	13,556	3.48%	92.53%
$35,000 - $39,999	9,039	2.32%	94.84%
$40,000 - $44,999	6,333	1.62%	96.47%
$45,000 - $49,999	4,539	1.16%	97.63%
$50,000 - $54,999	2,919	0.75%	98.38%
$55,000 - $59,999	2,038	0.52%	98.90%
$60,000 - $79,999	3,344	0.86%	99.76%
$80,000 - $99,999	747	0.19%	99.95%
over $99,999	187	0.05%	100.00%
TOTAL	**390,027**	**100.00%**	

Source: Inland Revenue

Loan repayments

The number of loans fully repaid in the 2002/03 fiscal year was 21,770. This is an increase of 27.4 percent on the previous year. A portion of the loans repaid, however, related to small balance write-offs for amounts of less than $10[36].

Fig 17 (Table 33) Number of Loans Repaid to Inland Revenue 1993 - 2003

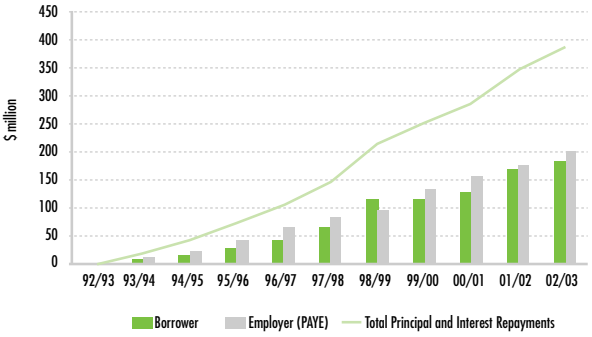


Source: Inland Revenue

The total value of loan repayments collected by Inland Revenue since the scheme began was $1,870 million. This represents about one quarter of all the debt incurred. $996 million has been collected via employers through the PAYE system with the balance of $874 million coming directly from the borrowers. A portion of the repayments has been made on a voluntary basis while the remainder comprises compulsory repayments[37]. (See Table 29.)

The following graph shows the repayments split by borrower and employer deductions along with the combined totals repaid in each fiscal year.

Fig 18 (Table 29) Value of Student Loan Repayments Received by Inland Revenue – Borrower/Employer Split 1993 - 2003



Source: Inland Revenue

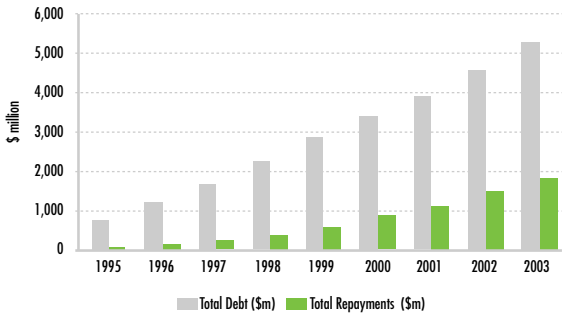
35. It is important to note that the 15.5 percent increase includes $958.2 million of additional loan borrowings transferred from MSD to IRD over the period 1 July 2002 to 30 June 2003.

36. The process of small balance write-offs did not occur in 2001/02, therefore, no small balances were written off during this period. The figure for the small balance write-offs for 2002/03 includes two years' write-offs and hence, a higher than usual number of loan accounts cleared.

37. It is not currently possible to calculate the amount of voluntary repayments made in a year.

Around a quarter of all loan debt incurred since the scheme began has been repaid. The graph below shows the trend in the value of the debt against the trend in repayment.

Fig 19 Loan Repayments Made Relative to Total Debt 1995 - 2003



Source: Inland Revenue

Overdue loan repayments

If a borrower does not pay the annual repayment obligation by the due date, the amount becomes overdue. A penalty of 2 percent per month is charged on the overdue amount (inclusive of penalties) until the overdue amount is fully repaid. Interest ceases to accrue on an overdue debt once penalties begin to apply.

The level of overdue loan repayments as at 30 June 2003 was $101 million, of which 43.5 percent ($44 million) was under instalment arrangement for payment[38]. Of the total debt held by Inland Revenue, $5,267 million, 1.9 percent, is overdue.

Table 9 Overdue Debt[39] at 30 June 2003

	No. Of Borrowers with Overdue Debt	Amount Overdue $m	% of Total Overdue Debt	% of Total Borrowers with Overdue Debt
Borrowers in NZ	35,086	$43.1	42.6	76.3
Borrowers Overseas	10,891	$58.1	57.4	23.7
Total	**45,977**	**$101.2**	**100.0**	**100.0**

Source: Inland Revenue

Non-resident borrower debt

The number of borrowers recorded as overseas[40] as at 30 June 2003 was 24,714 (6.3 percent) of all borrowers. Of the borrowers overseas, 10,891 (44.1 percent) had overdue repayment obligations. Non-resident borrowers owe 57 percent of the total overdue debt, yet they make up just over 23 percent of borrowers in default.

One of the contributing factors for the rising non-resident borrower debt, which is disproportionate to resident borrower debt, is the difficulty in maintaining contact with borrowers who are overseas. Other factors, such as working overseas for short periods predominantly to fund travel, can impede some borrowers' ability to pay.

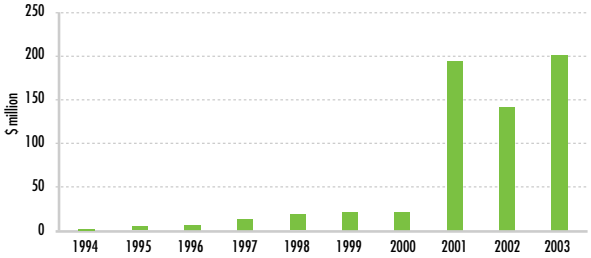
Inland Revenue has implemented a number of ways to improve their contacts with borrowers who are overseas.

Interest write-offs

Since the beginning of the scheme, a total of $612 million in interest charged has been written off. The number of borrowers entitled to an interest write-off has increased dramatically since the introduction in 2000/01 of full interest write-offs for full-time students and part-time or part-year students earning less than the income threshold ($25,378 for 2002/03 and $25,909 for 2003/04) and enhancements to the base interest write-off eligibility.

The following graph shows total interest write-offs by fiscal year.

Fig 20 (Table 28) Value of Interest Write-offs[41] at 30 June 1994 - 2003



Source: Inland Revenue

Interest write-offs by type

Interest write-offs are calculated on an income year basis (eg to 31 March of each year). The majority of interest write-offs in the graph (Fig 21) overleaf, for the year ending 31 March 2002 relate to the 2001 income year, which was the first year in which full interest write-offs applied.

Most write-offs are income contingent, and the timing of when an interest write-off is applied to a borrower's loan account is dependent on when income details are supplied. Interest write-offs can also be applied retrospectively. For instance, a write-off for the 2001 income year may be applied to a borrower's Inland Revenue account in 2003, due to the late filing of the 2001 return of income.

38. Instalment arrangement includes voluntary arrangements which are negotiated directly between the borrower and Inland Revenue, and enforced deductions which are made by a third party from monies payable to the borrower (eg deductions from salary/wages).

39. Information on the overdue debt figure in this table is not comparable with data on this topic provided in other reports. This is because the method of calculating overdue debt has changed.

40. The number of borrowers overseas may be higher than reported, due to borrowers leaving New Zealand without advising Inland Revenue.

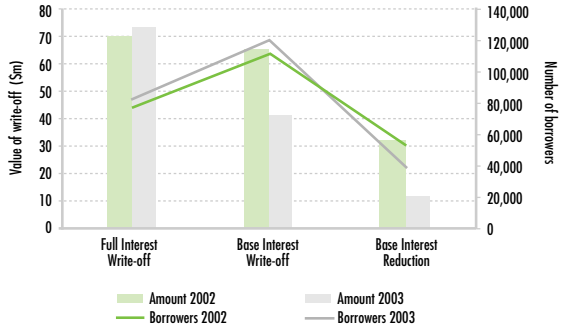
41. The majority of interest write-offs for the 1999/2000 income year were credited to borrowers' loan accounts in October 2000. This means the values in the above table are understated for 1999/2000 and overstated for 2000/01. The decrease in the total amount written off for the fiscal year to June 2002 is linked to the base interest rate set at 3.1 percent (for 9 months of this period to 31 March 2002) and 5.1 percent (for the last 3 months to 30 June 2002).

There are three different types of interest write-offs[42] available to resident borrowers:

- full interest write-offs;
- base interest write-offs; and
- base interest reduction.

The following graph shows the trends in interest write-offs by type for New Zealand resident borrowers by income years to 31 March 2003[43].

Fig 21 (Table 34) Number and Value of Interest Write-offs by Type at 31 March[44] 2002 and 2003



Note: This graph differs to Fig 20, which shows total write-offs by fiscal year ie by year to 30 June.
Source: Inland Revenue

During the year ending 31 March 2003, 204,997 borrowers received an interest write-off. The total amount written off for this period was $128 million. $74 million related to the full interest write-off for those in full-time study and for part-time students who earn less than the income threshold applicable to the interest write-off year.

Borrowers, not earning or earning less than the repayment threshold, were credited with $42 million in base interest write-offs. Borrowers earning over the repayment threshold were credited with $12 million in base interest reductions[45].

Interest write-offs for non-resident borrowers

People who have finished studying in New Zealand and thus have stopped borrowing through the Student Loan Scheme and have taken up full-time study overseas may qualify for an interest write-off in certain circumstances[46].

Table 10 Number and Value of Non-Resident Interest Write-offs to 31 March 2003

Write-off type	Amount	No. of Borrowers
Non-Resident Base Interest Write-off	$297,430	336
Non-Resident Base Interest Reduction	$10,108	23

Source: Inland Revenue

Small balance write-offs

Small balance write-offs occur where a person has repaid the loan but the last few dollars of the loan are still outstanding. These amounts are written off in accordance with sections 51 and 60 of the Student Loan Scheme Act 1992. The total value of small balance write-offs since the scheme began is $126,590.

Table 11 Value of Small Balance Write-offs 1998 - 2003

Year	Small Balance Write-offs
1998	$19,480
1999	$24,877
2000	$12,796
2001	$18,473
2002	$21,774
2003	$29,190
Total	**$126,590**

Source: Inland Revenue

42. See Appendices 1 and 4 for details on how these provisions work.
43. Interest write-offs that relate to the 2003 income year are not included.
44. The corresponding interest write-off graph in the 2002 Student Loan Scheme Annual Report showed interest write-off information for the income year ending 31 March 2002 and three months from 1 April 2002 to 30 June 2002 as this was all the available interest write-off data for comparison at that time. While the majority of interest write-offs for 2002 occurred in this three-month period, the 2002 data was not for a full twelve-month period, which has been corrected in this year's report.
45. The base interest rate for the year to 31 March 2002 was 3.1 percent compared with 6.1 percent for the year ended 31 March 2001. The effect is a reduction in the amount of interest written off for base interest and interest reductions, and a decrease in the number of borrowers qualifying for an interest reduction. Refer to page 41 in Appendix 1 for an account of the relationships between income level, debt level and base interest level in determining the base interest reduction.
46. Refer to page 39 in Appendix 1 for details of the interest write-off provision for non-resident borrowers.

Deceased and bankruptcy write-offs

The loan balances of deceased borrowers are written off under section 60 of the Student Loan Scheme Act 1992. $2.2 million was written off for 223 deceased borrowers in the 2002/03 year.

The student loans of borrowers adjudicated bankrupt are written off under the Insolvency Act 1967[47]. $3.5 million was written off for 326 borrowers because of bankruptcy in the 2002/03 year.

Since the Student Loan Scheme was introduced, 2,060 borrowers have had a loan balance written off due to bankruptcy. The total amount written off for deceased and bankrupt borrowers since the scheme began is $28 million.

Table 12 Value of Deceased and Bankruptcy Write-offs at 30 June 1998 - 2003

Year	Deceased $m	Bankrupt $m
1998	$1.20	$1.11
1999	$2.29	$2.30
2000	$1.60	$2.79
2001	$2.33	$2.83
2002	$2.64	$3.51
2003	$2.26	$3.52

Source: Inland Revenue

Integrated student loans dataset

The integrated dataset on Student Loan Scheme borrowers combines:

- information collected by tertiary providers on student characteristics;
- information collected by tertiary providers on students' enrolments and courses;
- information collected by StudyLink on students' borrowings under the Student Loan Scheme;
- data on student loan balances and repayments from Inland Revenue; and
- Inland Revenue data on income and tax status.

