Inland Revenue
Te Tari Taake

MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Tertiary Education Report: Student loan savings for Budget 2024

Date:	25 January 2024	**Priority:**	Medium
Security Level:	Budget	**METIS No:**	Metis: 1321284 / IR2024/014

Action Sought

Addressee	Actions sought	Deadline
Minister of Revenue Minister for Tertiary Education and Skills	**Agree to progress the recommended options for Budget 2024**	30 January 2024
Enclosure: No	**Round Robin: No**	

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Nicki Ablitt	Senior Manager, Ministry of Education	9(2)(a)		✓
Jane Elley	Customer and Compliance Services – Individuals, Inland Revenue	9(2)(a)		

The following departments/agencies have seen this report: ☐ Other:

☒ IR ☐ MBIE ☒ MoE ☐ MoH ☐ MPI ☐ MSD ☐ NZQA
☐ OAG ☐ Stats ☐ TEC ☐ TPK ☐ Treasury

Minister to Complete **(please circle)**	1 = very poor	2 = poor	3 = acceptable
	4 = good	5 = very good	
Minister's Office to Complete:	☐ Approved		☐ Declined
	☐ Noted		☐ Needs change
	☐ Seen		☐ Overtaken by Events
	☐ See Minister's Notes		☐ Withdrawn
Comments:			

Tertiary Policy and Evidence Group

Tertiary Education Report: Student loan savings for Budget 2024

Executive summary

Officials seek your agreement to proposals for further work on a student support savings submission for Budget 2024 as requested by the Minister of Finance.

In response to this direction from the Minister of Finance, officials have identified objectives that may be achieved through revisions to the Student Loan Scheme. These are:

- requiring a greater contribution to tertiary education costs by borrowers over the life of their loan thereby reducing the cost of lending for the Crown
- enhancing administrative activity settings for collecting student loans from overseas-based borrowers with the aim of reducing their long-term student loan default debt.

This paper provides relevant options for achieving the first of these objectives, that you may wish to consider progressing for Budget 2024. 9(2)(f)(iv) [redacted]

The relevant options for achieving the second objective will form part of wider Budget 2024 work being undertaken by Inland Revenue on tax compliance. However, this paper describes the low repayment compliance of overseas-based borrowers and the challenges for government in improving this.

Options for increasing the contribution of borrowers have different trade-offs in terms of their impact on the Student Loan Scheme's objectives, administrative complexity and cost, and the quantum of savings released for reprioritisation. On balance, we recommend the following:

- 9(2)(f)(iv) [redacted]
- 9(2)(f)(iv) [redacted]
- increasing the value of the Student Loan Scheme (the Scheme) by increasing the current overseas interest formula by 1% for a limited time of 5 years to partially cover the loss in value caused by the last three years of inflation. This is estimated to improve the value of the Scheme by about $23 million
- 9(2)(f)(iv) [redacted]

Subject to your agreement, officials will progress with a Budget savings template clarifying the scope of savings (which are in Vote Revenue), illustrating operational details required for implementation, and assessing the impacts of the options (both for students and the Crown).

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[1] 9(2)(f)(iv) [redacted]
[2] 9(2)(f)(iv) [redacted]

Recommendations

We recommend the Minister for Tertiary Education and Skills and the Minister of Revenue:

a. **agree** that officials undertake further work on the following student loan savings initiatives for Budget 2024:

(i) 9(2)(f)(iv) [redacted]

Yes / No

(ii) increasing the current overseas interest formula by 1% for a limited time of 5 years to partially cover the loss caused by the last three years of inflation

Yes / No

(iii) 9(2)(f)(iv) [redacted]

Yes / No

(iv) 9(2)(f)(iv) [redacted]

Yes / No

b. **agree** that the Ministry release this report once Budget 2024 announcements are made, with any redactions made in line with the provisions of the Official Information Act 1982.

Agree / Disagree

9(2)(a) [redacted]

Nicki Ablitt
Senior Manager
Tertiary and Evidence
Ministry of Education

9(2)(a) [redacted]

Jane Elley
Customer Segment Leader
Customer and Compliance Services – Individuals
Inland Revenue

Hon Penny Simmonds
Minister for Tertiary Education and Skills

__ __/__ __/__ __

NOTED / APPROVED

Hon Simon Watts
Minister of Revenue

__ __/__ __/__ __

NOTED / APPROVED

Tertiary Education Report: Student loan Budget 2024 savings

Purpose

1. The Minister of Finance has asked the Ministry *to work with Inland Revenue to provide advice on savings-related options for student loans, including increasing the overseas-based repayment and compliance activity settings. I invite a joint proposal for this* purpose.

