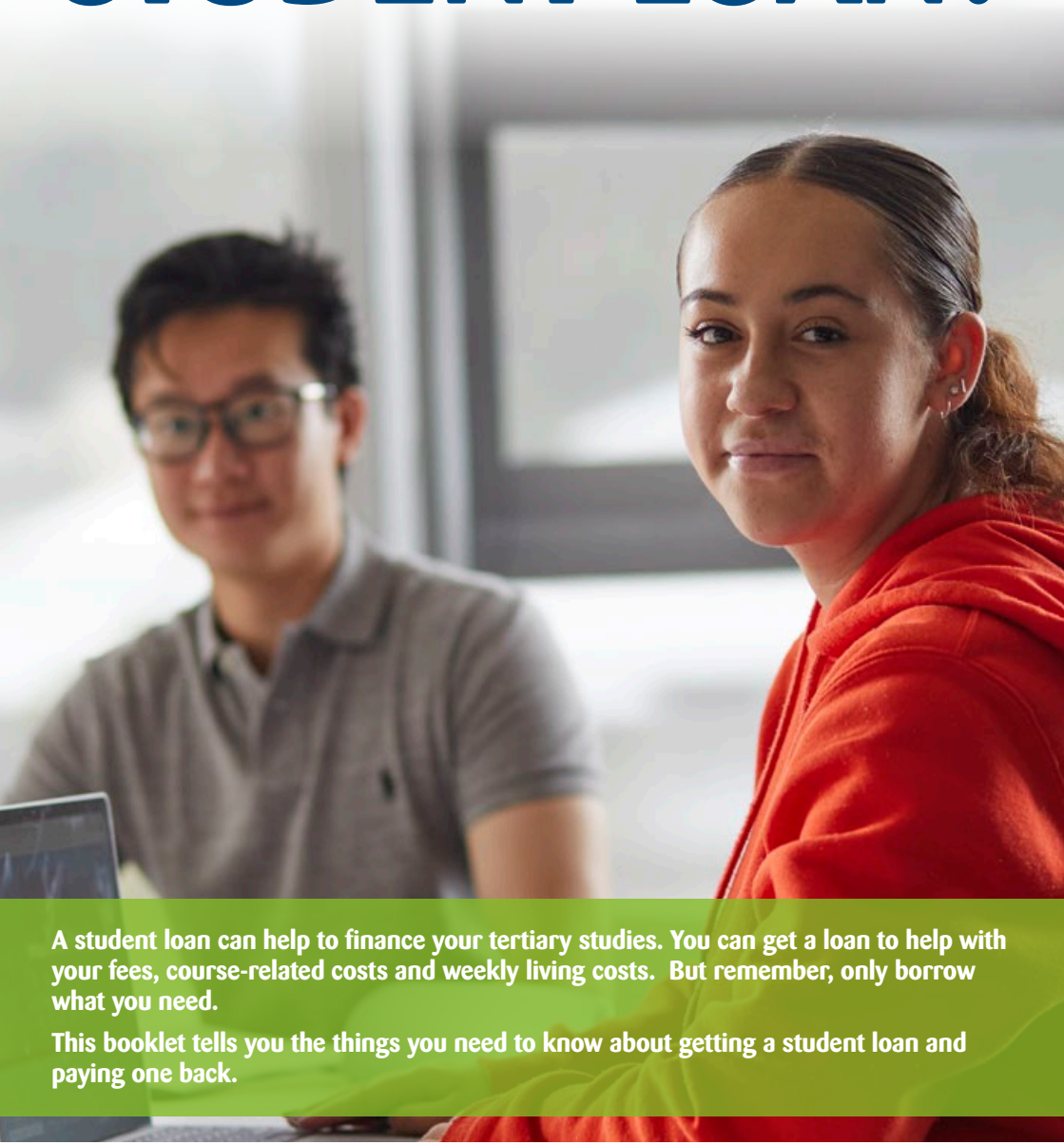
WHAT'S IN A STUDENT LOAN?



A student loan can help to finance your tertiary studies. You can get a loan to help with your fees, course-related costs and weekly living costs. But remember, only borrow what you need.

This booklet tells you the things you need to know about getting a student loan and paying one back.