The integrated dataset currently contains matched records for the years 1997 to 2000. It is to be updated annually with new waves of data. The dataset also contains Inland Revenue data on income and debt for those who used the Student Loan Scheme between 1992 and 1996. These earlier data have not been fully integrated.

The data in the integrated dataset are not precisely comparable with the other statistical information in this report. There is a small number of records (about 7 percent) that could not be matched and were excluded from the dataset. Thus, the total number of records in the dataset is not precisely equal to the numbers in the agencies' databases.

The information below considers the income and debt in 2000 of those who last studied and borrowed in 1997. The percentage of student loan debt repaid by 2000 and the income information are related to some study and demographic variables. There are also some data on income and progress towards repayment of those who last borrowed in 1994.

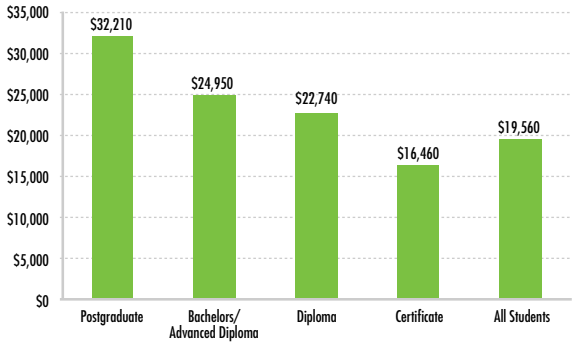
What the integrated dataset shows about income

The median[48] income in 2000 (before tax) of people who last studied and borrowed in 1997 was $19,600. Although not strictly comparable, the average yearly income in 2000 for all 20-24 year olds was $17,200, and $25,000 for all 25-29 year olds[49].

Those who had higher debt on average earned more, reflecting the higher costs associated with obtaining higher level education and the earning power of higher level qualifications. Borrowers with a debt between $10,000 and $20,000 earned nearly $4,000 (24 percent) more annually than those with a debt less than $10,000. Those with a debt of $20,000 or more earned $5,000, or 24 percent, more than those with a debt between $10,000 and $20,000.

Borrowers who finished study in 1997 at post-graduate level had a median income three years later of $32,200, over $12,600 or 65 percent more than the overall median income.

Fig 22 Median Income in 2000 by Level of Study for Students who Last Borrowed and Studied in 1997



Source: Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

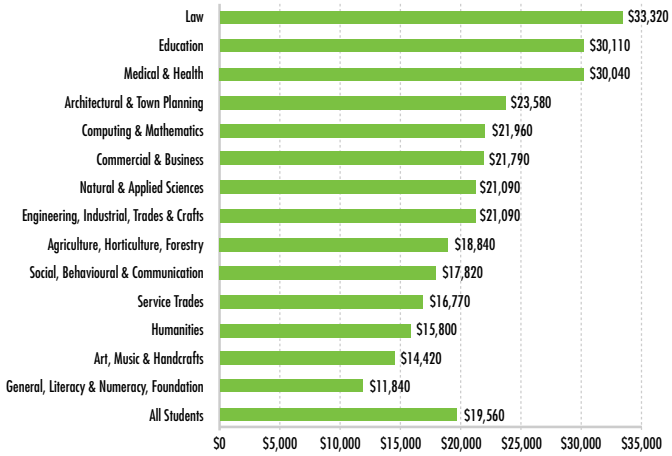
47. Inland Revenue does not bankrupt student loan borrowers solely on the basis of student loan borrowings or overdue repayment obligations.

48. The term 'median' income is the sum that is greater than half of all incomes and that is less than half of all incomes.

49. Statistics New Zealand (2000), Annual Income Survey.

Students who finished borrowing and studying in 1997 in law, medicine and health and education related fields of study had the highest median incomes in 2000, with incomes over $30,000, 50-70 percent more than the overall median income in 2000.

Fig 23 Median Income in 2000 by Field of Study for Students who Last Borrowed and Studied in 1997



Source: Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

Men had a median income nearly 10 percent higher than women ($20,500 compared with $18,700). European/Pākehā borrowers had a significantly higher median income than those of other ethnicities. The median income of European/Pākehā borrowers, at more than $22,000 was 38 percent higher than that of Māori, 17 percent above that of Pasifika peoples and 96 percent above that of borrowers with an Asian ethnicity.

What the integrated dataset shows about repayment rates

For the 32,000 people who last borrowed and studied in 1997:

- about 16 percent had repaid their debt by 2000;
- around 20 percent had paid off three-quarters or more of their debt by 2000;
- around a quarter of students had repaid half of their debt or more by 2000;
- 70 percent had repaid less than a quarter of their debt by 2000; and
- nearly half had a debt that was no smaller in 2000 than it was in 1997.

Females are slightly more likely to have repaid their debt in 2000 (17 percent versus 15 percent), bearing in mind that males on average have both higher debt and higher income three years post-study.

There are significant ethnic differences in repayments three years post-study. Overall, 9 percent of Māori and 7 percent of Pasifika students had repaid their loans, compared with 19 percent for Pākehā and 29 percent for Asian groups. Conversely, nearly two-thirds of Māori and Pasifika students had not reduced their debt at all three years after study, compared with 42 percent and 46 percent for Pākehā and Asian groups respectively.

There are a number of limitations in this study. The data relate to the income years 1997 to 2000 which is a very short time period when related to the 'usual' working career. The '50/50' rule has little effect as this was first implemented in the 2000/01 income year.

Most significantly, a study of income and debt three years following completion of study reflects the situation of borrowers early in their working lives. As working careers progress, incomes typically grow, and loan repayments will increase. Data on income show that the income level does grow with age for the great majority of people even if there are some whose income remains low for an extended period.

The '50/50' rule is the base interest reduction provision. This rule limits the amount of base interest charged on a loan to 50 percent of the repayment obligation for that year. Where a borrower's base interest charge in respect of any income year exceeds 50 percent of the repayment obligation, the base interest charge is reduced to that amount. This effectively means that at least 50 percent of all repayments are credited firstly to the interest adjustment rate and secondly to the loan principal – a more detailed account of this rule can be found in Appendix 1. The '50/50' rule affects borrowers whose incomes are low relative to their debt, and will, other things being equal, reduce over time, the proportion of borrowers who are making little or no progress towards repaying this debt.

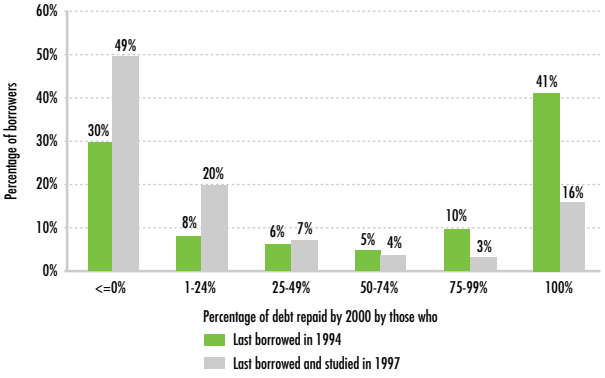
It is therefore useful to look at a longer time series to understand how repayment gradients change over time. Although the integrated dataset only spans the years 1997 to 2000, Statistics New Zealand holds anonymised data on repayments for the years 1992 to 1996. Using these data, it is possible to compare the information on debt in 2000 of those who last borrowed in 1997 with the debt in 2000 of those who last borrowed in 1994. This allows an analysis of the way repayment rates change over time.

The analysis shows that, of those who last borrowed in 1994:

- 41 percent had repaid their loans completely by 2000; and
- 30 percent had a debt that was no smaller in 2000 than it was in 1994.

This is illustrated in the graph below[50].

Fig 24 Percentage of Debt Repaid by 2000 by those who Last Borrowed in 1994 and by those who Last Borrowed and Studied in 1997



Source: Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

50. No adjustment has been made for inflation in any of these analyses.

Student Loan Scheme

FINANCIAL STATEMENTS

for the Year Ended 30 June 2003

Financial Statements for the Year Ended 30 June 2003

The financial statements for the Student Loan Scheme comprise schedules of revenue, expenditure and assets and details of cash flow items relating to student loans. The Ministry of Social Development (MSD) and Inland Revenue (IRD) administer the government revenue and expenditure, assets and cash flows relating to student loans on an agency basis on behalf of the Crown, within policy parameters set by the Ministry of Education.

The financial report represents extracts of the financial statements of the Crown activities carried out by the entities administering student loans to provide an overview of the Student Loan Scheme.

The schedule of assets shows a value as at 30 June 2003 of $5.370 billion. This value is net of the doubtful debt provision of $723.8 million.

Statement of Accounting Policies for the Year Ended 30 June 2003

Reporting Entity

The scheme is a Crown activity which forms part of the consolidated financial statements of the Government of New Zealand. The scheme has dimensions of revenue, expenditure, assets and cash flows within the overall Crown accounts. Crown financial information relating to student loans is extracted from the administering agencies' accounts to present a separate financial overview of the scheme.

Statutory Authority

The Student Loan Scheme is administered jointly by the Ministry of Education, Inland Revenue Department and the Ministry of Social Development under the Student Loan Scheme Act 1992, the Credit Contracts Act 1981 and the Education Act 1989.

Measurement System

The financial statements have been prepared on an historical cost basis.

Accounting policies

The following accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

Budget figures

The budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supp. Estimates) and any transfer made by Order in Council under Section 5 of the Public Finance Act 1989. The budget figures provided are extracted from the details of the Estimates of Appropriation for Inland Revenue and the Ministry of Social Development, as applicable. The totals shown are the combined totals for the applicable agencies.

Interest

Interest is calculated on the student loan account balances as at 1 April each year on a daily basis at a rate determined by the government, currently 7 percent per annum. Interest is written off where qualifying criteria are met.

Advances

Advances are financial instruments and are recorded at the amounts expected to be ultimately collected in cash. Forecast repayments for the next year are used to calculate the current portion of advances.

Provision for doubtful debt

Doubtful debt is provided for as follows:

Capital provision	11.4% (2002 11.4%)
Interest write-off provision	46.5% (2002 57%)

Changes in accounting policies

There have been no significant changes in the Crown accounting policies applicable to the preparation of the student loan financial statements of Crown activities administered by the Ministry of Social Development and Inland Revenue for Crown consolidation, from those used in the previous year. All Crown accounting policies have been applied on a basis consistent with the previous year.