2. This request reflects agency roles in supporting the responsibilities of:
   - the Minister for Tertiary Education and Skills for policy decisions on the Student Loan Scheme (the Scheme) overall
   - the Minister of Revenue for all operational aspects of student loan administration, from initial lending by the Ministry of Social Development, to collecting regular repayments and managing default by Inland Revenue.

3. The Ministry of Education is developing a Budget 2024 submission that relates to the first part of this request and Inland Revenue is developing a submission for the second part.

4. Subject to your approval, the completed submission is required to be uploaded into Treasury's central database (CFISNet) by 1pm on Friday 16 February 2024.

Broad objectives for savings proposals

Reducing the cost of lending by increasing the contribution of borrowers

5. Student loans are designed to promote broad access and participation in tertiary education. In 2022/23, 129,711 students borrowed from the Scheme. The government spent $551 million[3] on student loans in 2022/23 (and $525 million on student allowances). The cost to government for each dollar lent in 2022/23 was on average 43.35 cents (an increase over the 37.79 cents for each dollar lent in 2021/22). The cost of lending is the Government's implicit subsidy in the Scheme. Further details of the cost of lending are set out in the Student Loan Scheme Annual Report[4].

6. Student loans are intended to fill a gap in consumer credit markets to help students pay for their upfront tertiary study costs. To remain effective in meeting this gap, the loans need to be sufficient to enable students to enter study. A key challenge for government is balancing the need to maintain affordability for both the Crown and for students.

7. Like many other countries, in New Zealand the costs of tertiary education are shared between the Government, students, and their families. Cost-sharing recognises that tertiary education has both public and private benefits. The Scheme enables students to spread their costs over time, with repayments being made from future earnings.

8. There is a risk that introducing changes to current student loan settings that increase the student contribution to tertiary study could work against its access and participation policy

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[3] This is the fair value write-down on new borrowings.

[4] Student Loan Scheme Annual Report 2023 | Education Counts (see pages 14 and 29).

objective, negatively impact on student wellbeing, and reduce enrolments placing increased financial pressure on tertiary providers.

9. Options that remove or reduce the amount of upfront study support are more likely to have these negative impacts, particularly given recent rises to the cost of living. Increasing upfront costs could also impact on those borrowers who do not see labour market benefits from their investment in tertiary education.

10. 9(2)(f)(iv) [redacted]

Enhancing the collection of overseas-based borrowers' long-term student loan default debt

11. Repayments for New Zealand-based borrowers are made though the tax system and for this reason compliance is high (95%). However, compliance is low for overseas-based borrowers (30%) who must take responsibility to manage their own repayments[5]. While overseas-based borrowers have low compliance rates the government still collected over $155 million from these borrowers in the last financial year.

12. In conjunction with system-based activity to encourage overseas-based borrowers to get back on track, Inland Revenue uses campaigns[6] and collection agencies to assist with getting up-to-date contact details and collection in Australia and the United Kingdom[7]. These activities are having some success in increasing repayments and compliance. However, overseas-based overdue debt[8] continues to grow, with over $2 billion currently outstanding.

13. As at 31 December 2023, around 74% of overseas-based borrowers held 92.8% of the total overdue loan debt.

Table 1: Overseas – based borrower overdue payments

As at 31.12.23	Number of borrowers	Total loan value $m	People with overdue repayments	Amount overdue $m
New Zealand-based	505,390	11,683	24,416	163
Overseas-based	109,484	3,927	80,468	2,124
Total	**614,874**	**15,610**	**104,884**	**2,287**

14. Collecting loan repayments for overseas-based borrowers is particularly challenging as:

- borrowers are based in at least 100 countries with the whereabouts of approximately 59,885 borrowers unknown. Where contact details are known, differences in legal and regulatory systems mean enforcement action may not be possible or may be expensive.
- 84% of overseas-based borrowers with overdue debt have been outside New Zealand for more than five years and interest, late payment interest, and the amount of loan

