

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2004-2005 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.4 – Funding for Higher Education

DEST Question No. E076_05

Senator Carr provided in writing.

Refers to E876_04

Question:

In a recent paper Gillian Beer and Bruce Chapman present some findings, based on economic theory, about the potential true financial cost of the FEE-HELP regime to students, where an upfront payment is required.

If a student's full-fee course fees exceed the Government's \$50 000 limit – and the student is required to make an upfront payment for, say, the final year of study – Beer and Chapman calculate the real lifetime cost to that person of their debt.

On their modelling, a student who pays \$13,333 p.a. in fees for three years will have to pay upfront for their final year of study. In that instance, for female graduates with children who have low lifetime incomes, the true cost rises by 800% (from \$1400 to \$12 300).

The true cost rises for all kinds of graduates, but women with children on low incomes are hardest hit by the Government's FEE-HELP policy – particularly the \$50 000 cap on loans.

1. Has DEST conducted any kind of survey into the number of full-fee courses that, in total fee cost, will exceed \$50 000?
2. What have you found? Please provide a list of all courses, by fee level and institution, which, going on information available now, will exceed the \$50 000 total borrowing limit in 2005.
3. Have you estimated how many students are likely to be affected by the cap each year for the next ten years? How many?
4. Where do you expect that a student, having reached the limit of \$50 000 on their loan, will be able to find several thousand additional dollars for an upfront fee?
5. Have you held discussions with commercial banks about their attitude to lending to students for fees, with no collateral?
6. What conditions will banks apply to such loans? Please provide detail of any information obtained or discussions held with financial institutions on this matter.

Answer:

FEE-HELP Implications for present value of debt

1. Yes. A one-off manual data collection was conducted in 2002.
2. The data indicated that in 2002, 64% of courses cost less than \$50,000 and 62% of the load was in courses that cost less than \$50,000. DEST has no data on courses that will exceed the \$50,000 loan limit in 2005, although, at this stage, under the requirements of the Higher Education Support Act, institutions are required to publicly provide information on fee levels by 31 September.
3. No.
4. The Government has no specific expectations on this matter.
5. No.
6. DEST does not have information on this matter.