Schedule of Revenue and Expenditure for the Year Ended 30 June 2003

Actual 2002 $M		Note	Actual 2003 $M	Main Estimates 2003 $M	Supp. Estimates 2003 $M
	Revenue				
53.1	Interest income MSD		61.3	42.1	47.3
282.2	Interest and penalty income IRD		331.8	352.2	352.2
7.4	Administration fees MSD		7.6	8.2	7.9
342.7	Total Revenue		400.7	402.5	407.4
	Expenditure				
141.4	Interest and small balance write-offs IRD/MSD		198.1	166.1	166.1
6.2	Deceased and bankruptcy write-offs IRD		5.8	5.6	5.6
18.2	Increase/(Decrease) in provision for doubtful debt MSD		(2.3)	6.7	(0.5)
107.3	Increase/(Decrease) in provision for doubtful debt IRD		89.4	196.2	196.2
273.1	Total Expenditure		291.0	374.6	367.4
69.6	**Net Surplus**		**109.7**	**27.9**	**40.0**

- *The accompanying accounting policies and notes form part of these financial statements.*
- *Budget figures represent the combined total for the applicable agencies.*
- *For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2003.*
- *Details of the Consolidated Movements Schedule for the year ended 30 June 2003 are shown in Note 1.*

Schedule of Assets as at 30 June 2003

Actual 2002 $M		Note	Actual 2003 $M	Main Estimates 2003 $M	Supp. Estimates 2003 $M
	Current Assets				
1,219.1	Student loan advances		1,314.1	1,209.3	1,179.3
(152.9)	Student loan provision for doubtful debt	2	(161.2)	(197.8)	(191.0)
1,066.2	Total Current Assets		1,152.9	1,011.5	988.3
	Non-Current Assets				
4,167.3	Student loan advances		4,780.1	4,974.7	4,974.7
(483.8)	Student loan provision for doubtful debt	2	(562.6)	(641.5)	(641.5)
3,683.5	Total Non-Current Assets		4,217.5	4,333.2	4,333.2
4,749.7	**Total Assets**		**5,370.4**	**5,344.7**	**5,321.5**

- *The accompanying accounting policies and notes form part of these financial statements.*
- *Budget figures represent the combined total for the applicable agencies.*
- *For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2003.*
- *Details of the Consolidated Movements Schedule for the year ended 30 June 2003 are shown in Note 1.*

Schedule of Cash Flows for the Year Ended 30 June 2003

Actual 2002 $M		Note	Actual 2003 $M	Main Estimates 2003 $M	Supp. Estimates 2003 $M
	Cash Flows - Operating Activities				
	Cash was provided from:				
149.4	Interest repayments received		186.1	167.8	167.8
149.4	Net Cash Inflow (Outflow) from Operating Activities		186.1	167.8	167.8
	Cash from - Investing Activities				
	Cash was provided from:				
245.6	Capital repayments received		251.9	250.7	251.5
	Cash was disbursed for:				
(934.8)	Loan advances MSD		(951.9)	(1,052.0)	(951.8)
(7.4)	Administration fees		(7.6)	(8.2)	(7.9)
(696.6)	Net Cash Inflow (Outflow) from Investing Activities		(707.6)	(809.5)	(708.2)
(547.2)	**Net Student Loan Cash Inflow (Outflow)**		**(521.5)**	**(641.7)**	**(540.4)**

- *The accompanying accounting policies and notes form part of these financial statements.*
- *Budget figures represent the combined total for the applicable agencies.*
- *For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2003.*
- *Details of the Consolidated Movements Schedule for the year ended 30 June 2003 are shown in Note 1.*

Notes to the Financial Schedules for the Year Ended 30 June 2003

Note 1: Consolidated Movements Schedule for the Year Ended 30 June 2003

Consolidated Actual 2002 $M		Consolidated Actual 2003 $M	Inland Revenue IRD 2003 $M	Ministry of Social Development MSD 2003 $M
4,142.6	**Student Loans Opening Balance**	**4,749.7**	**4,042.8**	**706.9**
0.0	Loans transferred from MSD to IRD	0.0	958.2	(958.2)
934.8	Loans advanced	951.9	0.0	951.9
7.4	Administration fees	7.6	0.0	7.6
(245.6)	Less capital repayments made in the current year	(251.9)	(200.2)	(51.7)
696.6	Net Change in Student Loan Capital	707.6	758.0	(50.4)
335.3	Accrued interest	393.1	331.8	61.3
(149.4)	Interest repayments	(186.1)	(186.1)	0.0
(147.6)	Interest, small balance, deceased and bankrupt write-offs	(203.9)	(203.9)	0.0
38.3	Net Increase (Decrease) in Interest Receivable	3.1	(58.2)	61.3
(125.5)	Change in provision for doubtful debt	(87.1)	(89.4)	2.3
(2.3)	Other movements	(2.9)	(3.4)	0.5
4,749.7	**Student Loans Closing Balance**	**5,370.4**	**4,649.8**	**720.6**

Note 2a: Provision for Doubtful Debt

Actual 2002 $M		Actual 2003 $M
	Current	
105.8	Provision for doubtful debt - MSD	103.5
47.1	Provision for doubtful debt - IRD	57.7
152.9	Total Current Provision	161.2
	Non-Current	
483.8	Provision for doubtful debt - IRD	562.6
483.8	Total Non-Current Provision	562.6
636.7	**Total Provision for Doubtful Debt**	**723.8**

The split of provision between interest and principal amounts is set out below:

Note 2b: Provision for Doubtful Debt

Actual 2002 $M		Actual 2003 $M
	Principal	
89.2	Provision for doubtful debt principal - MSD	90.9
488.5	Provision for doubtful debt principal - IRD	562.6
577.7	Total Principal	653.5
	Interest	
16.5	Provision for doubtful debt interest - MSD	12.6
42.5	Provision for doubtful debt interest - IRD	57.7
59	Total Interest	70.3
636.7	**Total Provision for Doubtful Debt**	**723.8**

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death[51], loans discharged as a result of bankruptcy as well as debt that will not be collected due to retirement, child-rearing or disability because these borrowers do not meet the repayment threshold so have no obligation to repay. It also includes the full interest write-offs where students are studying full-time in a particular year or because their income is low.

The methodology used to provide for student loans contains a capital and an interest component. These provisions are periodically reviewed for appropriateness and the methodologies updated where necessary.

51 There is no write-off for 'defaulters' but debt that accumulates due to people not meeting their repayment obligations is written off as a death write-off when the person dies.

The calculation methodology that has been used to calculate the provision for doubtful debt is:

Capital provision

The provision on the outstanding capital issued is 11.4% (2002, 11.4%). The provision level was revised in 2002, following a comprehensive review of the underlying assumptions used to derive the proportion of current borrowing that is not expected to be repaid.

The key variables that impact on the expected level of write-off relate to death and bankruptcy write-offs. The underlying assumptions regarding the borrowing characteristics and income growth profiles of borrowers and the expected level of defaulters are based on the most current information. The provision is sensitive to the assumptions on borrowing characteristics and income growth profiles, and so will be regularly reassessed as new information becomes available. A 1% shift will impact on the provision level by around $50 million.

Interest write-off provision

The provision for interest write-offs on interest accrued after 31 December 1999 was reviewed in light of changes to government policy, resulting in a substantial increase in the provision level to 70% (from 17%). This reflected changes to the Student Loan Scheme allowing the full write-off of interest while students continue to study, along with the increased income thresholds used to determine repayments through the income tax system. The effective provision for interest write-offs from 1 January 2002 was approximately 57% and from 1 January 2003 it was approximately 46.5%. The interest rate provision is reviewed annually.

Note 3: Financial Instruments

Financial instruments arrangements occur as part of the everyday operations of the scheme, through the provision of loan advances.

Credit Risk

For the Student Loan Scheme, credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, causing the scheme to incur a loss.

The Student Loan Scheme policy does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the Student Loan Scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by collection of compulsory repayments through the tax system.

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates. Changes could impact on the government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the government.

Fair Value

The fair value of the student loan debt as at 30 June 2003 is calculated to be $5,592 million. The fair value has been calculated using a new model constructed for the Ministry of Education based on the new integrated dataset of students' educational and demographic information with data on loans and income that is held securely by Statistics New Zealand. The fair valuation model considers current debt owed by borrowers of various characteristics including assumptions regarding their future income. Among other assumptions, critical is the discount rate (4.5%), which is based on the after tax risk free rate plus a risk premium. A 1% shift in the discount rate alters the value by between minus $217 million and $233 million.

The fair value of the scheme differs from the economic cost to the Crown because the discount rate applied differs between the two calculations. While the economic cost uses the pre-tax long-term borrowing rate to reflect the cost to the Crown of the scheme, the fair valuation uses the after-tax long-term borrowing rate plus a risk premium to reflect the tax paying status of a third party and the added risk to a third party of the uncertainty of the timing of future cash flows.

Audit New Zealand
AUDIT AND ASSURANCE SERVICES

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF STUDENT LOAN SCHEME FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 26 to 34. The financial statements consist of components of the revenue and expenditure and cash flows of the Student Loan Scheme and its assets as at 30 June 2003. This information is stated in accordance with the accounting policies set out on page 28.

Responsibilities of the Chief Executives of the Ministry of Education, Inland Revenue Department and Ministry of Social Development

The Chief Executives of the Ministry of Education, Inland Revenue Department and Ministry of Social Development have prepared financial statements to show the assets of the Student Loan Scheme as at 30 June 2003 and components of its revenue and expenditure and cash flows for the year ended on that date. The components of the financial statements have been reported with regard to generally accepted accounting practice in New Zealand.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 requires the Auditor-General to audit the financial statements presented by the Chief Executives. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed John O'Connell, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executives in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the Student Loan Scheme, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Student Loan Scheme.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the components of the financial statements of the Student Loan Scheme on pages 26 to 34 have been reported with regard to generally accepted accounting practice in New Zealand and fairly reflect:

- the assets as at 30 June 2003; and
- the revenue and expenditure and cash flows for the year ended on that date.

Our audit was completed on 29 September 2003 and our unqualified opinion is expressed as at that date.

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Student Loans Scheme for the year ended 30 June 2003 included on the websites of the Ministry of Education, Inland Revenue Department and the Ministry of Social Development. The Chief Executives of these three agencies are responsible for the maintenance and integrity of their respective websites. We have not been engaged to report on the integrity of these websites. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the websites.

We have not been engaged to report on any other electronic versions of the Student Loans Scheme's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 September 2003 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

APPENDICES

Appendix 1 Key Features of the Student Loan Scheme

The Administration of the Scheme

The Ministry of Education's role

From the inception of the Student Loan Scheme in 1992 until the end of 1999, the Ministry of Education was responsible for managing both the policy aspects and the operation of the scheme apart from the collection of repayments. Although the operation of the scheme was transferred to Work and Income NZ (now the Ministry of Social Development) on 1 January 2000, the Ministry of Education has retained the strategic policy responsibilities for the scheme.

The Ministry of Social Development's role

StudyLink (a service of the Ministry of Social Development) is responsible for the delivery and administration of the payment of student loans. This involves the receipt and assessment of applications from students, together with the administration of the payment of compulsory fees to providers, and living costs and course-related costs to students. Individual loan accounts are managed on a yearly cycle, with the loan balance being transferred each year to Inland Revenue for collection.

The delivery and administration of student loans is integrated with other support provided to students: student allowances, the Training Incentive Allowance and the Unemployment Benefit Student Hardship.

StudyLink delivers student financial support using centralised processing, complemented by regional service centres. StudyLink makes significant use of call centre and internet technology to communicate and interact with students and education providers.

Inland Revenue's role

Inland Revenue is responsible for the assessment and collection of student loan repayments once loans have been transferred to it for collection. Inland Revenue also determines entitlement to a full interest write-off for full-time full-year students and low-income students, and a base interest write-off or reduction for other eligible borrowers.

In addition, Inland Revenue is responsible for the Student Loan Scheme Act 1992, and the annual regulations made under that Act which set the interest rates, the full interest write-off threshold for low-income students and the repayment threshold.

Further information on the scheme and the responsibilities of each of the agencies can be found at their respective websites:

Ministry of Education -
http://www.minedu.govt.nz/goto/studentloans

StudyLink -
http://www.studylink.govt.nz

Inland Revenue -
http://www.ird.govt.nz/studentloans

The Elements of the Student Loan Scheme

Eligibility

As a prerequisite to borrowing under the Student Loan Scheme, borrowers must sign a loan contract with the Crown. Students aged under 18 years need parental consent before they can borrow. Undischarged bankrupts are not eligible to apply for a student loan. To be eligible for a loan a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand; and
- be enrolled in an approved qualification at a recognised tertiary provider; and
- be studying full-time for not less than 12 weeks, or part-time for a full year[52].

Further information about entitlements and how to apply for student financial support can be found on the StudyLink website at - http://www.studylink.govt.nz

What can be borrowed?

A student loan is made up of four components. The four components and their maximum entitlements are as follows:

Compulsory fees or tuition fees

Students at public tertiary education institutions[53] can borrow the full amount of their compulsory tuition fees, while students at private training establishments can borrow up to a maximum of $6,500 for their fees in each year of study.

Student loan compulsory fee entitlements are directly credited to the borrower's chosen tertiary education provider.

Where compulsory, students' association fees can be borrowed as part of the compulsory tuition fee loan entitlement. Otherwise, students' association fees can be borrowed as part of a student's course-related costs component.

52. From 2004, some part-time part-year students will be eligible to borrow the compulsory tuition fee component of the student loan.
53. These are the universities, colleges of education, polytechnics, and the three wānanga that are recognised under the Education Act 1989.