[5] The repayment obligation for overseas-based borrowers is set at a fixed repayment threshold based on their balance when they left New Zealand. Further details can be found here: Repaying my student loan when I live overseas (ird.govt.nz)
[6] For example, in a campaign to borrowers who had missed the 31 March repayment due date IR tested a hard - line message to see if it resulted in increased engagement and payments, compared to the standard reminder message. The campaign generated an estimated $2.27M in additional payments.
[7] Initial results from the portion of borrowers contacted so far have been promising and has contributed to an increase in compliance for this borrower group.
[8] Debt is defined as the total amount borrowed by an individual, including any fees or interest, less any repayments they have made. This amount is also referred to as the "loan balance".

that is overdue is continuing to grow. The longer a borrower is out of New Zealand, the less engaged they are with their student loan, and the harder it is to stay in touch with the borrower and collect the loan.

15. The top five countries where overseas-based borrowers are set out in Table 2:

Table 2: Location of overseas-based borrowers

Approx – as at 31.12.23	Number of borrowers	Total loan value $m	People with overdue repayments	Amount overdue $m
Australia	40,712	1,351	29,141	680
United Kingdom	3,326	136	1,687	43
United States	1,304	58	887	29
Canada	554	24	361	11
Hong Kong	262	18	209	11
Other overseas address	3,441	162	2,377	81
Total with an overseas address	49,599	1,750	34,662	855
No overseas address	59,885	2,177	45,806	1,269
Total overseas-based	**109,484**	**3,927**	**80,468**	**2,124**

Notes:

1. The figures in table 1 and table 2 are from different sources. Those in table 1 are based on the customer being deemed either a New Zealand-based borrower or an overseas-based borrower (updated monthly). The information relating to each country in table 2 is reliant on the student loan borrower's address within START, either by contacting Inland Revenue or online using self-service options (updated daily).
2. Values for borrowers with "no overseas address" in table 2 is a calculated field, so is approximate. It will not be 100% accurate for the reasons outlined above.
3. In table 2, country of residents includes both New Zealand-based (outside of NZ<183 days) and overseas-based borrowers.

16. Options to increase repayments from overseas-based borrowers could include changes to strategic policy and/or operational policy settings. 9(2)(f)(iv) [redacted]

- [redacted]
- [redacted]
- [redacted]

[9] 9(2)(f)(iv) [redacted]

17. 9(2)(f)(iv) [redacted] officials have considered operational policy options that improve and/or expand current administrative policies and practices around the assessment and collection of student loans.

18. If Inland Revenue is seen to be stepping up collection activities this may lead to an increase in overseas-based borrower repayments thereby reducing the running costs of the Scheme and increasing the value of the asset.

19. Implementing these options may be resource intensive for Inland Revenue and would likely require additional operational funding.

Options we recommend progressing for Budget 2024

20. The following initiatives aim to reduce long-term student loan default debt and increase borrowers' personal responsibility for debt repayment. These reforms would likely improve the overall value of the Scheme.

Options analysis for reducing the cost of lending by increasing the contribution of borrowers and increasing the overseas-based borrower interest formula

21. The options we have considered to introduce a greater life-time contribution from students are evaluated against the following criteria:

- Increasing affordability for government (shifting more of the share of the costs to students) – including savings and sustainability of the Scheme.
- Extent of targeting – the extent to which targeting matches need (and effectiveness).
- Operational complexity – including administrative cost and legislative change.
- Equity – equity of treatment and impact on particular groups (which is also important for increasing the skills and knowledge of our workforce into the future and lifting productivity).

22. A preliminary analysis of options is set out in Annex A. The savings are estimates only and further work is needed to refine options to be progressed. The initiative would require legislative change and communication and therefore we recommend that it apply from the next tax year after legislation (i.e., from 1 April 25)

Recommended policy option for reducing the cost of lending

23. 9(2)(f)(iv) [redacted]

24. 9(2)(f)(iv) [redacted]

9(2)(f)(iv) [redacted]

9(2)(f)(iv)

[redacted]

- 9(2)(f)(iv) .

