



The Impact of Changes to HELP Design on Students

The 2014-15 Budget announced the following changes to Higher Education Loan Program (HELP):

- The minimum income threshold will be reduced to \$50,638 for HELP repayment and will apply to graduates commencing repayments from 1 July 2016. A two per cent repayment rate will apply for those with incomes above this new threshold, but below the existing indexed threshold, estimated at \$56,264 for the 2016-17 income year.
- The repayment arrangements applying to students with incomes above the existing repayment threshold will not change.
- The annual indexation applied to HELP debts will increase from the existing rate (CPI) to a rate equivalent to the yield on the Treasury 10-year bond rate, capped at 6.0 per cent per annum, from 1 June 2016.
- These changes are estimated to achieve savings of \$3.2 billion over four years from 2014–15.

Universities Australia (UA) has modelled the impact of the above changes on engineering and nursing university graduates. Engineering and nursing were selected as samples as they are both occupations in demand but graduate salaries vary.

Assumptions:

- i. Starting salary and income progression are those reported by the Australian Nursing Federation for nursing graduates and the latest Beyond Graduation Survey for engineering graduates. Income is expected to grow at 4 per cent per annum.
- ii. Debt repayment thresholds are the current 2014-15 thresholds indexed by 1.0547¹,

Table 1: HELP Loan Repayment rates from 2016-17

Repayment income	Repayment rate (% of repayment income)
Below \$50,638	Nil
\$50,638 — \$56,263	2.0%
\$56,264 — \$62,672	4.0%
\$69,081 — \$ 72,710	5.0%
\$72,711 — \$78,159	5.5%
\$78,160 — \$84,647	6.0%
\$84,648 — \$89,102	6.5%
\$89,103 — \$98,055	7.0%
\$98,056 — \$104,488	7.5%
\$104,489 and above	8.0%

- iii. From 1 January 2016, tuition fees will increase to offset the 20 per cent on average reduction in the government contribution to tuition fees. Tuition fees are indexed at 2.5 per cent CPI over the course of the degree.

¹ 1.0547 is the indexation factor indicated by the Government to calculate the 2014-15 minimum repayment threshold of \$53,345 in 2016-17 (that is, \$56,264).

Table 2: Minimum student contribution amount to offset 20 per cent on average reduction in government funding

Disciplines within new funding tiers	2016 Existing Student contribution amount	2016 Minimum Student Contribution amount to break-even	Percentage change
Law, Accounting, Administration, Economics, Commerce	\$10,523	\$10,729	2%
Humanities	\$6,307	\$5,870	-7%
Social Studies	\$6,307	\$10,164	61%
Communications (excluding Audio-Visual)	\$6,307	\$12,434	97%
Computing, Built Environment, Other Health	\$8,987	\$9,833	9%
Behavioural Science, Welfare Studies	\$6,307	\$7,152	13%
Education	\$6,307	\$7,551	20%
Visual And Performing Arts	\$6,307	\$9,422	49%
Mathematics	\$8,987	\$6,821	-24%
Clinical Psychology	\$6,307	\$6,410	2%
Allied Health	\$8,987	\$9,091	1%
Nursing	\$6,307	\$7,825	24%
Engineering, Science, Surveying	\$8,987	\$14,214	58%
Foreign Languages	\$6,307	\$6,410	2%
Environmental Studies	\$8,987	\$18,863	110%
Dentistry, Medicine, Veterinary Science	\$10,523	\$14,377	37%
Agriculture	\$8,987	\$12,841	43%
Average student contribution amount	\$7,749	\$10,000	29%

iv. Three fee levels were modelled:

- *Low-fee level:* the minimum student contribution amount that a university will need to charge to offset the 20 per cent average reduction in government funding.
- *Medium-fee level:* the fee calculated as an average of the low- and high-fee levels.
- *High-fee level:* the average international student fees charged in 2014² after deducting the new government contribution amount.

Engineering Graduates

For engineering graduates, their initial debt for a four-year degree will increase from \$37,319 under the existing system:

- to \$59,024 under the low-fee level (an increase of 58.2 per cent);
- to \$61,241 under the medium-fee level (an increase of 64.1 per cent); and

² For engineering degree, the high fee level is calculated based on the 18 institutions international fees published on Study In Australia website for four-year Bachelor of Engineering degree. For nursing degree, the high fee level is calculated based on the 27 institutions international fees published on Study In Australia website for three-year Bachelor of Nursing degree.

iii. to \$63,455 under the high-fee level (an increase of 70 per cent).