Course-related costs

Students can borrow up to $1,000 each year to help cover expenses related to their studies, such as equipment, textbooks and field trips. To access this entitlement, students are required to provide documented justification of their expenditure, which can be either a statement from their education provider giving details of the items needed for their course plus an estimate of the expected cost, or receipts for expenses incurred.

Living costs

Full-time students studying for 12 weeks or more can access a living costs entitlement of $150 per week for each week of the course, less any net entitlement to student allowances[54]. The living costs entitlement is made available in weekly instalments in arrears.

Students nominate the amount they wish to draw each week up to the maximum entitlement. If they nominate less than their full entitlement, any remaining entitlement that is unused each week cannot be claimed at a later date.

Administration fee

Each time a new loan account is established, an administration fee of $50 is charged. This is added to the student's loan balance when the student first draws from the loan account, or when fees are transferred to the provider (on the student's instructions). If a student cancels the loan within seven days of the loan account being established, and repays any money that has been drawn down, the $50 administration fee (and any interest on it) will be waived. Otherwise, the administration fee is always included in the loan balance.

Transfer of closed loan accounts to Inland Revenue

StudyLink calculates interest to the 28 February loan transfer date for every loan account in which the course of study was completed by 31 December, and transfers these loans to Inland Revenue for collection. In January, prior to the loan transfer, StudyLink issues a final statement to borrowers which confirms the loan balance that will be transferred, and provides an opportunity for borrowers to object to the loan balance if they believe it is incorrect. Loans are transferred to Inland Revenue in either March or early April, provided any outstanding objections have been resolved. Interest is charged by Inland Revenue from the day after the 28 February loan transfer date.

Loan repayments

Under the Student Loan Scheme Act 1992, the collection of loan repayments is handled through the taxation system. The amount a resident borrower is required to repay is based on his or her income. Any borrower earning over the repayment threshold during an income year is required to make repayments towards the loan. Compulsory repayments are made at the rate of 10 cents for every dollar of income over the repayment threshold.

Where a borrower earns more than the repayment threshold (through salary, wages, a student allowance, or income support) they are required to advise their employers that they have a student loan by nominating a student loan tax code, eg MSL, SSL, STSL or SHSL. Repayment deductions are then made from their income by their employers, along with other PAYE deductions. Employers forward the repayment deductions to Inland Revenue, which are then credited to borrowers' student loan accounts.

Self-employed borrowers

Borrowers with self-employment income earning over the repayment threshold are generally required to make repayments directly to Inland Revenue in three interim instalments. Interim instalments are required if the repayment obligation for the previous year, less any repayment deductions made by employers, was more than $1,000.

Non-resident borrowers

Non-resident (or overseas) borrowers have a different repayment obligation from borrowers in New Zealand (where repayment obligations are based on income earned). The repayment obligation for non-resident borrowers can be compared with mortgage-style repayments, which are designed to repay the loan balance (plus interest) within 15 years.

The non-resident repayment amount is based on the borrower's loan balance as at 1 April following the date of departure. It is made up of two components:

- principal; and
- interest estimated on the loan balance for the year (1 April to 31 March).

54. Information on student allowances is available on the StudyLink website – www.studylink.govt.nz – or via the StudyLink freephone, 0800 80 99 00.

The principal amount is determined by the loan balance outstanding:

Table 13 Non-Resident Borrowers' Repayment Obligation

Loan Balance	Principal Amount	Interest
Under $1,000	Whole loan balance	Plus estimated interest on the loan balance for each year.
$1,000 to $15,000	$1,000	Plus estimated interest on the loan balance for each year.
Greater than $15,000	1/15th of the loan balance	Plus estimated interest on the loan balance for each year.

The total repayment obligation is then divided into four instalments due 30 June, 30 September, 31 December and 31 March.

Voluntary repayments

Inland Revenue encourages borrowers to make additional voluntary repayments over and above their minimum repayment obligations. By making voluntary repayments, the borrower can repay the loan faster and save interest.

As part of an Inland Revenue initiative to encourage voluntary repayments, www.owezero.org.nz was launched in May 2003 to provide borrowers with instant access to a repayment calculator and information to help borrowers work out for themselves what they can do to repay their loans more quickly.

Overdue repayments

Collection of overdue loan repayments is achieved through the same systems and processes in place for the collection of overdue taxes.

Borrowers are charged a penalty of 2 percent per month on outstanding amounts greater than $250. Penalties continue to be charged on the total outstanding (including penalties) until the amount is repaid in full.

Interest is not charged on overdue repayments.

Any borrower having difficulty repaying an overdue student loan debt is able to negotiate an arrangement for repayment. Borrowers living overseas are able to negotiate a lower repayment obligation if repayment would cause serious hardship. In certain circumstances, a borrower may have the overdue amount capitalised back to the loan principal.

Interest

As loan drawings are made, interest on the outstanding balance accumulates on a daily basis.

Inland Revenue takes over the calculation of interest from StudyLink from the 28 February loan transfer date. After 31 March, interest is compounded and added to the loan balance. Interest then starts to accrue on the new loan balance from 1 April. Note that if the borrower is entitled to an interest write-off, the loan balance on which interest will accrue is reduced by the amount of the interest write-off.

Interest is made up of two components – the base interest rate and an interest adjustment rate, sometimes called the inflation component. Although the overall interest rate has been frozen at 7 percent since 1 April 1999, the base interest and interest adjustment rates have changed each year.

The table below shows the interest rates in recent years.

Table 14 Student Loan Interest Rates by Component 1998 - 2004

Income year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Base interest rate	6.2%	5.3%	6.1%	3.1%	5.1%	4.2%
Interest adjustment rate	1.8%	1.7%	0.9%	3.9%	1.9%	2.8%
Total interest rate	**8.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**

Interest write-offs

Depending on their circumstances, borrowers may be eligible to have all or some of their interest written off after the end of the income year. A borrower may be entitled to a full interest write-off, a base interest write-off or a base interest reduction.

Full interest write-off

Borrowers who studied for at least 32 weeks in any 52-week period that ended during the income year and whose study was at least 80 percent of equivalent full-time study (ie, they are enrolled in courses totalling 0.8 EFTS) are eligible to have all of the interest charged on their loan for the previous year written off.

Borrowers who undertook approved study during the year, but did not meet the full-time full-year criteria above, are still eligible to have all of the interest charged on their loan for the previous year written off as long as their total net income is below the income threshold. For the 2002/03 year the income threshold was $25,378. This has been increased to $25,909 for the 2003/04 income year.

Table 15 Full Interest Write-off Income Thresholds for Part-time or Part-year Study 2000 - 2004

2000/01	2001/02	2002/03	2003/04
$24,596	$25,073	$25,378	$25,909

Base interest write-off

Borrowers whose net income is equal to or less than the repayment threshold in any income year qualify for a full base interest write-off. This ensures that the loan balances for these borrowers can never increase by more than the rate of inflation.

Table 16 Repayment Obligation Income Thresholds

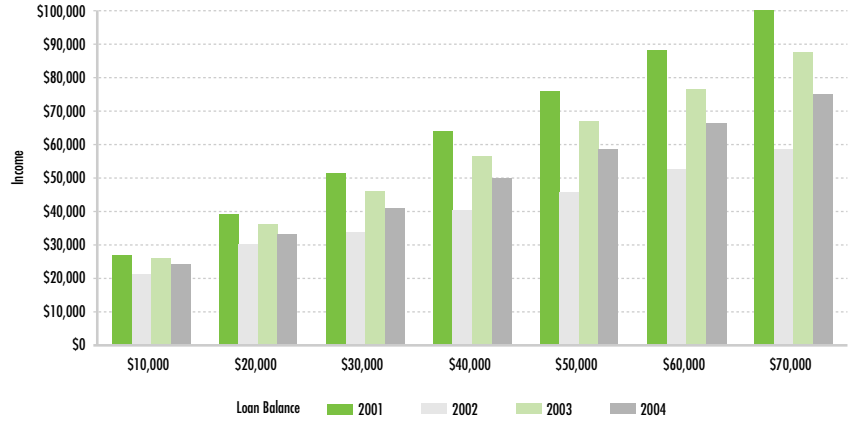
2000/01	2001/02	2002/03	2003/04
$14,768	$15,132	$15,496	$15,964

Base interest reduction (50/50 rule)

The base interest reduction provision limits the amount of base interest charged on a loan to a maximum of 50 percent of the repayment obligation for that year. Where a borrower's base interest charge in any income year exceeds 50 percent of the repayment obligation, the base interest charge is reduced to that amount. This effectively means that at least 50 percent of all repayments are credited firstly to the interest adjustment rate (ie to the inflation component of the interest rate) and secondly, to the loan principal.

The amount of any base interest reduction depends on the loan:income ratio and the level of the base interest rate. The larger the loan, the higher a borrower's income can be before there is no base interest reduction. In addition, the higher the base interest rate, the greater the extent of write-off. The following graph illustrates the relationship between income level and debt level over the years 2001 to 2004 by displaying, for each debt level, the income above which the base interest reduction does not apply.

Fig 25 Income Level at which Base Interest Reduction No Longer Applies[55]



Source: Inland Revenue

Additional criteria for all interest write-offs

Eligibility for all interest write-offs is limited to the period for which the borrower is or was a resident.

Before full interest write-offs can be credited, the Ministry of Education must confirm borrowers' full-time study status. The interest write-offs are then applied to loan accounts after the end of the income year (31 March) to which the study related.

All income-contingent write-offs (ie full interest write-offs for confirmed part-time students, base interest write-offs and base interest reductions) are subject to borrowers confirming their income with Inland Revenue by way of filing an IR3 Return of Income or receiving a Personal Tax Summary from Inland Revenue.

For borrowers required to file an IR3 tax return, interest write-offs are calculated after the return is filed. All other eligible borrowers receive their interest write-off entitlement after receiving a Personal Tax Summary in May/June each year.

Non-resident interest write-offs

Non-resident borrowers can qualify for either a base interest write-off or a base interest reduction. Different criteria apply to non-resident interest write-offs.

Non-residents must have:

- re-negotiated all or part of their assessed repayment obligation for a year; and
- satisfied the Commissioner of Inland Revenue that:
  - i) they have been engaged in full-time study outside New Zealand; and
  - ii) payment of the base interest charged for the period during the income year in which they were engaged in full-time study outside New Zealand would cause serious hardship.

Non-resident borrowers must apply in writing to the Commissioner to have their base interest written off after the end of the income year(s) in which they studied outside New Zealand.

55. Note that the different income levels in each year reflect the changes in base interest rate from year to year.

Appendix 2 Administration Costs

The costs of administering the Student Loan Scheme vary from year to year, depending on the number of borrowers, the number of transactions and any system changes required to implement new policies. For example, Inland Revenue makes system changes to implement changes to repayment and interest write-off regimes and the Ministry of Social Development makes ongoing improvements to systems and support services.

Table 17 Administration Costs 1997 - 2003 ($m)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Ministry of Education	1.5	1.7	1.0	-	-	-
Tertiary education institutions	5.0	5.2	2.8	-	-	-
Loan Accounts Manager	3.1	4.6	1.9	-	-	-
Administration cost (Ministry of Social Development)	-	-	36.8	18.9	13.9	12.5
Administration Costs (MOE/MSD)	**9.6**	**11.5**	**42.5**	**18.9**	**13.9**	**12.5**
Inland Revenue	8.3	9.0	7.5	7.9	8.6	8.9
Total Administration Costs	**17.9**	**20.5**	**50.0**	**26.8**	**22.5**	**21.4**
Less loan administration fee revenue	(5.5)	(5.6)	(6.6)	(7.1)	(7.4)	(7.6)
Net Administration Costs	**12.4**	**14.9**	**43.4**	**19.7**	**15.1**	**13.8**

Notes:

1. The administration cost (Ministry of Social Development) for 1999/2000 includes the delivery of Loans, Allowances and Community Wage Student, and a number of start-up costs. These costs were not separately identified at that time.
2. All figures exclude GST.
3. Caution should be exercised in making direct comparisons from year to year, because of changes in delivery and the volume of loans being managed.
4. From 1 July 2002, Inland Revenue has no longer costed Student Loan administration separately. The calculation of $8.9 million is a pro rata estimate over total expenditure.

