



**Australian Government**

**Department of Education and Training**

Dear Provider

### **Update on VET FEE-HELP Reforms**

I am writing to provide you with information on the Australian Government's reforms to the VET FEE-HELP loan scheme and to draw your attention to new requirements that will commence on 1 January 2016.

As you are aware the Government has previously announced a number of new measures to commence on 1 January 2016 including:

- strengthening the debt remission processes for students under VET FEE-HELP
- strengthening the assessment criteria for, and ongoing scrutiny of, all training providers
- ensuring student debt is incurred in line with course delivery, and increasing protections for students
- establishing minimum pre-requisite and prior education qualifications, including demonstrated literacy and numeracy requirements.

On 1 December 2015, the Government also announced additional measures that will come into effect from 1 January 2016 to strengthen the VET FEE-HELP scheme ahead of the introduction of a new model to commence in 2017. These additional measures include:

- freezing the total loan limit for existing providers at 2015 levels
- introducing new entry requirements for training providers wishing to offer VET FEE-HELP loans
- moving to payment in arrears for certain providers
- pausing payments to providers for new enrolments where there are concerns about performance.


On 3 December 2015, the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015 (the Bill) passed the Parliament and will shortly take effect. The Department is in the process of updating the VET Guidelines to reflect the changes made by the Bill. In the interim, I am attaching some advice to assist you to implement the new arrangements in your organisation from 1 January 2016. In particular, I draw your attention to the new rules around student entry procedures, protections for under 18 year olds, the two day cooling off period, and new fee-periods and invoice arrangements.

I will write further once the VET Guidelines have been published and the Administrative Information for VET Providers has been updated. I will also write further to advise each provider of their total loan limit for 2016.

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If you have any queries about the changes and how they affect your organisation please direct them to [TSEnquiries@education.gov.au](mailto:TSEnquiries@education.gov.au), with 'VFH Reforms' in the subject line.

Yours sincerely



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8 December 2015

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**Australian Government**

**Department of Education and Training**

**Overview**  
**Changes to the VET FEE-HELP Loan**  
**Scheme from**  
**1 January 2016**

**December 2015**

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# Overview

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## ***Implementation Date 1 January 2016***

Note: The purpose of this advice is to provide you with a snapshot of the VET FEE-HELP reforms from 1 January 2016. The VET Guidelines 2015 (including any amendments) and the *Higher Education Support Act 2003* and Higher Education Support (VET FEE-HELP Reform) Bill 2015 should be reviewed for full details of the new requirements.

## **Student Protection Requirements**

### **A. Student Entry Procedure**

- Providers must make and apply a student entry procedure.
- The student entry procedure must set out requirements and matters relating to courses that lead to the following qualifications:
  - VET diploma
  - VET advanced diploma
  - VET graduate diploma
  - VET graduate certificate
- The student entry procedure must specify that a student is academically suited to a course when:
  - The provider reasonably believes the student is academically suited; and
  - The student satisfies any entry requirements for the course set out in the procedure; and
  - The student satisfies one of the following requirements:
    - the VET provider obtains a copy of a **Senior Secondary Certificate of Education** that has been awarded to the student by an agency or authority of a State or Territory for the student's completion of year 12; orboth:
    - the student is assessed as displaying competence at or above **Exit Level 3** in the Australian Core Skills Framework (ACSF) in both reading and numeracy; and
    - the VET provider reasonably believes that the student displays that competence.
- To display competence at or above Exit Level 3 in the ACSF the Entry Procedure must describe the process (including the test) for assessment, and require that the process will be conducted with honesty and integrity.
- The testing tool must be an **approved testing tool**. The approved testing tool that will be available from 1 January 2016 and specified in the VET Guidelines is the **Core Skills Profile for Adults (CSPA)**.
- The Department of Education and Training contracted the Australian Council for Educational Research (ACER) to develop an additional tool to identify and measure an

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individual's foundation skill levels – the Foundation Skills Assessment Tool (FSAT). The department is currently investigating options for making FSAT available to the VET sector in 2016. The VET Guidelines will be updated to include this tool when FSAT is made available, and the department will inform stakeholders at that time.