Additional measure for overseas-based borrowers to improve the value of the Scheme

32. Over the last three years inflation has overtaken the overseas interest rate by 9.5%. A higher rate of interest for those overseas would over time reduce some of this loss (and could be time-limited). However, a higher rate increases the risk that the Scheme is perceived as onerous and unfair for overseas-based borrowers and could reduce current compliance levels. To be cautious we suggest a 1% increase to the current overseas interest rate formula for a limited time of 5 years. This would improve the value of the scheme by about $23 million. The initiative would require legislative change and communication and therefore we recommend that it apply from the next tax year after legislation (i.e., from 1 April 25).

Options analysis for enhancing the assessment and collection of overseas-based borrowers' long-term student loan default debt

33. Inland Revenue officials are currently developing short-term options for Budget 2024 to enhance its current administrative activity settings for the collection of student loans with the aim of reducing overseas-based borrowers' long-term student loan default debt. This work will form part of a multi-stream budget bid that includes proposals for improving tax compliance.

Further work

34. If you agree that officials progress with the above recommendations, we will undertake further work on the financial and operational implications and an impact analysis of the recommended options. We will provide draft student support Budget 2024 templates for your approval.

35. Inland Revenue and the Ministry of Education will also report back to Ministers on 2 February 2024 on the detail of options for enhancing current administrative activity settings for the collection of student loans.

Annexe A: Options for increasing New Zealand-based borrowers' contribution

Table A: Student loans savings options (recommended and not recommended)

	Direction	Affordability for govt	Extent of targeting	Operational complexity	Equity
Objective: Requiring a greater contribution to tertiary education costs by borrowers over the life of their loan thereby reducing the cost of lending for the Crown.					
Recommended option					
1	9(2)(f)(iv) [redacted] **and** adding 1% to the current overseas-based borrower interest rate formula for 5 years **and** 9(2)(f)(iv) [redacted]	9(2)(f)(iv) [redacted] Increasing overseas-based borrower interest will reduce some of the loss to the Scheme over the past few years that has occurred due to high inflation over the last few years ($23 million improvement to value of Scheme).	9(2)(f)(iv) [redacted]	9(2)(f)(iv) [redacted]	It would increase the lifetime costs of study for borrowers, 9(2)(f)(iv) [redacted]
Options not recommended					

9(2)(f)(iv) [redacted]

	Direction	Affordability for govt	Extent of targeting	Operational complexity	Equity
			9(2)(f)(iv) [redacted]	9(2)(f)(iv) [redacted]	
3	9(2)(f)(iv) [redacted] c. Freeze repayment threshold (e.g. by 2 years).	9(2)(f)(iv) [redacted] Options b. and c. have not been estimated.	These options would reduce the repayment times of borrowers. Increased hardship is likely to increase applications for hardship relief from IR. This would increase costs for IR.	9(2)(f)(iv) [redacted] Requires legislation.	The 'freeze' on annual CPI adjustments of repayment thresholds from 2010/11 to 2016/17 will have increased financial pressure on low-income borrowers. Further tightening of the repayment settings risks increasing this pressure further (e.g. for some superannuitants with a loan). 9(2)(f)(iv) [redacted]

Annex B: 9(2)(f)(iv) [redacted]

9(2)(f)(iv) [redacted]

Table A: Domestic, overseas and modified overseas interest rates assuming the proposal was in place since 2010

	Domestic	*Overseas*	9(2)(f)(iv) [redacted]	*Overseas*
year ending March	inflation over the preceding calendar year (and domestic interest had this been in place)	current formula overseas interest rate		temporary 1% increase to the overseas interest rate
2010	1.96%	6.80%		
2011	4.03%	6.60%		
2012	1.84%	6.40%		
2013	0.95%	6.40%		
2014	1.63%	5.90%		
2015	0.75%	5.50%		
2016	0.09%	5.30%		
2017	1.33%	4.80%		
2018	1.60%	4.40%		
2019	1.89%	4.30%		
2020	1.85%	4.00%		
2021	1.44%	3.50%		
2022	5.95%	3.00%		
2023	7.22%	2.80%		
2024	5.13%	2.90%		
2025	2.89%	3.20%		
2026	2.25%	3.80%		4.80%
2027	2.09%	4.60%		5.60%
2028	2.02%	5.20%		6.20%
2029	2.00%	5.40%		6.40%
2030	2.00%	5.50%		6.50%

Notes:

1 Forecast highlighted in orange.

2 9(2)(f)(iv) [redacted].

