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QUICK GUIDE

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Higher Education Loan Program (HELP) and other student loans: a quick guide

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

- an [introduction](#) that provides background to the programs
- [types of loans](#)
 - [HECS-HELP](#)
 - [FEE-HELP](#)
 - [OS-HELP](#)
 - [SA-HELP](#)
 - [VET FEE-HELP](#)
 - [VET Student Loans](#)
- [repayment](#) arrangements
- key [statistics](#)
- [budget treatment](#) and
- information on [other income-contingent loans for students](#).

Introduction

Australia's [Higher Education Loan Program \(HELP\)](#) provides loans to students studying approved higher education courses. 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](#).

VET Student Loans provide similar loans to students studying approved higher level vocational education and training (VET) courses. VET Student Loans are regulated by provisions in the [VET Student Loans Act 2016](#).

Both programs are administered by the [Department of Education and Training](#). Debts and repayments are managed by the [Australian Taxation Office \(ATO\)](#).

[Eligibility](#) for student loans is restricted to Australian citizens, permanent humanitarian visa holders who usually reside in Australia and New Zealand citizens who meet certain residency criteria. [FEE-HELP](#) is also available to other permanent visa holders in special circumstances.

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 the scheme 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 VET courses.
- In 2011, the Government introduced [SA-HELP](#) to assist students to pay student services and amenities fees.
- [VET Student Loans](#) replaced [VET FEE-HELP](#) for all new students from 1 January 2017.

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. The bands reflect both the cost structure of the course and future earnings potential. The [Study Assist website](#) lists the 2017 bands and their student contribution amounts.
- A student can elect to pay the student contribution up-front rather than deferring the amount as a HELP loan. Prior to 1 January 2017, students who paid \$500 or more of their student contribution up-front received a 10% discount. This discount was removed from 1 January 2017.
- In 2015–16, the number of Commonwealth-supported places for which [HECS-HELP loans](#) were paid was 520,606.

FEE-HELP

- Assists domestic full 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 lifetime limit on FEE-HELP debt. This includes all FEE-HELP, VET FEE-HELP and VET Student Loans debts. For 2017, the limit is \$126,101 for students studying medicine, dentistry and veterinary science and \$100,879 for all other students.
- There is a 25% loan fee, which is added to the balance of the loan, but does not count towards the FEE-HELP debt limit. The loan fee only applies to undergraduate students and courses; it is not paid by full-fee postgraduate and research students.
- In 2015–16, the number of places for which [FEE-HELP loans](#) were paid was 77,850.

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 2017, the maximum OS-HELP loan for a six-month study period is:
 - \$6,567 if not studying in Asia or
 - \$7,880 if studying in Asia and
 - an additional \$1,050 if undertaking Asian language study in preparation for study in Asia.
- In 2015–16, the number of [OS-HELP loans](#) paid was 12,818.

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 2017, the maximum student amenities fee that a higher education provider can charge is \$294.
- Students can borrow this amount along with their other HELP loans or borrow only this amount.
- In 2015–16, the number of [SA-HELP loans](#) paid was 463,872.

VET FEE-HELP

- Assists eligible students enrolled in higher-level VET courses to pay their fees.
- Discontinued from 1 January 2017 for new students and replaced by [VET Student Loans](#), but existing students can continue to access VET FEE-HELP for the remainder of 2017.
- Available only for diploma-level and above VET 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 270 [approved providers](#)).
- There is a lifetime limit on FEE-HELP debt. This includes all FEE-HELP, VET FEE-HELP and VET Student Loans debts. For 2017, this is generally \$100,879.
- There is a 20% loan fee, which is added to the balance of the loan, but does not count towards the FEE-HELP debt limit.
- In 2015–16, the number of places for which [VET FEE-HELP loans](#) were paid was 196,108.

VET Student Loans

- Assists eligible students enrolled in higher level VET courses to pay their fees.
- Replaced VET FEE-HELP from 1 January 2017.
- Available only for [eligible](#) Diploma, Advanced Diploma, Graduate Certificate and Graduate Diploma courses that are linked to industry needs and employment outcomes.
- Loans are available up to a [capped amount](#) for each course. Providers may charge above the cap for a course, in which case students will be expected to pay the difference.
- There is a lifetime limit on FEE-HELP debt. This includes all FEE-HELP, VET FEE-HELP and VET Student Loans debts. For 2017, this is generally \$100,879.
- There is a 20% loan fee, which is added to the balance of the loan, but does not count towards the FEE-HELP debt limit. Students who are subsidised by a state or territory government do not pay the loan fee.
- Students will be required to demonstrate they are progressing through the course. From 1 July 2017 they will be required to log on twice during the year and acknowledge that they accept the loan they are receiving.