Inland Revenue
Te Tari Taake

STUDYLINK
Hoto Akoranga
A service of the Ministry of Social Development

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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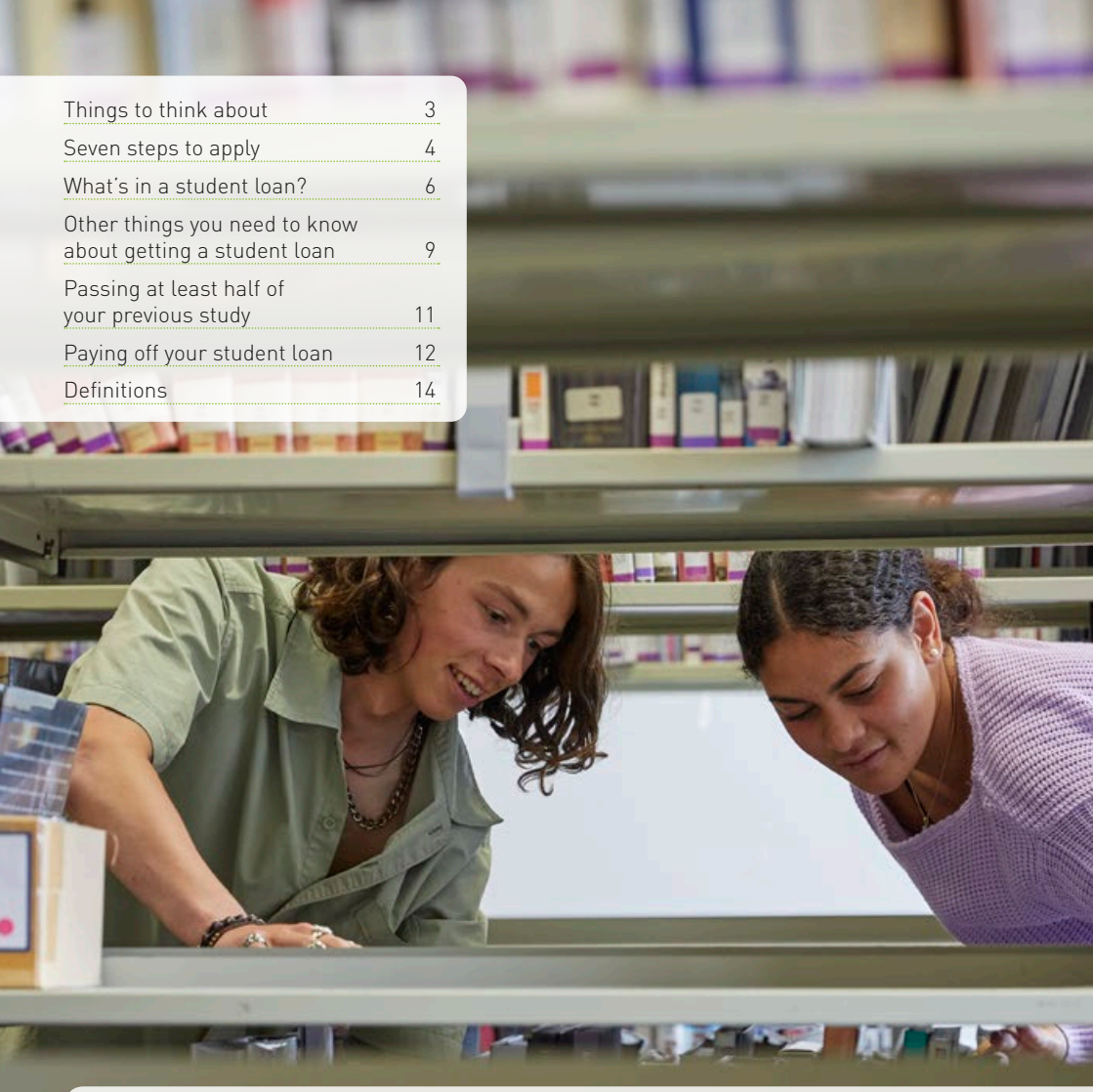


When you get a student loan you'll be in contact with two government departments – StudyLink and Inland Revenue.

StudyLink's role is to tell you about the student loan and help you organise your loan application.

Inland Revenue takes responsibility for your loan once you start to draw it down and it's transferred to them. Your loan details will normally be transferred to Inland Revenue daily. You can use myIR, Inland Revenue's secure online service to view or update your information.

Inland Revenue assists you to comply with your obligations as a student loan borrower, until the loan is paid back. For more information, go to **ird.govt.nz/student-loans**

If you'd like to know more about applying for a student loan, **studylink.govt.nz**

If you'd like to know more about repaying a student loan or interest charges, whether you're in New Zealand or overseas, visit Inland Revenue's website **ird.govt.nz/student-loans**

Most rates we mention in this brochure are reviewed on 1 April each year.

THINGS TO THINK ABOUT

One of the challenges for people considering tertiary education for the first time is having an understanding of all of the costs involved with study and the financial help available to help with those costs.

There's information on StudyLink's website to help you understand what it'll cost you to study. There's also information on the different options you may have for financing this investment into your future.