Information Update: Student loan savings Budget 2024

Drafter: Miriam Urlich and Jamie Hyatt
Tertiary Policy and Evidence
Metis Number: 1322796
Date: 14 February 2024

Request

Your office has requested further information on student-support Budget savings options for overseas borrowers which would 9(2)(f)(iv) [redacted] introduce a time-limited 1% increase to the overseas interest rate.

Background

In response to recent advice on cost-savings options for the Student Loan Scheme METIS1321284; IR2024/014 refer], you have asked officials to prepare a bid for implementing the overseas interest options as a standalone intervention.

These proposed changes to policy settings for overseas borrowers were not included in the 2024 Budget package as a mechanism for delivering significant savings. 9(2)(f)(iv) [redacted]

We have advised your office that the overseas interest options 9(2)(f)(iv) [redacted] would not realise savings (or would realise very small savings) for reprioritisation in Budget 2024. More detail is provided below.

9(2)(f)(iv) [redacted]

[redacted]

The savings from a time-limited increase to the overseas interest rate are minimal

Increasing the overseas interest rate formula by 1% would improve the value of the Scheme, with a one-off impact of $23 million in the 2023/24 financial year (the Scheme is worth $9.3 billion). However, we understand from Inland Revenue that this cannot be booked as an operating impact savings. Our initial estimates of the operating impact savings from this option are small; $0.250 million in the 2025/26 financial year decreasing to $0 in the 2029/30 financial year. There would also be a small one-off implementation cost associated with system changes, together with ongoing operational costs including managing queries, updating customers and processing applications for hardship relief. These operational costs would be highest in the first two years and diminish over time.

Comment

We have not progressed a Budget template for the overseas interest options for the reasons stated above. We recommend that you forward this information update to the Minister of Finance.

Inland Revenue
Te Tari Taake

Te Tāhuhu o te Mātauranga
Ministry of Education

Briefing note

Reference: METIS 1328790
BN2024/207

Date: 14 May 2024

To: Hon Penny Simmonds, Minister for Tertiary Education and Skills
Revenue Advisor, Minister of Finance – Emma Grigg
Revenue Advisor, Minister of Revenue – Lonnie Liu
Private Secretary, Minister of Revenue – Helen Kuy

From: Nikki Ablitt, Policy Manager, Ministry of Education
Carolyn Elliott, Policy Lead, Inland Revenue

Subject: **Further information regarding Budget item – increase overseas-based borrower interest rate by 1% for five years**

Purpose

1. The Minister of Finance has requested some more information on the Budget item to increase the overseas-based borrower interest rate by 1% for five years, specifically why the student loan interest rate change for overseas borrowers is temporary rather than permanent. This note provides background and context for the proposal, including why the proposal was for a temporary increase.

Background and rationale for the proposal

2. As part of the Budget 2024 process the Minister of Revenue and the Minister for Tertiary Education and Skills were invited to put forward savings-related options for student loans, including increasing the overseas-based repayment and compliance activity settings.

3. Advice was provided as part of the broader Inland Revenue compliance bid dealing with increased overseas-based compliance activity [METIS 1321922; IR2024/033 refers]. 9(2)(f)(iv) [redacted] The proposal to increase overseas-based borrower interest by 1% for a period of five years was included in this latter report.

4. The proposed change to policy settings for overseas-based borrowers was not included in the 2024 Budget proposals as a mechanism for delivering significant savings. 9(2)(f)(iv) [redacted]

5. 9(2)(f)(iv) [redacted], the temporary increase to the overseas-based interest rate was proposed as a potential option, recognising that over the last three years inflation has overtaken the overseas-based interest rate by 9.5%. This is because the overseas-based interest rate is calculated by

reference to the five-year average of the ten-year bond rate.[1] The interest formula is designed to smooth the annual changes in the rate for borrowers, however, this means there is a lag in historically high (or low) interest rates being reflected in the overseas-based interest rate.

6. The proposal was for a temporary increase only, noting this lagged effect. Furthermore, the recent situation whereby the CPI exceeded the student loan interest rate is a rare occurrence and not expected to happen again in the foreseeable future. In addition, there is a concern that increasing the overseas-based interest rate could be perceived as penalising compliant borrowers and might reduce compliance levels as a result. A temporary increase was thought to mitigate this risk.

