This Quick Guide provides an overview of higher education student loans that are provided through the Higher Education Loan Program (HELP). It includes:

- an introduction that provides background to the program
- types of loans
  - HECS-HELP
  - FEE-HELP
  - OS-HELP
  - SA-HELP
  - VET FEE-HELP
- student contribution rates
- repayment arrangements
- key statistics
- budget treatment and
- information on other income-contingent loans for students.

Note: this guide does not include specific changes proposed in the Higher Education and Research Reform Bill 2014 as this legislation has been enacted at the time of writing.

Introduction

Australia’s Higher Education Loan Program (HELP) provides loans to Commonwealth-supported tertiary students. The scheme allows students to defer the costs of tuition until their taxable income reaches a certain level at which repayments commence.

HELP is regulated by provisions in the Higher Education Support Act 2003 and administered by the Department of Education. HELP debts and repayments are managed by the Australian Taxation Office (ATO).

A brief chronology

- The Higher Education Contribution Scheme (HECS), as HELP was first known, was introduced in 1989, and the scheme is still commonly referred to as ‘HECS’ and debts as ‘HECS debts’.
- In 2003, there were major reforms to higher education, including significant changes to HECS. These reforms were legislated by the Higher Education Support Act 2003 and came into effect in 2005. Additional loan types were added and the program was renamed the Higher Education Loan Program (HELP). HECS was absorbed...
into HELP and is now referred to as HECS-HELP. The Government also extended the income contingent loan schemes to domestic students paying full fees (FEE-HELP) and for those studying overseas for one or two semesters (OS-HELP).

- In 2007, the Government introduced VET FEE-HELP for students studying higher level vocational education and training (VET) courses.
- In 2011, the Government introduced SA-HELP to assist students to pay student services and amenities fees.
- In the 2014–15 Budget, the Government announced:
  - outstanding HELP debt will be indexed at the ten-year bond rate from 1 June 2016, subject to a cap of six per cent
  - a new minimum income repayment threshold with a two per cent repayment rate from 2016–17
  - removal of the maximum student contribution limit for 1 January 2016
  - cessation of HECS-HELP benefit from 2015–16 and
  - removal of loan fees and lifetime limits for FEE-HELP and VET FEE-HELP from 1 January 2016.
- These changes had not been implemented at the time of writing.

Types of loans

**HECS-HELP**
- Assists eligible Commonwealth-supported students to pay their student contribution amounts. Before 2005, known as HECS.
- The student contribution amount must be for a Commonwealth-supported place (this applies to most domestic undergraduate students studying at Australian public universities).
- The student contribution amount is calculated on the number of units the student studies, the equivalent full-time student load (EFTSL) of each unit, and the price band to which the unit belongs (there are three student contribution bands).
- A student can elect to pay the student contribution up-front rather than deferring the amount as a HELP loan. In 2014, a 10% discount for paying up-front is available. At the time of writing there is legislation before the Parliament to abolish this discount.
- In 2012–13, the number of Commonwealth-supported places for which HECS-HELP loans were paid was 450,314, up from 395,177 in 2010–11.

**FEE-HELP**
- Assists domestic fee-paying students to pay their tuition fees. These students are usually studying through private providers or undertaking postgraduate courses for which there is no Commonwealth-supported place.
- There is a 25% loan fee, which is added to the balance of the loan. For example, if a student borrows $10,000, a FEE-HELP debt of $12,500 would be recorded. Note: the loan fee only applies to undergraduate students and courses; it is not paid by full-fee postgraduate and research students.
- There is a lifetime limit on FEE-HELP debt. For 2014, this is $120,002 for students studying medicine, dentistry and veterinary science and $96,000 for all other students.
- In 2012–13, the number of places for which FEE-HELP loans were paid was 75,388, up from 64,766 in 2010–11.

**OS-HELP**
- Assists eligible Commonwealth-supported students undertaking part of their studies overseas. An OS-HELP loan can be used for airfares, accommodation and other costs of overseas study.
- OS-HELP loans are paid by the Australian provider to the student. The provider is then reimbursed by the Government and a HELP debt created.
• Students may receive one loan per six-month study period and can access a total of two OS-HELP loans over their lifetime.

• In 2014, the maximum OS-HELP loan for a six-month study period is:
  – $6,250 if not studying in Asia or
  – $7,500 if studying in Asia and
  – an additional $1,000 if undertaking Asian language study in preparation for study in Asia.

• In 2012–13, the number of OS-HELP loans paid was 5,675.

SA-HELP

• Assists eligible students to pay for all or part of their student services and amenities fee.

• A capped student amenities fee can be charged by a higher education provider and can be made compulsory. In 2014, the maximum student amenities fee that a higher education provider can charge is $281.

• Students can borrow this amount along with their other HELP loans or borrow only this amount.

• In 2012–13, the number of SA-HELP loans paid was 307,339.

VET FEE-HELP

• Helps students enrolled in higher-level VET courses to pay their fees.

• Available only for diploma-level and above courses (Diploma, Advanced Diploma, vocational Graduate Certificate and vocational Graduate Diploma); and not for certificate-level courses.

• Used only to pay for a student’s tuition fees.

• Must be studying at a VET provider approved to offer VET FEE-HELP (there are about 200 approved providers).

• Students can borrow up to the FEE-HELP limit. In 2014, this ranges from $96,000 to $120,002 depending on the courses undertaken.

• There is a 20% loan fee, which is added to the balance of the loan.

• In 2012–13, the number of places for which VET FEE-HELP loans were paid was 37,700, up from 20,108 in 2010–11.

Student contribution rates

From 1989 to 1997, all students were charged a flat contribution rate regardless of their course of study. In 1997 a differential system of ‘bands’ was introduced to reflect both the different cost structures of disciplines and the different earning potential of graduates. The Study Assist website lists the 2014 bands and their student contribution rates.