- The Minister may, on request, approve the provider's own tool for assessing a student's competence in reading and numeracy. The Minister must be satisfied that the tool is a valid, reliable, fair and well-constructed way of assessing whether competence is at or above Exit Level 3 in the ACSF; and that the tool has been appropriately verified and evaluated using evidence-based assessment by a suitably qualified independent body in accordance with the report entitled "*Assessment of LLN testing instruments and processes for VET FEE-HELP providers*", published by the Department in December 2015 (available at [www.education.gov.au](http://www.education.gov.au)).
- The Student Entry Procedure must specify the results of the testing will be reported to the student as soon as practicable after the assessment, and to the Secretary on request. Results must be retained by the provider for at least 5 years.
- The entry procedure must be published on the provider's website no more than two links from the provider's home page and a single link from the home page for each VET course of study.

#### **B. Protection for students under 18 years**

- Providers must not accept a Request for VET FEE-HELP loan form as a completed form from a student under the age of 18 unless a parent or guardian (responsible parent) has co-signed the form.
- Exceptions are permitted in limited circumstances where a student under the age of 18 is receiving youth allowance (within the meaning of the *Social Security Act 1991*) on the basis that the person is independent (within the meaning of Part 2.11 of that Act). Students seeking this exemption will need to provide suitable evidence to the provider from Centrelink to this effect, and retain these records for compliance purposes.

#### **C. VET FEE-HELP Invoice Notice**

- Providers must provide to students accessing VET FEE-HELP a 'VET FEE-HELP Invoice Notice' not less than **14 days prior** to the date they incur the debt (that is, the census date) and not more than 42 days before the unit's commencement date.
- A student needs to be enrolled before a VET provider is able to invoice them, as the invoice notice requires information such as the VET unit(s) and VET course(s) of study in which the person is enrolled with the VET provider.
- Enrolment in the course commences on a person's acceptance of an offer for a course and when a student provides to the provider a range of personal and other enrolment information and makes the decision to commit to an enrolment in study of a particular qualification and this is recorded by the provider.
- Some providers are opting to issue invoice notices to all their students regardless of whether they are seeking a VET FEE-HELP loan to streamline the process.
- Please Note: The 2 business day cooling off period and the 14 day invoice requirement are separate requirements. The 2 business day cooling off period relates to when

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providers can accept the 'request for VET FEE-HELP loan form'. The 14 day invoice requirement relates to when providers must issue a student a VET FEE-HELP invoice notice. The 2 business day requirement can occur within the 14 day invoice requirement timeframe. The 'trigger' or start date for both requirements is the student's enrolment.

#### **D. Two Day 'Cooling Off' Period**

- A provider must advise a student who enrolls in a unit of study that any request for Commonwealth assistance must be given at least 2 business days **after** the student enrolls in the unit.
- A provider must advise a student **who enrolls in a unit less than 2 business days before the census date** for the unit, the student **will not** be able to receive VET FEE-HELP assistance for the unit.

#### **E. Three Fee-Periods Requirements**

- Providers must not charge a student the total course tuition fees in one up-front hit. Students must incur a debt as they progress through a course.
- A provider must choose at least three fee-periods for charging purposes for each **course** it delivers for which VET FEE-HELP is available.
- Each fee-period must have at least one unit of study and at least one census date. There is no change to the census date requirement that census dates must be set at least 20 per cent through the unit of study.
- Fee-periods must be sequential and charges should be spread so that the portion of the fees payable in each period is proportionate to the number of periods. For example, if a provider determines three fee-periods, one-third of the cost should be levied across each fee-period.
- Some exceptions apply in cases where providers do not know total course fees or course duration, with fees able to be estimated. Also, where fee periods or proportionate charging conflict with State or Territory subsidy funding arrangements, and providers are compliant with those subsidy funding arrangements, some discretion can be applied to the extent of the conflict. Providers that fit into this category should advise the conflict and confirm the arrangements that will apply, in writing to the Branch Manager, VET FEE-HELP Branch c/- [TSEnquiries@education.gov.au](mailto:TSEnquiries@education.gov.au).