We have modelled for the following three scenarios:

- **Scenario A:** Graduates working full-time with income progression in year 3, with starting income of \$56,000 and income increasing to \$80,000 in year 3.
- **Scenario B:** Graduates working full-time with no income progression in year 3, with starting income of \$56,000.
- **Scenario C:** Female graduates working part-time at 0.5 full-time equivalent (FTE) for 6 years after 6 years of working full-time, before returning to work full-time. Starting income of \$56,000 and income progression to \$80,000 in year 3.

Engineering graduate – Scenario A

Under this scenario, an engineering graduate with a starting income of \$56,000 will reach an income of around \$90,000 after 8 years of working full-time. Under the existing system with CPI indexation, it will take the graduate 14 years to repay a HELP debt³ of \$46,701.

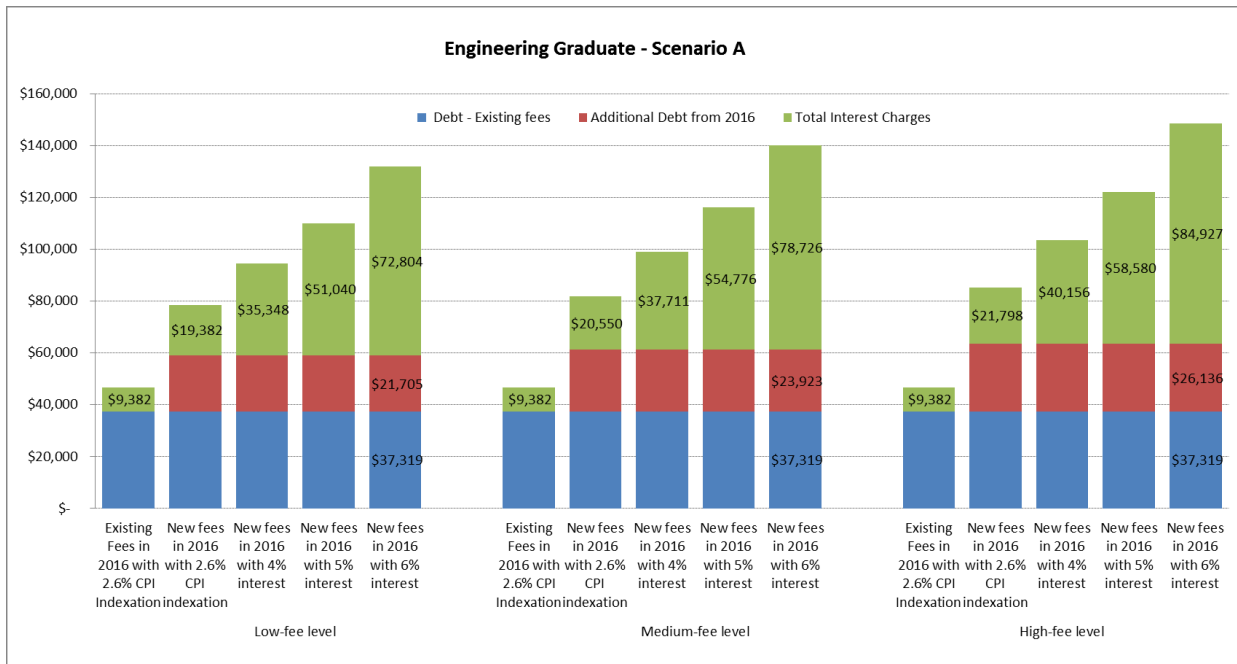
At a 4 per cent interest rate, we find that:

- Under the low-fee level, it will take the graduate 20 years to repay a HELP debt of \$94,372
- Under the medium-fee level, it will take the graduate 20 years to repay a HELP debt of \$98,952.
- Under the high-fee level, it will take the graduate 21 years to repay a HELP debt of \$103,611.

³ Number of years to repay HELP debt includes four years of study for Bachelor of Engineering.