Nikki Ablitt
Policy Manager, Ministry of Education
9(2)(f)(iv)

Carolyn Elliott
Policy Lead, Inland Revenue
9(2)(f)(iv)

[1] There is an additional 0.74% included in the interest formula to cover administration costs.

Information Update: Increasing the student loan interest rate by 1% for 5 years

Drafter: Miriam Urlich and Jamie Hyatt
Tertiary Policy and Evidence
Metis Number: 1329166
Date: 20 May 2024

Request

1. The Minister of Finance's office has asked for further information on the student support Budget savings initiative that will increase the overseas interest rate by 1% for 5 years from 1 April 2025. The questions are:
   - Would a comparison table between the OBB rate and the commercial rate be useful to show the issue of the lag?
   - Based on the lag issue this has led to a reduction in the value of the SL book – how does this happen/why?
   - What is the impact on the government books - allowances/obegal/student loan book?

A comparison of the OBB rate and commercial rates

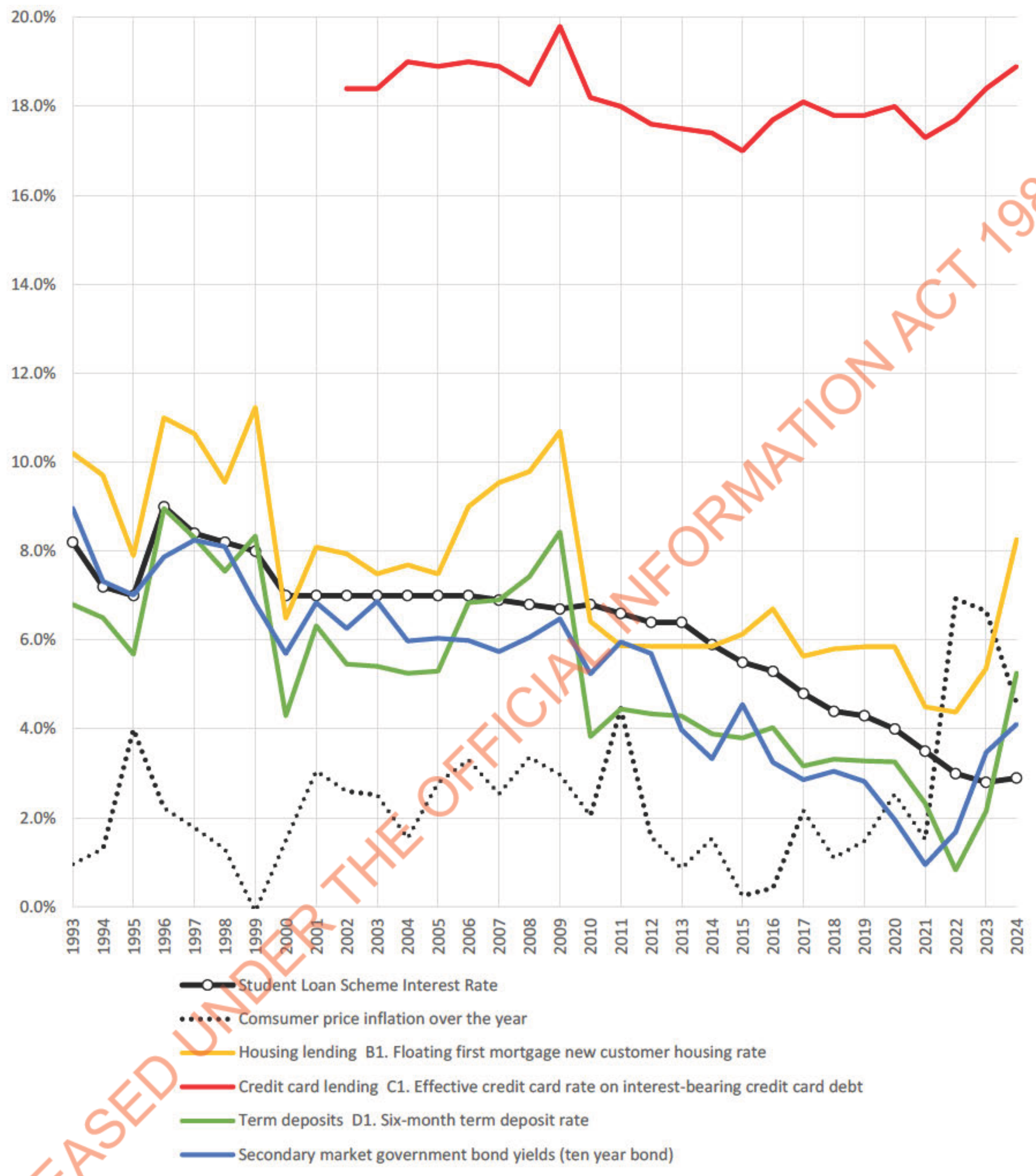
2. The student loan rate is set using a 5-year rolling average of the 10-year bond rate to December in the preceding tax year plus a margin of 0.74%. This methodology was first used in the 2006/07 tax year.