#### **F. Marketing and publishing**

- All marketing, advertising or promoting of VET courses of study must clearly and prominently mention the VET provider's name, registered business name (if any), and any other business name it uses [and its business address].
- Maximum course tuition fees must be published on the MySkills website.

## Freeze on loan growth

### G. VET FEE-HELP freeze on loan growth at 2015 levels

- VET providers will only be able to offer VET FEE-HELP loans up to the maximum of their 2015 loan amounts. The loan freeze will be based on provider reported data for VET FEE-HELP loans incurred on census dates occurring from 1 January to 31 August 2015, annualised (see calculation below).
- This maximum is implemented through the allocation of a loan quota called a 'notional VET FEE-HELP account'.
- Existing students should have priority access within the notional VET FEE-HELP account enabling them to continue their studies. A new student (enrolled after the day of Royal Assent<sup>1</sup>) will only be able to access a loan where it does not exceed the provider's notional VET FEE-HELP account balance, as it is linked to their entitlement to VET FEE-HELP.
- The notional VET FEE-HELP account is essentially a limit on the total value of VET FEE-HELP loans a provider can receive. Where providers exceed their notional VET FEE-HELP account balance (following end of year reconciliation), monies will be repayable to the Commonwealth and associated student debts remitted.
- Recently approved providers (those approved in 2015) must also operate within the balance allocated to their notional VET FEE-HELP account, which will be based on their domestic fee revenue in 2015 for relevant courses.
- The methodology for calculating the notional VET FEE-HELP account is set out below and provided for in clause 45D of the Government amendments to the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015, which is available at [http://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r5535](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5535).

**(a) For providers approved for VET FEE-HELP prior to 2015:**

The calculation is as follows:

$\frac{3}{2}$	x	VALUE
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*where:*

VALUE means the sum of the amounts of VET FEE-HELP assistance paid for students undertaking, with the VET provider, VET units of study that had census dates during the period starting on 1 January 2015 and ending on 31 August 2015.

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<sup>1</sup> The Governor-General is required to sign bills giving royal assent to them before they can become law. Royal assent is expected to occur by mid December 2015.



**(b) For providers approved for VET FEE-HELP during 2015:**

The amount equal to the sum of:

- the VET provider's fee revenue for the period:
    - (i) starting on 1 January 2015; and
    - (ii) ending on the day before the VET provider was approved as a VET provider;for domestic students undertaking qualifying VET courses in that period;  
and
  - the sum of the amounts of VET FEE-HELP assistance paid for students undertaking, with the VET provider, VET units of study that had census dates during 2015.
- The department will shortly be writing to providers confirming their notional VET FEE-HELP account balance for 2016.

**H. Increases to the notional VET FEE-HELP account**

- A VET provider's notional VET FEE-HELP account can only be increased (beyond their total 2015 notional amount) in very limited circumstances. These limited circumstances are set out below:

**When another VET FEE-HELP approved provider ceases to be a provider**

- The Minister may, by legislative instrument, determine whether credits arise in the VET FEE-HELP accounts of specified VET providers when another body ceases to be a VET provider, and the amounts of such credits.

**Where a provider is offering a course in a skills area of national importance that leads to employment in a licensed occupation**

- If the Secretary, on application by the VET provider, is satisfied on a particular day that:
  - i. the VET provider is offering a VET course of study that confers skills in an identified area of national importance, and
  - ii. the course is relevant for employment in a licensed occupation; and
  - iii. one or more students are unable to readily access training places in courses of this kind with any other VET provider; and
  - iv. insufficient credits have arisen in the VET provider's VET FEE-HELP account for an appropriate number of students to undertake the course with the VET provider; and
  - v. granting an extra credit of a particular amount is appropriate (which need not be the amount specified in the application);

the Secretary may grant a credit, which arises on that day, that is equal to the amount considered appropriate under paragraph (v) above.

## Questions and answers:

- ***Can providers lower their tuition fees to allow more students to study with their institution?***

Yes. Providers can lower course tuition fees to allow more students to study within their notional VET FEE-HELP account limit. The total VET FEE-HELP amount payable to the institution is limited, not student numbers.