Table 3: Repayment profiles for engineering graduates under Scenario A

Scenario A		Existing System with 2.6% CPI Indexation	Tuition fees in 2016 with 2.6% CPI indexation	Tuition fees in 2016 with 4% interest	Tuition fees in 2016 with 5% interest	Tuition fees in 2016 with 6% interest
Low-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$21,705	\$21,705	\$21,705	\$21,705
	Total Interest Charges	\$9,382	\$19,382	\$35,348	\$51,040	\$72,804
	Number of years to repay HELP debt (including years of study)	14	18	20	21	23
Medium-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$23,923	\$23,923	\$23,923	\$23,923
	Total Interest Charges	\$9,382	\$20,550	\$37,711	\$54,776	\$78,726
	Number of years to repay HELP debt (including years of study)	14	18	20	22	24
High-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$26,136	\$26,136	\$26,136	\$26,136
	Total Interest Charges	\$9,382	\$21,798	\$40,156	\$58,580	\$84,927
	Number of years to repay HELP debt (including years of study)	14	19	21	22	25



Engineering graduate – Scenario B

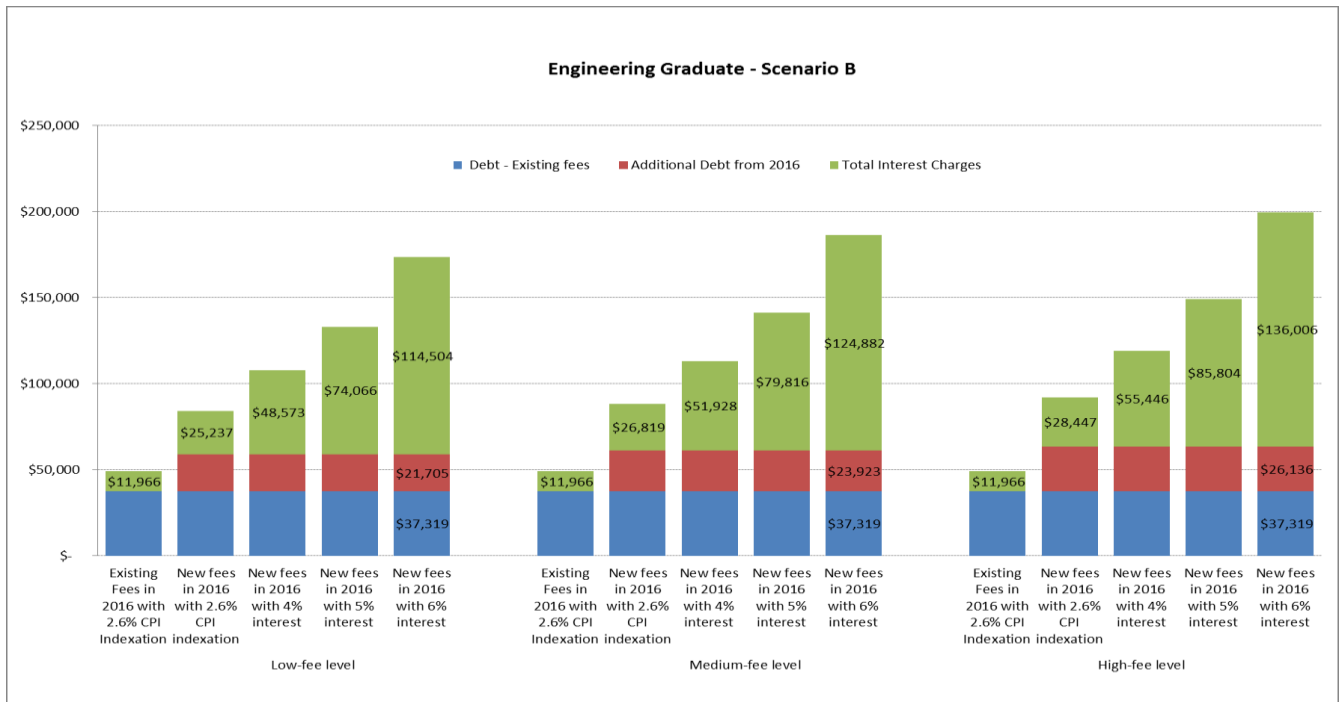
Under this scenario, an engineering graduate with a starting income of \$56,000 will reach an income of around \$90,000 after 13 years of working full-time. Under the existing system with CPI indexation, it will take the graduate 18 years to repay a HELP debt of \$49,284.

At a 4 per cent interest rate, we find that:

- Under the low-fee level, it will take the graduate 25 years to repay a HELP debt of \$107,597.
- Under the medium-fee level, it will take the graduate 25 years to repay a HELP debt of \$113,169.
- Under the high-fee level, it will take the graduate 26 years to repay a HELP debt of \$118,901.