3. An observable market indicator was seen as the best proxy for the opportunity cost of government borrowing as it is transparent and would tend to move in line with the Crown's cost of borrowing. The ten-year bond rate was considered to strike a balance between the objectives of cost recovery for the Crown and stability for borrowers.

4. Averaging the 10-year bond rate over a period of five years was seen to add further stability for borrowers by reducing fluctuations in the interest rate and offering borrowers more certainty of the interest they will be expected to pay over time.

5. The stability of the student loan interest rate compared to commercial rates can be seen in Figure 1.

Figure 1: Comparison of the Student Loan Scheme Interest rate with various commercial interest rates



Notes:

- Shown is the Student Loan Scheme Interest rate for the year ending 31 March. For comparison the dotted line is the consumer price inflation over the same year.
- Also shown is a measure of first mortgage interest rates, credit card interest rates and six-month term deposit rates. These 'HB3' series from the Reserve Bank are for the April at the start of the March years shown. (For example, the value for 2023 is from April 2022). Note that the credit card series starts in April 2001.
- The final series in blue shows secondary market 10-year bond yields (source reserve bank HB2 monthly series). Note that the Student Loan Scheme interest rate formula uses a five-year rolling average of secondary market 10-year bond yields plus a margin of 0.74%.

Based on the lag issue this has led to a reduction in the value of the SL book – how does this happen/why?

6. As noted, the rationale for basing the calculation of the overseas interest rate on historical 10-year government bond rates is to try to best align the charge on the borrower with the Government's cost of borrowing to finance the lending. Because loans overseas are a heterogeneous mix of lending over past periods, this goal can only be approximately met.

7. Over periods of low volatility this system works well. With recent high inflation and sharply rising interest rates, there have been two effects on the student loan book.
   - The real value of the student loan book in respect of New Zealand based loans has decreased markedly. The domestic no-interest subsidy has been supercharged, so that those in New Zealand have seen the real value of their debt decline steeply. (This is of course also true of the money that Government itself owes to its lenders.)
   - The real value of the SL book in respect of those overseas has also declined, although less markedly.

8. The first effect will occur whenever there is inflation, it is only the degree of inflation which has made this so striking.

9. The second effect occurs only when there is a sharp gradient to inflation; if inflation were to shift permanently, bond rates would reflect this, we would achieve a positive real interest rate. We now have a situation where the real value of overseas loans has fallen. As seen in Figure 1, this is the only time this has occurred in the history of the Scheme. This means that the subsidy to domestic borrowers has been extended to those overseas which was never the intention of the policy. It is for this reason that the 1% increase was proposed, in order to claw back part of this loss.

What is the impact on the Government books - Allowances/OBEGAL/Student loan book?

10. Because the value on the scheme on the Government's books is the present value of all expected future repayments in respect of loans then on issue, simply making the decision to increase the interest rate immediately increases the value of the scheme. The policy costing estimated that this increase is $20.5 million. This is known as a fair value remeasurement.

11. Under the current accounting framework, fair value remeasurements are treated as a gain or a loss. We understand that OBEGAL will not reflect this $20.5 million change.

12. Budget allowances are another matter. We understand from Treasury that for the Budget 2024 round all student loan changes do not impact budget allowances.

13. There is also a very small decrease to the cost of ongoing lending. Because the interest rate increase is time limited, this small annual saving decreases with time. In the 2024/25 year the saving is estimated to be $0.247 million. As the lending occurs this will be reflected in the scheme value which is on the Government's books. These small savings <u>do</u> impact OBEGAL. It does not impact on budget allowances.