Appendix 3 Historical Income and Expenditure

Table 18 Student Loans - Historical Income and Expenditure 1997 - 2003

	1997/98 $m	1998/99 $m	1999/00 $m	2000/01 $m	2001/02 $m	2002/03 $m
Student Loans Opening Balance	**1,883.6**	**2,469.5**	**3,001.8**	**3,522.9**	**4,142.6**	**4,749.7**
Loan drawings	651.8	618.1	694.7	866.1	934.8	951.9
Administration fees	5.5	5.6	6.6	7.1	7.4	7.6
Add accrued interest	183.2	228.8	249.0	289.3	335.3	393.1
Subtotal Additions	**840.5**	**852.5**	**950.3**	**1,162.5**	**1,277.5**	**1,352.6**
Less capital repayments	(116.4)	(147.5)	(174.1)	(198.5)	(245.6)	(251.9)
Less interest repayments	(52.2)	(92.1)	(107.4)	(122.6)	(149.4)	(186.1)
Subtotal Repayments	**(168.6)**	**(239.6)**	**(281.5)**	**(321.1)**	**(395.0)**	**(438.0)**
Interest, small balance, deceased, bankrupt write-offs	(19.3)	(24.8)	(24.1)	(197.5)	(147.6)	(203.9)
Change in provision for doubtful debt	(66.5)	(61.4)	(132.0)	(30.3)	(125.5)	(87.1)
Subtotal Write-offs and Provision for Doubtful Debt	**(85.8)**	**(86.2)**	**(156.1)**	**(227.8)**	**(273.1)**	**(291.0)**
Other Movements	**(0.2)**	**5.6**	**8.4**	**6.1**	**(2.3)**	**(2.9)**
Net Changes	**585.9**	**532.3**	**521.1**	**619.7**	**607.1**	**620.7**
Student Loans Closing Balance	**2,469.5**	**3,001.8**	**3,522.9**	**4,142.6**	**4,749.7**	**5,370.4**

Table 18A Student Loans - Forecast Income and Expenditure 2003 - 2007

	2003/04 $m	2004/05 $m	2005/06 $m	2006/07 $m
Student Loans Opening Balance	**5,370.4**	**5,974.8**	**6,613.2**	**7,361.1**
Loan drawings	996.1	1,048.9	1,099.4	1,163.0
Administration fees	8.2	8.4	8.7	8.9
Add accrued interest	447.1	511.4	580.0	654.0
Subtotal Additions	**1,451.4**	**1,568.7**	**1,688.1**	**1,825.9**
Less capital repayments	(301.1)	(335.8)	(371.9)	(409.9)
Less interest repayments	(188.7)	(212.7)	(238.0)	(264.4)
Subtotal Repayments	**(489.8)**	**(548.5)**	**(609.9)**	**(674.3)**
Interest, small balance, deceased, bankrupt write-offs	(172.5)	(202.8)	(213.9)	(235.8)
Change in provision for doubtful debt	(184.7)	(179.0)	(116.4)	(104.5)
Subtotal Write-offs and Provision for Doubtful Debt	**(357.2)**	**(381.8)**	**(330.3)**	**(340.3)**
Other Movements	**0.0**	**0.0**	**0.0**	**0.0**
Net Changes	**604.4**	**638.4**	**747.9**	**811.3**
Student Loans Closing Balance	**5,974.8**	**6,613.2**	**7,361.1**	**8,172.4**

Appendix 4 Glossary of Terms

Academic year: The academic year is defined in the Education Act 1989 as a calendar year, January - December.

Approved qualification: A formally assessed qualification of study that has been approved by the New Zealand Vice-Chancellors' Committee (NZVCC), or the New Zealand Qualifications Authority (NZQA) or its agents (NZPPC and NZCTE). Also includes qualifications leading to an award issued by a local tertiary institution which has the approval of the Council or, where delegated, the internal academic board of that institution.

Base interest (rate): The interest charge which reflects how much it costs the government to borrow for the Student Loan Scheme. From 1 April 2003 the base interest rate is 4.2 percent. (See also Interest adjustment rate and Interest (rate) setting.)

Base interest reduction: The amount by which a borrower's base interest is reduced and capped at 50 percent of their annual minimum repayment obligation. In effect, this means that at least 50 percent of any payments made are credited against the loan principal and CPI interest components of the loan.

Base interest write-off: All base interest charged is written off in the event that earnings do not exceed the repayment threshold in an income year. The repayment threshold was $15,496 for 2002/03 and is $15,964 for 2003/04.

Borrower: (See Student loan borrower.)

Borrower(s) overseas: (See Non-resident borrower.)

Client: (See Student loan borrower.)

College of Education (CoE): A public tertiary institution that specialises in the provision of teacher education training.

Compulsory fees: (See Tuition fees.)

Consumer Price Index (CPI): The 'cost of living'. (See Interest Adjustment Rate.)

Cost of borrowing: This refers to the amount of money the Crown borrows to finance student loans. It should be noted that the Crown doesn't specifically borrow for student loans. The Crown's borrowing programme funds the net impact of the government's operating, investing (including student loans) and financing activity. The Crown cost of borrowing rate is currently based on the average 10-year bond rate over the previous 12 months to December.

Course: A component of education. A paper/module/unit standard may all be different types of courses. A course or collection of courses form a programme of study which, if completed successfully, results in the award of a qualification.

Course-related costs: These are the additional expenses associated with tertiary study that are not compulsory for all students. These can include such costs as equipment, textbooks, field trips, and transport to and from study.

Drawdown(s) or Drawings: The amount of money drawn down by a student from their loan account, as either tuition fees (direct credited to their tertiary provider), course-related costs or living costs.

EFTS (Equivalent full-time student): The EFTS system is a method of counting tertiary student numbers. The basis of the EFTS system is that a student taking a normal year's full-time study equals 1.0 EFTS unit and the courses taken by part-time students are fractions of one EFTS unit.

Fiscal year: July - June (government accounting year).

Formal students: For statistical purposes, a tertiary student is considered to be a formal student when enrolled in a formal programme of study at a tertiary education provider with an aggregated EFTS consumption value greater than 0.03 (eg more than one week's full-time duration).

Full interest write-off: All interest charges are written off if a borrower is a full-time, full-year student or a part-year or part-time student and earned less than the interest write-off threshold ($25,378 for 2002/03 and $25,909 for 2003/04).

Full-time: For student loan and allowances purposes, full-time for a part-year student means any period of at least 12 weeks and 0.3 EFTS pro-rated for additional weeks. Full-time for a full-year student means any course of at least 32 weeks and 0.8 EFTS. The former is the definition used to determine a part-year student's eligibility for student loans and allowances. The latter is the definition of full-time for full-year students and for the student loan interest write-off.

Income year: Tax year as appropriate for taxpayer.

Interest adjustment rate: This rate is set based on the Consumer Price Index (or the cost of living) from the December quarter in the previous income year. From 1 April 2003 the interest adjustment rate is 2.8 percent. (See also Base interest (rate) and Interest (rate) setting.)

Interest rate(s): The interest rate for the 2003/04 year is 7 percent. (See Base interest, Interest adjustment rate, Full interest write-off, Base interest write-off and Base interest reduction.)

Interest (rate) setting: This describes the process by which the Student Loan Scheme interest rate is set annually by Order in Council. There are two components to the total interest rate – the interest adjustment rate and the base interest rate.

Interest reduction: (See Base interest reduction.)

Interest write-off(s): (See Base interest write-off, Full interest write-off, and Base interest reduction.)

Interest write-off threshold: Part-time or part-year borrowers earning less than this threshold qualify for a full interest write-off ($25,378 for 2002/03 and $25,909 for 2003/04).

Interest year: Interest is charged on a 1 April to 31 March year basis.

Knowledge society: The government's vision for a New Zealand knowledge society is that New Zealand will be, according to the Tertiary Education Strategy 2002/07:

- a birthplace of world-changing people and ideas;
- a land where diversity is valued and reflected in New Zealand's national identity;
- a great place to live, learn, work and do business; and
- a place where people invest in the future.

Loan Accounts Manager: Any person (currently the Operations Manager (Processing Centre) at StudyLink) who is appointed by the lender from time to time to establish and administer loan balances under the Student Loan Scheme (other than any such loan balances that have been transferred to the Commissioner for collection). See section 2 of the Student Loan Scheme Act 1992.

Loan balance: Means the total amount outstanding under all loans obtained by the borrower under the Student Loan Scheme.

Loan clients: (See Student loan borrowers.)

Loan contract: Means any loan agreement or contract entered into by the lender and the borrower under the Student Loan Scheme.

Nominal dollars: Sums quoted in nominal terms use the dollar value with no adjustment for the effects of inflation over time.

Non-resident borrower: Means a borrower who is not resident in New Zealand in terms of section OE 1 of the Income Tax Act 1994.

Non-resident repayment obligations: A repayment obligation imposed under part 3 of the Student Loan Scheme Act 1992 for borrowers who are deemed to be non-resident.

Overseas borrower: (See Non-resident borrower.)

Part-time: An expression which can apply to either the qualification or the student. A qualification offered part time has the same EFTS value but is studied over a longer period of time than its full-time equivalent. A student may elect to study a full-time qualification on a part-time basis, by enrolling in fewer courses than the normal student full-time workload. For the purposes of a student loan full interest write-off, part-time means any course that is not full time (eg less than 0.8 EFTS).

Pasifika peoples: A diverse range of peoples from the South Pacific region or people within this country who have strong family and cultural connections to Pacific Island countries. Pasifika peoples are not homogenous and include those who have been born in New Zealand or overseas. It is a collective term used to refer to men, women and children of Samoan, Cook Islands, Tongan, Niuean, Tokelauan, Fijian and other Pasifika or mixed heritages. It includes a variety of combinations of ethnicities, recent migrants or third, fourth or fifth generation New Zealand-born.

Polytechnic: A public tertiary education institution that is characterised by a wide diversity of vocational and professional programmes.

Private Training Establishments (PTEs): These are private institutions registered with the New Zealand Qualifications Authority.

Programme: A programme of study is a collection of courses, classes, or work in which a student enrols which contributes to meeting the requirements for the award of a qualification.

Qualification: An official award given in recognition of the successful completion of a programme of study, which has been quality assured by a recognised quality assurance agency. All recognised qualifications must be registered on the Qualifications Register.

Recognised (accredited) tertiary provider: An institution or private provider which has been recognised by the New Zealand Qualifications Authority (NZQA) as having the appropriate expertise to provide an approved course of study.

Recognised course/programme/qualification: A

quality assured course/programme/qualification which has been entered on the Ministry of Education's Qualifications Register with the necessary approvals.

Repayment deductions: Amounts deducted by employers from a borrower's salary or wages when a borrower's income exceeds the repayment threshold and where a borrower has notified their employer of their student loan repayment obligation by using the appropriate tax code.

Repayment obligation: The amount a borrower is required to repay toward their loan in any given income year. For resident borrowers, this is calculated as the amount by which the borrower's net income exceeds the repayment threshold, multiplied by 10 percent.

Repayment threshold: The amount a person can earn in a year before they have to start paying back their loan ($15,496 for 2002/03 and $15,964 for 2003/04 before tax). Once a person earns more than the threshold, they will have to pay 10 cents for every dollar earned over this amount.

Resident borrower: A person who is resident in New Zealand in terms of section OE 1 of the Income Tax Act 1994.

Small balance write-offs: In the event that a borrower has a loan balance of less than $10 as at the last day of any income year, the loan balance is reduced to zero.

Strategic policy (student loans): This means the parameters of the scheme within the government's income support framework. The parameters define why student support is provided, who is eligible, and what they are entitled to.

Student allowances: Student allowances are income-tested grants designed to provide assistance to those students who are unable to support themselves or do not have access to alternative sources of support while undertaking full-time study.

Student loan borrower: A borrower means any person who has received a student loan. A person is still referred to as a borrower whilst they have an outstanding debt balance.

Study status: This refers to whether a person is studying full-time or part-time.

StudyLink: StudyLink (a service of the Ministry of Social Development) is responsible for the delivery and administration of the payment of student loans, student allowances and the unemployment benefit (student hardship).

Tax year: Tax year as appropriate for taxpayer.