Table 4: Repayment profiles for engineering graduates under Scenario B

Scenario B		Existing System with 2.6% CPI Indexation	Tuition fees in 2016 with 2.6% CPI indexation	Tuition fees in 2016 with 4% interest	Tuition fees in 2016 with 5% interest	Tuition fees in 2016 with 6% interest
Low-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$21,705	\$21,705	\$21,705	\$21,705
	Total Interest Charges	\$11,966	\$25,237	\$48,573	\$74,066	\$114,504
	Number of years to repay HELP debt (including years of study)	18	22	25	27	31
Medium-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$23,923	\$23,923	\$23,923	\$23,923
	Total Interest Charges	\$11,966	\$26,819	\$51,928	\$79,816	\$124,882
	Number of years to repay HELP debt (including years of study)	18	23	25	28	32
High-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$26,136	\$26,136	\$26,136	\$26,136
	Total Interest Charges	\$11,966	\$28,447	\$55,446	\$85,804	\$136,006
	Number of years to repay HELP debt (including years of study)	18	23	26	29	33



Engineering graduate – Scenario C

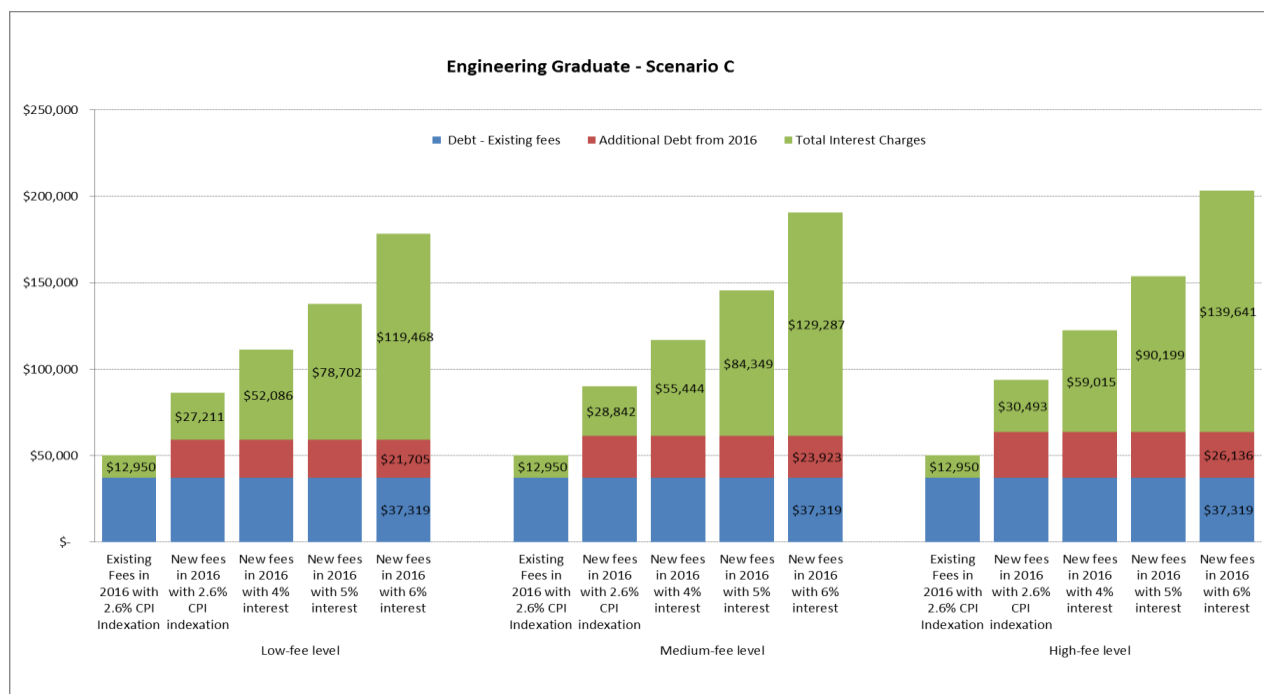
Under this scenario, an engineering graduate with a starting income of \$56,000 will reach an income of around \$83,000 after 6 years working full-time. This graduate will then work part-time at 0.5 full-time equivalent (FTE) for the next 6 years to raise a family before returning to work full-time. Under the existing system with CPI indexation, it will take the graduate 19 years to repay a HELP debt of \$50,269.