- ***Can providers request that students pay a co-contribution payment? or***
- ***Would providers be able to adjust the schedule of fees so that the first unit of study attracts a fee and the rest are deferred to VET FEE HELP?***

Although students are able to pay some of their tuition fees and defer the rest to VET FEE-HELP, this is to be a decision made at the discretion of the student – there is no provision in the legislation to allow an approved VET FEE-HELP provider to compel students to pay any upfront tuition fees, irrespective of the arrangements resulting in the student being enrolled.

## Changes to approval criteria

### I. Increasing the stringency of criteria for the approval of new VET FEE-HELP providers

- There will be stringent criteria applying to all VET FEE-HELP provider applications. These new criteria will also apply to those organisations that have submitted an application which has not yet been approved.
- Applicants must have delivered the relevant courses for which they are seeking to offer VET FEE-HELP for five years or more, and only courses that meet this criteria on approval will be available for VET FEE-HELP. Additional quality criteria will also apply, which will be set out in the VET Guidelines.
- New providers will be subject to a loan quota so as to ensure that any growth in the scheme from these new entrants is minimised. This cap will be the same as the provider's domestic fee revenue in 2015 for the relevant courses.

## Changes to Financial Viability Requirements for Approved Providers

### J. Financial Viability Requirements

- Financial statements will be required to have been prepared and audited by suitably qualified persons.
- Providers must maintain a positive equity position for the period of approval.
- Where providers have 100 or more enrolments in Certificate I to IV or Diploma and above level qualifications within a given annual financial reporting period, they will be required to generate a minimum of 20 per cent of total revenue through non HELP sources.
- Providers will be required to maintain cash or cash equivalent assets, or access to cash or cash equivalent assets, equalling a minimum of 25 per cent of total expenses as incurred in their most recently completed annual financial reporting period.

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- No new guarantees or loans can be made to directors, shareholders, associated entities, or any other party where such an action could have a material effect on the provider's finances for the period of approval.
- A provider cannot offer its assets as security for the benefit of any other person or entity, including associated entities, except as a consequence of any commercial loan arrangements with an Authorised Deposit-taking Institution under the *Banking Act 1959* for the period of its approval.
- These requirements will be assessed for the first time at the conclusion of a provider's first annual reporting period commencing on or after 1 January 2016.

## **Changes to Payment Arrangements**

### **K. Payment in arrears**

- The Department of Education and Training will be varying the timing and manner of payments to certain providers, including moving to payment in arrears on a quarterly basis.
- This change will not apply to all providers. The Department will use a risk-based approach to identify providers where payment in arrears will be applied.
- The department will shortly be writing to all providers confirming their individual arrangements.

## **Sanctions**

### **L. Remission of VET FEE-HELP Debt**

- A person may apply to the department for a remission of their VET FEE-HELP debt under expanded circumstances relating to inappropriate behaviour by a provider or its agent.
- This is a separate requirement from the 'special circumstances' remissions currently included in the *Higher Education Support Act 2003*.
- An online system for such applications is being developed.
- Until such time as the online system is available, a paper process will be implemented.

### **M. Pausing Payments where there are concerns about performance**

- The Department of Education and Training will initiate a review of a provider where there are grounds for concern, for example in relation to student enrolments and the quality of teaching and training outcomes.
- The approval of poor performing providers will be suspended until they agree to a plan to lift their performance and meet agreed milestones.
- In these cases, approval will be suspended for new enrolments and payments to providers for new enrolments will be paused until these providers agree and complete actions to lift their performance.
- Protections will be in place for existing students, however new students will not be entitled to access VET FEE-HELP during the suspension period.

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## **N. Infringements and Civil Penalties**

- Infringements or Civil penalties will apply where a provider:
  - publishes information that suggests VET FEE-HELP assistance is not a loan
  - offers inappropriate inducements
  - fails to provide VET FEE-HELP notices (Invoice and or Commonwealth Assistance Notice)
  - fails to comply with student requests for withdrawal from unit before the end of that census date
  - charges a fee for a student to cancel an enrolment or request for assistance
  - accepts requests for Commonwealth assistance when the student is not entitled (including 2 business day cooling off period and under 18 requirements)
  - fails to apportion fees appropriately (fee-periods), publish fees or report data.