Tertiary education: Tertiary education comprises all involvement in post-school learning activities and includes industry training and community education.

Tertiary Education Institutions (TEIs): Tertiary Education Institutions are publicly funded universities, polytechnics, technical institutes, colleges of education and wānanga.

Tertiary education providers: Tertiary education providers are all the institutions and organisations that provide tertiary education. These include public tertiary education institutions (TEIs), private training establishments (PTEs), other providers (OTEPs) and government training establishments (GTEs).

Tertiary sector: (See Tertiary education providers.)

TESLA: Tertiary Education Student Loan Analysis model (see page 10 and Appendix 6 for more detail).

Total interest rate: This means the sum of the base interest rate and the interest adjustment rate. The total rate for the 2003/04 year is 7 percent.

Transferred balance: The total loan balance including interest that is transferred from StudyLink to Inland Revenue for collection.

Tuition fees: Fees charged for tuition by public and private tertiary education providers.

Tuition subsidies: Money that is appropriated by the government for Vote Education that is used to provide EFTS-based tuition subsidies for valid student enrolments offered by recognised providers.

Undischarged bankrupt: A person who has been officially declared bankrupt and who hasn't yet been discharged under the Insolvency Act 1967.

University: A public tertiary education institution that is primarily concerned with advanced learning and knowledge, research and teaching to a postgraduate level.

Voluntary repayments: Any additional student loan repayment that is made over and above the compulsory repayment obligation, or is made prior to the loan being transferred to IRD. This payment goes directly to the principal.

Wānanga: A public tertiary institution that provides programmes with an emphasis on the application of knowledge regarding ahuatanga Māori (Māori traditions) according to tikanga Māori (Māori custom).

Appendix 5 Definitions Clarifying the Financial Statements

The financial schedule is a window through which the stakeholders can observe the current financial condition, problems and opportunities facing an accounting entity.

The financial schedule in this report represents extracts of the financial statements of the Crown activities carried out by the Crown entities administering student loans to provide an overview of the Student Loan Scheme.

Statement of Financial Performance (Operating Statements) – Schedule of Revenue and Expenditure

This statement represents a summary of activities over the current fiscal year (1 July 2002 to 30 June 2003). It shows revenue (administration fees and interest earned) less expenses (small balance write-offs and interest write-offs). The result is an operating surplus or deficit.

Statement of Financial Position (Balance Sheet) – Schedule of Assets

This statement is a snapshot of the scheme's assets at 30 June 2003. It comprises:

- current assets: assets expected to be realised in cash or sold within one year of the balance date; and
- non-current assets: assets which are not easily convertible to cash or not expected to become cash within the next year.

Schedule of Cash Flows

The objective of this statement is to provide information about the operation and investment activities in cash terms. This schedule shows the sum of capital and interest repayment received and the sum of loans disbursed to borrowers during the fiscal year.

Notes to the Financial Schedules

The notes to the financial schedules provide additional explanatory and background information on how the figures shown in the financial schedule have been compiled.

Accrual Basis Accounting

Under an accrual basis, the effects of transactions and other events are recognised when they occur. They are then recorded in the accounting records and reported in the financial reports of the periods to which they relate. The time that an event or transaction occurs may or may not coincide with the time that cash is received or paid. Financial reports prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash, but also of obligations to pay cash in the future and of resources that represent cash to be received in the future.

Cash Basis Accounting

Under a cash basis, financial reports are prepared on past transactions involving the payment and receipt of cash.

Appendix 6 Tertiary Education Student Loan Analysis Model

The Tertiary Education Student Loan Analysis (TESLA) model was developed in 1994 for the Ministry of Education to forecast student loan debt and repayment periods and to assist with the evaluation of policy options. The TESLA model generates a representative student population from a profile of borrower characteristics. The profile is based on demographic statistics and historic aggregate Student Loan Scheme data. The model creates a set of individual profiles that represent the estimated 4 million people who have used or will use the scheme between 1992 and 2050. Each individual in this model has student loan characteristics, which give an overall annual estimate of debt, repayments, interest and write-offs.

The model works on an annual cycle. Each year is modelled for each individual in the model. The person's closing debt is calculated by adding the opening debt to the gross interest at current interest rates and subtracting expected repayments, interest write-offs and other write-offs. The future interest rates are modelled using the statutory formula for setting the interest rate, and the repayment and interest write-off thresholds are calculated by the current threshold, increased each year by the Consumer Price Index (CPI).

The gender, age, ethnicity, amount borrowed and future borrowing characteristics of each profile are determined by an analysis of historical data. The initial income of each profile is determined by census data and modified by income transitions information from IRD. The subsequent income is determined by years of study, current study status and growth in GDP per capita.

Repayments, interest and interest write-offs are calculated using the operating rules of the scheme. Voluntary repayments are based on analysis of aggregate repayment data against incomes and the resulting repayment obligation. Death and death write-offs are determined by the latest mortality rates, taken from the Census, applied to the debt held in the model.

The model uses historical and forecast GDP and CPI data and other assumptions as follows:

Factor	Assumptions
Enrolment growth projections	Participation in tertiary education is modelled using the age specific population projections from Statistics New Zealand. A loan uptake model is applied to this, out to 2007, beyond which the change in the number of loan borrowers is assumed to be commensurate with the change in enrolments projected.
Student loan uptake rate	Projected using historic trends out to 2007.
CPI changes	Forecasts from Treasury.
GDP changes	Forecasts from Treasury.
Mortality rate	Statistics New Zealand Life Tables.
Number of years borrowing	The members of the TESLA borrowers population are not modelled to borrow for specific times. Rather each member is assessed in the model each year as to whether he/she is likely to finish borrowing. The probability of a person finishing borrowing is based on historical data.
Income data	a. Income growth from IRD b. Income deciles of tertiary qualified people from the Census c. Income by age from the Census

Appendix 7 Statistical Tables and Figures

Table 19 (Fig 1) Formal Enrolments in Tertiary Education Providers at 31 July 1989 - 2002

Year	Full-time	Part-time
1989	86,494	59,126
1990	68,144	67,546
1991	78,781	78,261
1992	97,917	104,226
1993	99,160	97,974
1994	100,634	96,347
1995	106,247	104,688
1996	111,655	101,980
1997	118,352	99,654
1998	125,710	96,607
1999	127,653	93,056
2000	129,189	95,991
2001	133,087	102,708
2002	149,333	117,168

Note: Excludes students enrolled at providers that do not qualify for tuition subsidy funding or that are ineligible for access to the Student Loan Scheme.

Source: Ministry of Education

Table 20 Formal Enrolments in Tertiary Education Providers by Gender at 31 July 1994 - 2002

Year	Female	Male
1994	104,358	92,623
1995	112,588	98,347
1996	116,144	97,491
1997	120,006	98,000
1998	124,462	97,855
1999	125,429	95,280
2000	127,974	97,206
2001	134,613	101,182
2002	156,586	109,915

Note: Excludes students enrolled at providers that do not qualify for tuition subsidy funding or that are ineligible for access to the Student Loan Scheme.

Source: Ministry of Education

Table 21 Formal Enrolments in Tertiary Education Providers by Ethnicity (excluding European/Pākehā) at 31 July 1994 - 2002

Year	Māori	Pasifika Peoples	Asian	Other/Unknown
1994	20,201	5,900	8,779	14,114
1995	22,709	6,802	10,488	19,262
1996	23,450	7,386	14,523	18,320
1997	24,561	7,388	17,623	18,433
1998	27,133	8,119	19,476	18,940
1999	27,837	8,241	19,994	19,411
2000	29,513	8,645	20,628	20,471
2001	36,016	9,274	20,802	26,396
2002	42,519	9,903	20,976	32,321

Note: Ethnicity in this table is recorded on a prioritised basis.

Source: Ministry of Education

Table 22 (Fig 4) Number of Student Loan Borrowers in Each Academic Year 1992 - 2002

Year	Number of borrowers
1992	44,202
1993	68,411
1994	79,338
1995	89,817
1996	95,411
1997	105,038
1998	114,387
1999	115,142
2000	128,107
2001	148,174
2002	150,575

Source: Ministry of Social Development and Ministry of Education

Table 23 (Fig 5) Number of Borrowers by Study Status and Percentage Increase of Borrowers 2000 - 2002

Study Status	2000	2001	2002	% Increase 2000 - 2001	% Increase 2001 - 2002
Full-time full-year	92,008	107,202	112,653	16.5%	5.1%
Full-time part-year	25,671	23,608	24,621	-8.0%	4.3%
Part-time full-year	10,428	15,335	13,178	47.1%	-14.1%
Total	**128,107**	**146,145**	**150,452**	**14.1%**	**2.9%**

Note: The student numbers in the above table, differ slightly from those presented elsewhere in the report (by approximately 1.5 percent for 2001 and 0.1 percent for 2002) because the method used to extract loan data has changed. This has resulted in improvements that entail a slight redefinition of student numbers relating to students whose study period continues from the end of one year into the start of the next.

Source: StudyLink, Ministry of Social Development

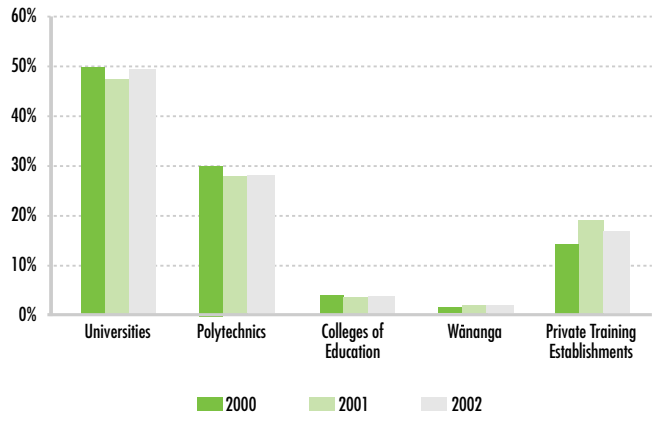
Table 24 (Fig 14) The Number and Value of Fees Borrowed* by Provider Type 2000 - 2002

	Number of Borrowers					Amount borrowed - course fees $000				
Provider Type	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
Universities	61,380	65,507	68,688	6.7%	4.9%	240,371	260,583	272,441	8.4%	4.6%
Polytechnics	36,996	38,605	39,511	4.3%	2.3%	117,838	126,175	142,139	7.1%	12.7%
CoEs	4,910	5,139	5,201	4.7%	1.2%	13,294	13,496	13,721	1.5%	1.7%
Wānanga	2,054	2,782	3,035	35.4%	9.1%	8,090	11,563	14,273	42.9%	23.4%
PTEs	17,493	26,358	22,950	50.7%	-12.9%	89,267	139,778	118,418	56.6%	-15.3%
Total	**122,833**	**138,391**	**139,385**	**12.7%**	**0.7%**	**468,860**	**551,594**	**560,991**	**17.6%**	**1.7%**

*The totals differ from Table 22 because not all students borrow fees.
Note: From 2000, only fees borrowed are recorded by provider type.