At a 4 per cent interest rate, we find that:

- Under the low-fee level, it will take the graduate 25 years to repay a HELP debt of \$111,110.
- Under the medium-fee level, it will take the graduate 26 years to repay a HELP debt of \$116,686.
- Under the high-fee level, it will take the graduate 26 years to repay a HELP debt of \$122,470.

Table 5: Repayment profiles for engineering graduates under Scenario C

Scenario C		Existing System with 2.6% CPI Indexation	Tuition fees in 2016 with 2.6% CPI indexation	Tuition fees in 2016 with 4% interest	Tuition fees in 2016 with 5% interest	Tuition fees in 2016 with 6% interest
Low-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$21,705	\$21,705	\$21,705	\$21,705
	Total Interest Charges	\$12,950	\$27,211	\$52,086	\$78,702	\$119,468
	Number of years to repay HELP debt (including years of study)	19	23	25	27	30
Medium-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$23,923	\$23,923	\$23,923	\$23,923
	Total Interest Charges	\$12,950	\$28,842	\$55,444	\$84,349	\$129,287
	Number of years to repay HELP debt (including years of study)	19	23	26	28	31
High-fee level	Debt - Existing fees	\$37,319	\$37,319	\$37,319	\$37,319	\$37,319
	Additional Debt from 2016	-	\$26,136	\$26,136	\$26,136	\$26,136
	Total Interest Charges	\$12,950	\$30,493	\$59,015	\$90,199	\$139,641
	Number of years to repay HELP debt (including years of study)	19	24	26	28	32



Nursing Graduates

For nursing graduates, their initial debt for a three-year degree will increase from \$19,398 under the existing system to:

- i. to \$24,067 under the low-fee level (an increase of 24.1 per cent);
- ii. to \$30,729 under the medium-fee level (an increase of 58.4 per cent); and
- iii. to \$37,390 under the high-fee level (an increase of 92.8 per cent).

We have modelled for the following two scenarios:

- **Scenario A:** Graduates working full-time with income progression in year 2, with starting income of \$48,729 and increasing to \$61,547 in year 2.
- **Scenario B:** Female graduates working part-time at 0.5 full-time equivalent (FTE) for 6 years after 6 years of working full-time, before returning to work full-time. Starting income of \$48,729 and income increases to \$61,547 in year 2.

Nursing graduate – Scenario A

In this scenario, a nursing graduate with a starting income of \$48,729 will reach an income of around \$80,000 after 8 years of working full-time. Under the existing system with CPI indexation, it will take the graduate 11 years to repay a HELP debt⁴ of \$23,367.

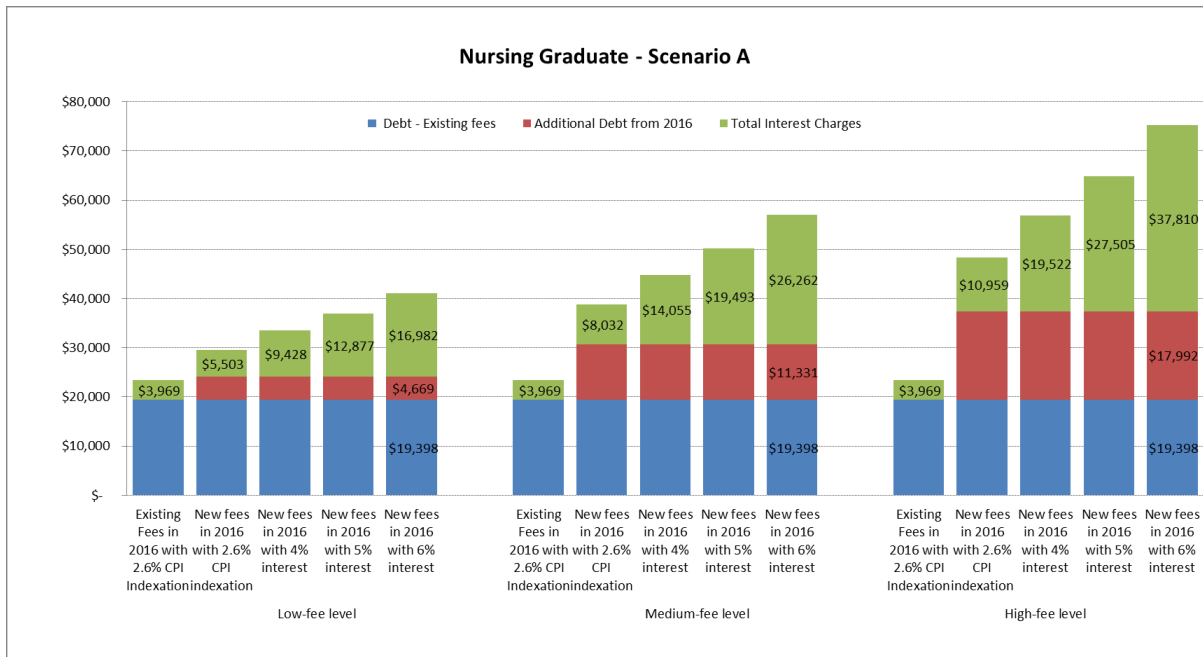
At a 4 per cent interest rate, we find that:

- Under the low-fee level, it will take the graduate 13 years to repay a HELP debt of \$33,495.
- Under the medium-fee level, it will take the graduate 15 years to repay a HELP debt of \$44,784.
- Under the high-fee level, it will take the graduate 17 years to repay a HELP debt of \$56,912.

⁴ Number of years to repay HELP debt includes three years of studying for Bachelor of Nursing.

Table 6: Repayment profiles for nursing graduates – Scenario A

Scenario A		Existing System with 2.6% CPI Indexation	Tuition fees in 2016 with 2.6% CPI indexation	Tuition fees in 2016 with 4% interest	Tuition fees in 2016 with 5% interest	Tuition fees in 2016 with 6% interest
Low-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$4,669	\$4,669	\$4,669	\$4,669
	Total Interest Charges	\$3,969	\$5,503	\$9,428	\$12,877	\$16,982
	Number of years to repay HELP debt (including years of study)	11	13	13	14	15
Medium-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$11,331	\$11,331	\$11,331	\$11,331
	Total Interest Charges	\$3,969	\$8,032	\$14,055	\$19,493	\$26,262
	Number of years to repay HELP debt (including years of study)	11	14	15	16	17
High-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$17,992	\$17,992	\$17,992	\$17,992
	Total Interest Charges	\$3,969	\$10,959	\$19,522	\$27,505	\$37,810
	Number of years to repay HELP debt (including years of study)	11	16	17	18	19



Nursing graduate – Scenario B

Under this scenario, a nursing graduate with a starting income of \$48,729 will reach an income of around \$72,000 after 6 years of working full-time. This graduate will then work part-time at 0.5 full-time equivalent (FTE) for the next 6 years to raise a family before returning to work full-time. Under the existing system with CPI indexation, it will take the graduate 17 years to repay a HELP debt of \$24,646.

At a 4 per cent interest rate, we find that:

- Under the low-fee level, it will take the graduate 19 years to repay a HELP debt of \$37,896.
- Under the medium-fee level, it will take the graduate 20 years to repay a HELP debt of \$51,620.
- Under the high-fee level, it will take the graduate 22 years to repay a HELP debt of \$66,195.

Table 7: Repayment profiles for nursing graduates – Scenario B

Scenario B		Existing System with 2.6% CPI Indexation	Tuition fees in 2016 with 2.6% CPI indexation	Tuition fees in 2016 with 4% interest	Tuition fees in 2016 with 5% interest	Tuition fees in 2016 with 6% interest
Low-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$4,669	\$4,669	\$4,669	\$4,669
	Total Interest Charges	\$5,248	\$7,677	\$13,829	\$19,594	\$26,946
	Number of years to repay HELP debt (including years of study)	17	18	19	19	20
Medium-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$11,331	\$11,331	\$11,331	\$11,331
	Total Interest Charges	\$5,248	\$11,447	\$20,891	\$29,963	\$41,951
	Number of years to repay HELP debt (including years of study)	17	19	20	21	22
High-fee level	Debt - Existing fees	\$19,398	\$19,398	\$19,398	\$19,398	\$19,398
	Additional Debt from 2016	-	\$17,992	\$17,992	\$17,992	\$17,992
	Total Interest Charges	\$5,248	\$15,543	\$28,804	\$41,998	\$60,291
	Number of years to repay HELP debt (including years of study)	17	20	22	23	25

Nursing Graduate - Scenario B