Up-front payment discount

Students can elect to pay their student contribution at enrolment each semester rather than defer the payment and take a HELP loan. If they pay up-front, they receive a discount, which was 10% in 2013 (this would be abolished by legislation not yet enacted. In 2010, less than 17% of students paid up-front (taking advantage of the then 20% discount), 80% took out a HECS-HELP loan, and 3% paid up-front and were not eligible for the discount (for example, because they were New Zealand citizens).

The discount on up-front payments was a feature of HECS when it was introduced in 1989. Originally set at 15%, the discount was increased to 25% in 1993, reduced to 20% in 2005 and reduced to 10% from 1 January 2012.

When the bonus was increased to 25% in 1993, the percentage of students paying up-front also increased from 20.3% in 1990 to 28.5% in 1997. However, for those from disadvantaged backgrounds, the proportions were much lower, with only 13.4% of Aboriginal and Torres Strait Islander students and 20.3% of students from a low socio-economic status (SES) background paying up-front. The low up-front payment rate amongst disadvantaged groups was used as a justification by the Labor Government to reduce the bonus to 10% in 2012.
Repayment of debts
HELP provides interest-free loans, but the outstanding amount is indexed annually by the Consumer Price Index (CPI).

All HELP debts are managed by the ATO. An individual commences repaying their HELP debt when their taxable income reaches the repayment threshold. For the 2014–15 income year, the compulsory repayment threshold is $53,345.

The rate at which the HELP debt is repaid rises according to taxable income. For example, a person earning $55,000 per annum will pay 4% (or $2,200) per annum; a person earning $80,000 will pay 6% (or $4,800); and someone earning $100,000 will pay 8% (or $8,000). This amount is calculated by the ATO and added to the income tax assessment.

In 1995, the Government introduced a bonus for voluntary repayment ($500 or more) of HECS debt. The voluntary repayment bonus was initially set at 15%, reduced to 10% in 2005 and reduced again to 5% from 1 January 2012. Legislation to abolish this discount is currently before Parliament.

HECS-HELP benefit
The HECS-HELP benefit provides an incentive for graduates of particular courses to take up related occupations or work in specified locations by reducing their compulsory HELP repayments. Those who are eligible receive a reduction in their HELP debt repayment for each year they are employed in eligible occupations or locations up to a maximum of five years. For 2013–14, this reduction was a maximum of $1,716.85.

Statistics
The main source of statistics on the HELP can be found in the Higher Education Reports. According to the 2010 Report (the latest available), as at 30 June 2010:

- around 2.5 million students had been able to access higher education opportunities through government-funded loans since 1989. Over $27.9 billion (excluding indexation) has been loaned to these students and
- approximately 1.1 million people had repaid their HELP debt in full and the average repayment time was 7.9 years.

As at June 2012 there were around 1.7 million people with a HELP debt.

The HELP debt
The 2014–15 Budget estimated that that the average HELP debt is $17,500 and the average time taken to repay HELP debt is 8.7 years.

It also estimated that the value of the total HELP debt was about $25.2 billion as at 30 June 2014 and that it would grow to around $51.4 billion by the end of the forward estimates in 2017–18 (this incorporates the expected increase due to the proposed changed arrangements in the 2014–15 Budget).

HELP debt repayment is income contingent. Loan repayment is a matter for the individual, his or her employer and the ATO.

According to the ATO’s annual report, just over $1.6 billion in HELP and Student Financial Supplement Scheme revenue was collected in 2012–13.

Doubtful debt
A significant proportion (approximately 20% of new loans) of HELP debt is regarded as ‘doubtful debt’ and unlikely to be repaid. This includes the debt of those who move overseas or who die before repaying their loan. A proportion of the doubtful debt is written off each year. Bankruptcy does not discharge HELP debt.

Budget treatment of HELP
The estimated $25.2 billion HELP debt is considered a government asset, not an expense. In the budget papers, funds loaned to students under HELP are shown under ‘Advances paid’.

However, there is a cost to Government in providing the program. The expenditure covers: discounts to students for early payment; concessions to study particular courses (such as nursing); exemptions, such as those for students in Commonwealth-supported places undertaking enabling subjects; and administration. This expenditure is estimated at $1.4 billion for 2014–15.
Because the loans are indexed to the CPI rather than the bond rate (which is generally higher), there is a notional cost to government through lost interest that is not reported in the budget papers. The Grattan Institute has estimated that for 2011–12 this net interest loss was $580 million.

**Other income-contingent loans for students**

**Trade Support Loans**

- Trade Support Loans provide apprentices in priority occupations loans for tuition and living expenses of up to $20,000 over four years:
  - $8,000 in the first year
  - $6,000 in the second year
  - $4,000 in the third year and
  - $2,000 in the fourth year.
- Payments are made monthly in arrears.
- There is a 20% discount on the outstanding loan on successful completion of training.
- Repayment thresholds and rates are the same as for HELP.
- Loans are indexed in line with the CPI.
- HELP debt is repaid before Trade Support Loan debt.

**Student start-up loans**

- Subject to the passage of the Social Services and Other Legislation Amendment (Student Measures) Bill 2014.
- Will replace student start-up scholarships for recipients of Youth Allowance, Austudy and ABSTUDY from 1 January 2015. Students will need to apply for the loans, whereas the scholarships were paid automatically.
- In 2014, the scholarships were paid in two half-yearly instalments of $1,025 ($2,050 in total).
- Repayment arrangements are the same as for HECS-HELP.
- HELP debt is to be repaid before student start-up loan debt, but Trade Support Loans will be repaid after any student start-up debt.