Source: Ministry of Social Development

Fig 26 Percentage of Students who Borrowed Fees by Provider Type 2000 - 2002



Source: Ministry of Social Development

Table 25 (Fig 6) Percentage of Borrowers by Gender 1992 - 2002

Gender	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Males	53.7	50.9	49.9	48.5	48.1	47.1	46.6	44.5	44.2	43.4	43.1
Females	46.3	49.1	50.1	51.5	51.9	52.9	53.4	55.5	55.8	56.6	56.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Ministry of Social Development

Table 26 (Figs 11-13) Number of Borrowers and Amount Borrowed by Ethnicity and Gender 2000 - 2002

	Number of Borrowers					Amount borrowed ($000s)				
Ethnicity	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
European/Pākehā	**59,779**	**70,996**	**73,175**	**18.8%**	**3.1%**	**366,813**	**441,812**	**467,835**	**20.4%**	**5.9%**
Female	33,259	39,484	41,165	18.7%	4.3%	195,066	233,618	248,389	19.8%	6.3%
Male	26,520	31,512	32,010	18.8%	1.6%	171,746	208,194	219,446	21.2%	5.4%
Māori	**13,914**	**18,797**	**18,036**	**35.1%**	**-4.0%**	**80,092**	**109,020**	**103,427**	**36.1%**	**-5.1%**
Female	8,448	11,543	11,011	36.6%	-4.6%	45,900	64,026	59,820	39.5%	-6.6%
Male	5,466	7,254	7,025	32.7%	-3.2%	34,192	44,994	43,607	31.6%	-3.1%
Pasifika Peoples	**5,756**	**6,895**	**7,612**	**19.8%**	**10.4%**	**36,845**	**42,416**	**47,647**	**15.1%**	**12.3%**
Female	3,453	4,126	4,492	19.5%	8.9%	22,013	24,747	27,401	12.4%	10.7%
Male	2,303	2,769	3,120	20.2%	12.7%	14,832	17,669	20,246	19.1%	14.6%
Asian	**9,362**	**11,612**	**13,402**	**24.0%**	**15.4%**	**54,686**	**71,932**	**87,742**	**31.5%**	**22.0%**
Female	4,617	5,877	6,919	27.3%	17.7%	25,765	35,007	43,799	35.9%	25.1%
Male	4,745	5,735	6,483	20.9%	13.0%	28,921	36,925	43,943	27.7%	19.0%
Other	**3,178**	**4,131**	**4,676**	**30.0%**	**13.2%**	**18,926**	**24,486**	**28,487**	**29.4%**	**16.3%**
Female	1,440	1,929	2,163	34.0%	12.1%	8,281	11,255	12,761	35.9%	13.4%
Male	1,738	2,202	2,513	26.7%	14.1%	10,646	13,231	15,726	24.3%	18.9%
European/Pākehā and Māori	**2,652**	**4,522**	**5,677**	**70.5%**	**25.5%**	**16,173**	**27,362**	**35,045**	**69.2%**	**28.1%**
Female	1,561	2,647	3,341	69.6%	26.2%	9,316	15,357	19,881	64.8%	29.5%
Male	1,091	1,875	2,336	71.9%	24.6%	6,857	12,005	15,165	75.1%	26.3%
European/Pākehā and Pasifika Peoples	**602**	**852**	**1,089**	**41.5%**	**27.8%**	**3,770**	**5,592**	**7,133**	**48.3%**	**27.6%**
Female	319	462	588	44.8%	27.3%	2,014	2,872	3,561	42.6%	24.0%
Male	283	390	501	37.8%	28.5%	1,756	2,720	3,572	54.9%	31.3%
Māori and Pasifika Peoples	**304**	**432**	**545**	**42.1%**	**26.2%**	**2,000**	**2,565**	**3,418**	**28.2%**	**33.3%**
Female	179	237	321	32.4%	35.4%	1,148	1,406	2,044	22.4%	45.4%
Male	125	195	224	56.0%	14.9%	852	1,159	1,374	36.1%	18.6%

Table 26 Continued

	Number of Borrowers					Amount borrowed ($000s)				
Ethnicity	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
European/Pākehā and Asian	**252**	**345**	**438**	**36.9%**	**27.0%**	**1,544**	**2,196**	**2,776**	**42.3%**	**26.4%**
Female	126	180	228	42.9%	26.7%	762	1,101	1,298	44.5%	17.9%
Male	126	165	210	31.0%	27.3%	782	1,096	1,478	40.1%	34.9%
Māori and Asian	**38**	**52**	**62**	**36.8%**	**19.2%**	**227**	**266**	**354**	**17.3%**	**32.9%**
Female	21	28	27	33.3%	-3.6%	131	144	146	9.4%	1.4%
Male	17	24	35	41.2%	45.8%	96	123	208	28.2%	69.9%
Pasifika Peoples and Asian	**227**	**368**	**495**	**62.1%**	**34.5%**	**1,366**	**2,253**	**3,352**	**65.0%**	**48.8%**
Female	114	188	248	64.9%	31.9%	682	1,088	1,525	59.6%	40.2%
Male	113	180	247	59.3%	37.2%	684	1,165	1,828	70.3%	56.9%
European/Pākehā and Other	**206**	**440**	**753**	**113.6%**	**71.1%**	**1,289**	**2,646**	**4,854**	**105.3%**	**83.4%**
Female	94	210	387	123.4%	84.3%	550	1,180	2,280	114.5%	93.2%
Male	112	230	366	105.4%	59.1%	739	1,466	2,574	98.5%	75.6%
Māori and Other	**79**	**136**	**189**	**72.2%**	**39.0%**	**477**	**822**	**1,058**	**72.2%**	**28.7%**
Female	47	81	102	72.3%	25.9%	287	502	571	74.9%	13.6%
Male	32	55	87	71.9%	58.2%	190	320	487	68.0%	52.4%
Pasifika Peoples and Other	**49**	**76**	**102**	**55.1%**	**34.2%**	**327**	**423**	**588**	**29.3%**	**38.9%**
Female	30	44	51	46.7%	15.9%	196	224	287	14.6%	28.0%
Male	19	32	51	68.4%	59.4%	132	199	301	51.1%	51.2%
Asian and Other	**142**	**426**	**833**	**200.0%**	**95.5%**	**835**	**2,393**	**4,891**	**186.5%**	**104.4%**
Female	60	208	416	246.7%	100.0%	332	1,124	2,407	238.6%	114.1%
Male	82	218	417	165.9%	91.3%	503	1,268	2,484	152.0%	95.8%
3 Ethnic Groups	**223**	**440**	**625**	**97.3%**	**42.0%**	**1,373**	**2,628**	**3,706**	**91.4%**	**41.0%**
Female	123	245	335	99.2%	36.7%	753	1,407	2,009	86.7%	42.8%
Male	100	195	290	95.0%	48.7%	620	1,222	1,697	97.1%	38.9%

Table 26 Continued

	Number of Borrowers					Amount borrowed ($000s)				
Ethnicity	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
4 Ethnic Groups	**15**	**23**	**45**	**53.3%**	**95.7%**	**110**	**116**	**292**	**5.9%**	**151.3%**
Female	7	13	25	85.7%	92.3%	46	55	157	20.0%	183.7%
Male	8	10	20	25.0%	100.0%	64	61	135	-4.3%	121.8%
More than 4 Ethnic Groups	**2**	**3**	**1**	**50.0%**	**-66.7%**	**8**	**21**	**10**	**160.8%**	**-50.8%**
Female	1	1	0	0.0%	-100.0%	3	5	0	78.2%	-100.0%
Male	1	2	1	100.0%	-50.0%	5	15	10	212.4%	-33.2%
Unspecified	**31,327**	**27,628**	**22,820**	**-11.8%**	**-17.4%**	**189,160**	**170,038**	**131,487**	**-10.1%**	**-22.7%**
Female	17,627	16,313	13,931	-7.5%	-14.6%	102,223	93,779	72,902	-8.3%	-22.3%
Male	13,700	11,315	8,889	-17.4%	-21.4%	86,938	76,259	58,586	-12.3%	-23.2%
Total	**128,107**	**148,174**	**150,575**	**15.7%**	**1.6%**	**776,022**	**908,989**	**934,105**	**17.1%**	**2.8%**
Female	71,526	83,816	85,750	17.2%	2.3%	415,469	488,899	501,238	17.7%	2.5%
Male	56,581	64,358	64,825	13.7%	0.7%	360,554	420,090	432,867	16.5%	3.0%

Table 26A Number of Borrowers by Ethnicity and Gender
2000 - 2002

	2000	2001	2002
European/Pākehā	63,491	77,155	81,132
Female	35,359	42,983	45,709
Male	28,132	34,172	35,423
Māori	16,987	23,939	24,509
Female	10,256	14,536	14,802
Male	6,731	9,403	9,707
Pasifika Peoples	6,938	8,623	9,843
Female	4,095	5,057	5,700
Male	2,843	3,566	4,143
Asian	9,692	12,208	14,316
Female	4,778	6,179	7,379
Male	4,914	6,029	6,938
Other	3,894	5,675	7,224
Female	1,802	2,731	3,479
Male	2,092	2,944	3,745
Unspecified (includes those with 3 or more declared ethnicities)	31,567	28,094	23,491
Female	17,758	16,572	14,291
Male	13,809	11,522	9,200
Total	**128,107**	**148,174**	**150,575**
Female	**71,526**	**83,816**	**85,750**
Male	**56,581**	**64,358**	**64,825**

Table 26B Percentage of Borrowers by Ethnicity and Gender
2000 - 2002

	2000	2001	2002
European/Pākehā	49.56%	52.07%	53.88%
Female	49.44%	51.28%	53.30%
Male	49.72%	53.10%	54.64%
Māori	13.26%	16.16%	16.28%
Female	14.34%	17.34%	17.26%
Male	11.90%	14.61%	14.97%
Pasifika Peoples	5.42%	5.82%	6.54%
Female	5.73%	6.03%	6.65%
Male	5.02%	5.54%	6.39%
Asian	7.57%	8.24%	9.51%
Female	6.68%	7.37%	8.60%
Male	8.68%	9.37%	10.70%
Other	3.04%	3.83%	4.80%
Female	2.52%	3.26%	4.06%
Male	3.70%	4.57%	5.78%
Unspecified (includes those with 3 or more declared ethnicities)	24.64%	18.96%	15.60%
Female	24.83%	19.77%	16.67%
Male	24.41%	17.90%	14.19%
	100.00%	**100.00%**	**100.00%**

Notes: (1) Borrowers may record more than one ethnicity when applying for loans. Ethnicity is not a compulsory field on the loan application form.

(2) Table 26 presents ethnic data in combination form, with those who declare more than one ethnicity identified separately. In the combination method, each person is assigned to a single category. Tables 26A and B present the same data on a total response basis. The total response method records each ethnicity nominated by each person. This means that a person reporting two ethnicities will have two entries in the table. Thus in Tables 26A and B the sum of the columns will not equal the total of that column.

Source: Ministry of Social Development

Table 27 (Figs 8-10) Number of Borrowers and Amount Borrowed by Age and Gender 2000 - 2002

	Number of Borrowers					Amount borrowed ($000s)				
Age Group	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
Under 18 Years	**3,189**	**4,129**	**4,462**	**29.5%**	**8.1%**	**21,702**	**28,147**	**30,410**	**29.7%**	**8.0%**
Female	1,749	2,218	2,419	26.8%	9.1%	12,694	15,963	17,281	25.8%	8.3%
Male	1,440	1,911	2,043	32.7%	6.9%	9,008	12,183	13,129	35.2%	7.8%
18 - 20 Years	**37,537**	**41,642**	**41,895**	**10.9%**	**0.6%**	**248,773**	**285,445**	**290,535**	**14.7%**	**1.8%**
Female	20,641	23,220	23,505	12.5%	1.2%	135,418	156,868	159,331	15.8%	1.6%
Male	16,896	18,422	18,390	9.0%	-0.2%	113,354	128,577	131,204	13.4%	2.0%
21 - 23 Years	**30,992**	**34,444**	**35,800**	**11.1%**	**3.9%**	**214,900**	**237,616**	**248,568**	**10.6%**	**4.6%**
Female	16,502	18,521	19,312	12.2%	4.3%	110,858	121,716	127,124	9.8%	4.4%
Male	14,490	15,923	16,488	9.9%	3.5%	104,042	115,900	121,444	11.4%	4.8%
24 - 26 Years	**13,420**	**15,435**	**15,555**	**15.0%**	**0.8%**	**79,139**	**90,790**	**92,076**	**14.7%**	**1.4%**
Female	6,986	8,141	8,423	16.5%	3.5%	37,752	44,086	45,499	16.8%	3.2%
Male	6,434	7,294	7,132	13.4%	-2.2%	41,387	46,704	46,577	12.8%	-0.3%
27 - 29 Years	**9,225**	**10,743**	**10,464**	**16.5%**	**-2.6%**	**47,451**	**56,166**	**56,449**	**18.4%**	**0.5%**
Female	5,052	6,063	5,847	20.0%	-3.6%	24,097	29,124	28,275	20.9%	-2.9%
Male	4,173	4,680	4,617	12.1%	-1.3%	23,354	27,042	28,174	15.8%	4.2%
30 - 32 Years	**7,251**	**8,921**	**9,004**	**23.0%**	**0.9%**	**36,474**	**47,087**	**47,294**	**29.1%**	**0.4%**
Female	4,189	5,098	5,164	21.7%	1.3%	19,456	24,399	24,110	25.4%	-1.2%
Male	3,062	3,823	3,840	24.9%	0.4%	17,017	22,688	23,184	33.3%	2.2%
33 - 35 Years	**6,092**	**7,314**	**7,197**	**20.1%**	**-1.6%**	**29,578**	**37,420**	**36,476**	**26.5%**	**-2.5%**
Female	3,508	4,344	4,330	23.8%	-0.3%	15,805	20,450	19,808	29.4%	-3.1%
Male	2,584	2,970	2,867	14.9%	-3.5%	13,774	16,971	16,668	23.2%	-1.8%
36 - 38 Years	**5,720**	**6,508**	**6,210**	**13.8%**	**-4.6%**	**27,471**	**31,800**	**30,438**	**15.8%**	**-4.3%**
Female	3,487	4,007	3,849	14.9%	-3.9%	15,879	18,511	17,384	16.6%	-6.1%
Male	2,233	2,501	2,361	12.0%	-5.6%	11,592	13,290	13,054	14.6%	-1.8%
39 - 41 Years	**4,437**	**5,467**	**5,521**	**23.2%**	**1.0%**	**20,677**	**25,731**	**26,500**	**24.4%**	**3.0%**
Female	2,816	3,482	3,593	23.7%	3.2%	12,535	15,563	16,217	24.2%	4.2%
Male	1,621	1,985	1,928	22.5%	-2.9%	8,142	10,168	10,283	24.9%	1.1%

