

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.5 – Assistance for post school students including those with special needs

DEST Question No. E076_04

Senator Carr asked on 5 June 2003

Question:

- a) If a student also has a HECS debt, is it the case that the HECS will be paid first, followed by the FEE-HELP debt?
- b) What is the average length of time it takes a graduate to pay off a HECS debt? Isn't it about ten years?
- c) Doesn't that mean that very many graduates will face the full ten years of interest?
- d) Is the Government trying to maximize its profits here?

Answer:

Ten-year period for real interest rate

- a) Yes, compulsory repayments will be directed to the HECS-HELP debt first, however voluntary repayments could be directed to the FEE-HELP or OS-HELP debt.
- b) Advice from the Australian Government Actuary (AGA) says that it cannot determine an average HECS debt repayment period for the HECS population as a whole. An average period of repayment can only be calculated for those who have fully repaid their debt. This calculation does not include any provision for people who have not repaid their debt. The average period taken to repay a HECS debt by people who have fully repaid their debt is around 4 years from the time the last HECS debt was incurred.
- c) The number and proportion of FEE-HELP debtors that will incur the full ten years of interest can not be determined.
- d) The interest charge helps offset the cost to the taxpayer of Commonwealth borrowing over the lifetime of the loan.