



**THE HON CHRISTOPHER PYNE MP  
MINISTER FOR EDUCATION  
LEADER OF THE HOUSE  
MEMBER FOR STURT**

Our Ref MC14-009517

Dr Dennis Jensen MP  
Chair, Standing Committee on Petitions  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear ~~Dr Jensen~~

Thank you for your letter of 1 September 2014 regarding a recent petition on the Australian Government's proposed changes to the HECS system.

In the 2014–15 Budget the Government announced changes to the HECS loan interest rate to ensure the HECS scheme is sustainable into the future. From 1 June 2016, the Government will replace the current Consumer Price Index (CPI) rate of indexation on HECS loans with the Treasury 10 year bond rate, capped at 6 per cent per annum. This measure will allow the Government to recoup part of the cost of providing HECS loans, which will assist in ensuring that future generations of students can continue to benefit from income-contingent loans.

As more and more Australians pursue higher education, the amount of debt being supported by Australian taxpayers has grown significantly. The Government is currently providing more than \$5 billion each year in HECS loans. This is expected to reach \$10 billion in 2017.

In a deficit environment, the Government has to borrow and pay interest on the money that it lends to students. The Government currently lends money to students at an interest rate that is less than it costs the Government to borrow the money. The change in indexation of HECS loans will bring indexation more in line with the cost to the Government of borrowing these funds.

Students will continue to be able to defer payment of their student fees through the HECS scheme and will not be required to make repayments on their HECS debt unless and until their income is above the minimum repayment threshold (which will be \$50 637 in 2016–17). Students will still have access to loans at rates far lower than commercial market rates of interest.

In addition, for many students, the changes to indexation will be offset by the fact that they will no longer have to pay an upfront loan fee and will no longer be subject to a lifetime limit on the total amount they can borrow. For more information about the measure to remove the FEE-HELP and VET FEE-HELP loan fee and lifetime loan limit, please see the *Study Assist* website at [www.studyassist.gov.au](http://www.studyassist.gov.au).

As you would be aware, the Higher Education and Research Reform Amendment Bill 2014 is currently before the Parliament. The Government will continue to consult to ensure the interests of students remain a priority.

Thank you for writing to me on this important matter.

Yours sincerely

**Christopher Pyne MP**

**11 NOV 2014**