Table 27 Continued

	Number of Borrowers					Amount borrowed ($000s)				
Age Group	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002	2000	2001	2002	% Increase 2000-2001	% Increase 2001-2002
42 - 44 Years	**3,394**	**4,216**	**4,239**	**24.2%**	**0.5%**	**16,119**	**20,192**	**19,620**	**25.3%**	**-2.8%**
Female	2,226	2,772	2,809	24.5%	1.3%	10,302	12,699	12,289	23.3%	-3.2%
Male	1,168	1,444	1,430	23.6%	-1.0%	5,818	7,493	7,330	28.8%	-2.2%
45 - 47 Years	**2,517**	**3,123**	**3,157**	**24.1%**	**1.1%**	**11,984**	**14,742**	**14,909**	**23.0%**	**1.1%**
Female	1,667	2,081	2,096	24.8%	0.7%	7,517	9,443	9,649	25.6%	2.2%
Male	850	1,042	1,061	22.6%	1.8%	4,467	5,299	5,260	18.6%	-0.7%
48 - 50 Years	**1,665**	**2,156**	**2,245**	**29.5%**	**4.1%**	**8,151**	**10,172**	**10,517**	**24.8%**	**3.4%**
Female	1,120	1,406	1,491	25.5%	6.0%	5,356	6,327	6,863	18.1%	8.5%
Male	545	750	754	37.6%	0.5%	2,795	3,845	3,654	37.6%	-5.0%
51 - 54 Years	**1,532**	**2,093**	**2,242**	**36.6%**	**7.1%**	**7,337**	**10,496**	**11,107**	**43.1%**	**5.8%**
Female	969	1,371	1,474	41.5%	7.5%	4,573	6,942	7,166	51.8%	3.2%
Male	563	722	768	28.2%	6.4%	2,764	3,554	3,941	28.6%	10.9%
55 - 59 Years	**625**	**977**	**1,163**	**56.3%**	**19.0%**	**3,234**	**5,714**	**7,229**	**76.7%**	**26.5%**
Female	374	624	756	66.8%	21.2%	1,879	3,633	4,688	93.4%	29.0%
Male	251	353	407	40.6%	15.3%	1,356	2,081	2,541	53.5%	22.1%
60 - 64 Years	**288**	**491**	**641**	**70.5%**	**30.5%**	**1,704**	**3,673**	**5,294**	**115.6%**	**44.1%**
Female	151	256	360	69.5%	40.6%	867	1,815	2,893	109.4%	59.4%
Male	137	235	281	71.5%	19.6%	837	1,858	2,401	122.0%	29.2%
65 Years and over	**223**	**515**	**780**	**130.9%**	**51.5%**	**1,329**	**3,797**	**6,682**	**185.7%**	**76.0%**
Female	89	212	322	138.2%	51.9%	483	1,359	2,661	181.6%	95.8%
Male	134	303	458	126.1%	51.2%	847	2,438	4,021	188.0%	64.9%
Total	**128,107**	**148,174**	**150,575**	**15.7%**	**1.6%**	**776,022**	**908,989**	**934,105**	**17.1%**	**2.8%**
Female	**71,526**	**83,816**	**85,750**	**17.2%**	**2.3%**	**415,469**	**488,899**	**501,238**	**17.7%**	**2.5%**
Male	**56,581**	**64,358**	**64,825**	**13.7%**	**0.7%**	**360,554**	**420,090**	**432,867**	**16.5%**	**3.0%**

Source: Ministry of Social Development

Table 28 (Fig 20) Value of Interest Write-offs at 30 June 1994 - 2003

Year	Interest Write-offs $m
1994	0.5
1995	4.3
1996	5.5
1997	12.6
1998	16.9
1999	20.3
2000	20.3
2001	192.1
2002	141.4
2003	198.1

Source: Inland Revenue

Table 29 (Fig 18) Student Loan Payments Received by Inland Revenue - Borrower/Employer Split 1992 - 2003

Fiscal year	Borrower $m	Employer (PAYE) $m	Total interest & principal repayments $m
1992/93	1.99	0.42	2.41
1993/94	8.68	10.37	19.05
1994/95	16.18	24.87	41.05
1995/96	28.86	43.46	72.32
1996/97	41.36	65.41	106.77
1997/98	64.18	83.18	147.36
1998/99	115.84	97.39	213.23
1999/00	115.59	133.91	249.50
2000/01	128.13	156.55	284.68
2001/02	168.97	177.91	346.88
2002/03	184.51	201.88	386.39
Totals	**874.29**	**995.35**	**1,869.64**

Note: Employer repayments are those paid by borrowers' employers to Inland Revenue by way of deduction from borrowers' income. Borrower repayments are those made to Inland Revenue directly by the borrower. A share of the total repayments relates to voluntary repayments. Borrowers are able to make voluntary repayments to Inland Revenue of any amount at any time.

Source: Inland Revenue

Table 30 (Fig 15) Value of Student Loan Debt with Inland Revenue at 30 June 1995 - 2003

Year	Total Debt	Increase	% Increase
1995	$799,155,618		
1996	$1,221,546,927	$422,391,309	52.85
1997	$1,676,337,210	$454,790,283	37.23
1998	$2,254,803,172	$578,465,962	34.51
1999	$2,885,542,989	$630,739,817	27.97
2000	$3,412,349,928	$526,806,939	18.26
2001	$3,927,522,895	$515,172,967	15.10
2002	$4,559,362,310	$631,839,415	16.09
2003	$5,267,414,476	$708,052,166	15.53

Source: Inland Revenue

Table 31 (Fig 16) Amount of Average Student Loan Balance at 30 June with Inland Revenue 1994 - 2003

Year	Average Student Loan Balance	% Increase
1994	$5,525	
1995	$6,765	22.4
1996	$7,734	14.3
1997	$8,854	14.5
1998	$10,207	15.3
1999	$11,665	14.3
2000	$12,413	6.4
2001	$12,497	0.7
2002	$12,643	1.2
2003	$13,680	8.2

Source: Inland Revenue

Table 32 (Fig 10) Number of Borrowers by Age Band at 30 June 2003

Age band	No. of borrowers
<18	1,805
18-20	44,274
21-23	75,481
24-26	69,798
27-29	58,119
30-32	38,441
33-35	23,889
36-38	18,647
39-41	16,398
42-44	12,808
45-47	9,462
48-50	7,052
51-55	7,116
56-60	3,462
60+	3,275
Total	**390,027**

Note: The definition of 'Borrowers' in this table means the number of people with outstanding loan balances.

Source: Inland Revenue

Table 33 (Fig 17) Number of Loans Repaid to Inland Revenue at 30 June 1993 - 2003

Year	No. of Loans Repaid
1993	826
1994	1,374
1995	2,496
1996	9,234
1997	11,689
1998	14,933
1999	16,794
2000	15,948
2001	16,539
2002	17,085
2003	21,770
Total	**128,688**

Notes: (1) The numbers in this table include both those whose repayment obligations were settled and those whose loans were written-off through the small balance write-off provision.

(2) Small balance write-offs did not occur in 2001/02. As a result the figure for the small balance write-offs for 2002/03 includes two years' write-offs and hence, a higher than usual number of loan accounts cleared.

Source: Inland Revenue

Table 34 (Fig 21) Number and Value of Interest Write-offs by Type at 31 March 2002 and 2003

	2002		2003	
Interest write-offs by type to 31 March	Amount $	No. of Borrowers	Amount $	No. of Borrowers
Full Interest Write-off	-69,957,688	78,335	-74,061,383	81,437
Base Interest Write-off	-66,164,736	111,985	-41,758,920	120,159
Base Interest Reduction	-32,342,191	52,826	-11,872,831	39,468

Note: The information in the 2002 Student Loan Scheme Annual Report showed interest write-off information for the income year ending 31 March 2002 and three months from 1 April 2002 to 30 June 2002 as this was all the available interest write-off data for comparison at that time. While the majority of interest write-offs for 2002 occurred in this three-month period, the 2002 data was not for a full twelve-month period, which has been corrected in this year's report.

Source: Inland Revenue

Table 35 Summary Debt and Income Statistics in 2000 for Students who Last Borrowed and Studied in 1997

	Percentage of Students with a Loan Balance less than $10,000	Percentage of Students with a Loan Balance of $20,000 or more	Percentage of Students who have repaid their Loan by 2000	Percentage of Students whose Loan Balance has not reduced by 2000	Median Income in 2000
All Students	**57%**	**17%**	**16%**	**49%**	**$19,560**
Ethnic Group					
Pākehā	50%	22%	18%	41%	$22,430
Māori	64%	13%	9%	63%	$16,210
Pasifika Peoples	59%	17%	7%	65%	$19,230
Asian	72%	12%	29%	45%	$11,470
Gender					
Female	56%	17%	17%	47%	$18,690
Male	57%	18%	15%	51%	$20,510
Highest Level of Study					
Postgraduate	36%	37%	25%	34%	$32,210
Bachelors / Advanced Diploma	36%	32%	20%	43%	$24,950
Diploma	50%	17%	18%	43%	$22,740
Certificate	80%	3%	16%	49%	$16,460
Field of Study					
Law	30%	45%	18%	41%	$33,320
Medical & Health	33%	32%	22%	28%	$30,110
Education	38%	26%	20%	36%	$30,040
Computing	66%	12%	17%	45%	$23,580
Commercial & Business	57%	18%	20%	43%	$21,960
Natural and Applied Sciences	40%	31%	18%	47%	$21,790
Architectural & Town Planning	35%	33%	15%	45%	$21,090
Engineering, Industrial Trades & Crafts	74%	9%	16%	48%	$21,090

Table 35 Continued

	Percentage of Students with a Loan Balance less than $10,000	Percentage of Students with a Loan Balance of $20,000 or more	Percentage of Students who have repaid their Loan by 2000	Percentage of Students whose Loan Balance has not reduced by 2000	Median Income in 2000
Agriculture, Horticulture, Forestry	69%	11%	17%	49%	$18,840
Social, Behavioural & Communication	66%	12%	16%	51%	$17,820
Humanities	46%	26%	14%	56%	$16,770
Unknown/Other	63%	9%	13%	57%	$16,220
Art, Music & Handicrafts	40%	26%	9%	66%	$15,800
Service Trades	70%	6%	11%	57%	$14,420
General Programmes, Literacy & Numeracy, Foundation	74%	13%	19%	56%	$11,840
Provider Type					
University	36%	34%	19%	43%	$25,110
Polytechnic	68%	9%	15%	52%	$18,320
College of Education	37%	26%	20%	35%	$30,160
Other/Unknown	65%	8%	12%	61%	$15,020

Source: Statistics New Zealand: Integrated Dataset on Student Loan Scheme Borrowers

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