Repayment of debts

HELP and VET Student Loans provide interest-free loans, but the outstanding amount is indexed annually by the Consumer Price Index (CPI).

All HELP and VET Student Loans debts are managed by the ATO. An individual commences [repaying their loan debt](#) when their taxable income reaches the repayment threshold. For the 2016–17 income year, the compulsory repayment threshold is \$54,869.

The [rate](#) at which the HELP debt is repaid rises according to taxable income, up to the value of the debt. For example, a person earning \$55,000 per annum will pay a maximum of 4% (or \$2,200) of their [adjusted taxable income](#) per annum; a person earning \$80,000 will pay a maximum of 6% (or \$4,800); and someone earning \$105,000 will pay a maximum of 8% (or \$8,400). The exact 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. This discount was removed from 1 January 2017.

[Overseas repayments](#)

Prior to the 2016–17 tax year, those living overseas (and not Australian residents for tax purposes) who had a HELP or related debt were not required to repay the loan regardless of their income. From 1 January 2016, anyone with a HELP or [Trade Support Loan](#) debt is required to notify the ATO within seven days of leaving Australia, if they intend to move overseas for 183 days or more in any 12-month period. This involves updating their contact details, including international residential and email addresses. Those already living overseas have until 1 July 2017 to update their contact details.

From 1 July 2017, non-residents with a HELP or Trade Support Loan debt will be required to declare their worldwide income to the ATO annually. If the assessed annual income in Australian dollar terms is above the compulsory repayment threshold, an overseas levy is raised, equivalent to the tax debt for Australian residents.

[Doubtful debt](#)

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

[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 2016–17, this reduction was a maximum of \$1,947.17, which was for early childhood education graduates working in an area of high need.

Statistics

The main source of statistics on the HELP can be found in the Department of Education and Training’s [Higher Education Reports](#). The latest edition is for [2011–13](#). This report shows that over the 10 years to 2012–13, the accumulated HELP debt grew from \$9.2 billion to \$30.3 billion. In 2013:

- around 87.1% of students required to pay student contributions took out a HECS-HELP loan
- some \$1.3 billion was paid in FEE-HELP loans covering a student load of 76,106
- \$38.9 million in OS-HELP loans was lent to 6,665 students and
- \$85.2 million in SA-HELP loans was lent to 411,181 students.

As at [June 2015](#), around 2.2 million people have a HELP debt, with a total value of \$40.2 billion.

The [2016–17 Budget](#) estimated that the average HELP debt in 2015–16 was \$19,100 and the average time taken to repay HELP debt was 8.8 years.

According to the [ATO’s annual report for 2015–16](#), just over \$1.9 billion in HELP and [Student Financial Supplement Scheme](#) (a voluntary loan scheme which closed in 2003) revenue was collected in 2015–16.

Budget treatment of HELP

The HELP debt is considered a government asset, not an expense for budget purposes, but included at its ‘fair value’, which takes into consideration the doubtful debt that is unlikely to be repaid. In the 2016–17 Budget, the

fair value of the HELP debt was an [estimated](#) \$37.1 billion. 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; exemptions, such as those for students in Commonwealth-supported places undertaking enabling subjects; and administration. This expenditure is [estimated](#) at \$2.6 billion for 2016–17.

Because the loans are indexed to the CPI rather than the bond rate (which is the rate at which the Government borrows and 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 2014–15 this net interest loss was \$380 million.

Other income-contingent loans for students

[Student Start-up Loans](#)

- Replaced Student [Start-up Scholarships](#) for new recipients of Youth Allowance, Austudy and ABSTUDY from 1 January 2015. Existing recipients who do not have a break in study or support remain eligible for the scholarships until 1 July 2017. Students need to apply for the loans, whereas the scholarships were paid automatically.
- In 2017, the scholarships or loans will be paid in two half-yearly instalments of \$1,035 (\$2,070 in total).
- Repayment arrangements are the same as for HELP, although there is no obligation to repay for those who are not Australian residents for tax purposes.
- 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.

[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 and Student Start-up Loan debt are repaid before Trade Support Loan debt.

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