A student loan can help to finance your tertiary studies. But remember, it's a loan that you have to pay back.

When you have a student loan you need to start paying it back once you earn over a certain amount – it could take years to pay off.

So, think carefully about how you use it:

- Do you really understand what's involved in paying back a loan?
- Is there a scholarship or grant you may be able to get?
- Have you thought about working part-time while you study?
- Are you entitled to a student allowance that can help with your living expenses and you don't have to pay back?
- Is there extra help with costs that you may be entitled to such as help with health costs or childcare?

REMEMBER
What you borrow you'll have to pay back, so only borrow what you need.

Tama borrowed $29,000 to complete his studies. He earns $35,000 a year and makes the minimum repayments each week. It will take him a little over 15 years to pay off his loan.

Kim worked part-time while studying so she only borrowed $14,000. She also earns $35,000 a year and pays the minimum amount each week which means she'll pay off her loan in less than 7 years.

You can do your own calculations in myIR. Go to **ird.govt.nz**

DO THE NUMBERS

Visit StudyLink's website **studylink.govt.nz** to get an idea of what it will cost you to live, how much you may need to borrow and what it will take to pay back your loan.

SEVEN STEPS TO APPLY

EXAMS FINISH

Step 1 – Apply at studylink.govt.nz for your financial assistance

If you're applying for the first time, you'll need to collect these things before going online:

- your bank account details
- your IRD number
- current email address
- name of your education provider(s)
- your course start and end dates

Step 2 – We will start processing your application

We'll check the information you give us and get things underway. You don't need to do anything at this point unless you hear from us.

Step 3 – We will contact you

You'll receive a letter. Make sure you read it, sign and return it (if required) and send us any documents we ask for.

If you've had a student loan before and you're 18 years or older, you can view and accept your student loan contract online using MyStudyLink.

Step 4 – Use MyStudyLink to track your application

Use MyStudyLink to:

- check to see if your documents have been received
- check your student allowance and student loan status
- view and accept your student loan contract
- view and update your personal details
- apply for your course-related costs
- view details of your next payment and previous transactions
- view your mail.

Step 5 – We check your details with your education provider

We'll contact your education provider(s) to confirm your study details. You need to make sure you're fully enrolled before this happens.

Step 6 – We'll finish processing your application

We'll send you a letter saying what you qualify for and when your payments will start.

Step 7 – Your payments can start

The earliest your payments can start is in the second week of your course. This is because we make payments in arrears.

COURSE STARTS

REMEMBER: You need to allow enough time for all seven steps to be completed, so apply as early as you can. If you don't apply on time or don't give us all the information we need, we can't pay you on time.

If you've applied for Jobseeker Support Student Hardship, we'll write to you soon to let you know what happens next.

We may need to see proof of your:

- birth certificate or passport
- passport or citizenship papers (if you weren't born in New Zealand)
- marriage certificate or deed poll papers (if applicable)
- income
- partner's income
- parent(s) income if you're under 24 years
- accommodation and/or disability costs.

Please note: MyStudyLink only displays payments and information relating to student loan, student allowance and scholarships.

Sometimes this won't happen until the week before your course starts. This depends on the way each education provider works.

You can use MyStudyLink to check if your enrolment details have been confirmed.

If you've signed up to view your mail at MyStudyLink we'll text or email you when you can view your letter online.

Use MyStudyLink to check your bank account number and address details before your payments start.

WHAT'S IN A STUDENT LOAN?

There are three parts you can borrow from a student loan: compulsory fees; living costs; and course-related costs. You choose the parts you want to use depending on what you need and what you qualify for. **Think carefully about how much you need and only borrow that amount.**

You'll need to apply for a new loan each time you start a new course. You'll also need to sign a new loan contract (StudyLink will send this to you) for every loan account. A loan account usually runs for 52 weeks.

A $60 establishment fee is added to your loan every time you open a new loan account.You'll also be charged an administration fee of $40 by Inland Revenue in every tax year you have an outstanding loan balance with them of $20 or more, unless you've been charged an establishment fee with StudyLink in the same tax year.

Your student loan is interest free if you stay in New Zealand. If you don't make your payments on time, you may be charged late payment interest.

If you go overseas, you may be charged interest. It depends how long you go for.

To find out more and to find out the current interest rate go to **ird.govt.nz/student-loans**

COMPULSORY FEES

This pays the compulsory fees for your course. It doesn't include special charges such as penalty fees for late enrolment, administration charges for paying by instalments or optional service fees such as student association fees.

You can borrow for fees as long as your course is approved by the Tertiary Education Commission and full-time, or part-time and 32 weeks or longer. If you're studying part-time for less than 32 weeks, you need be studying at least 0.25 EFTS.

Your education provider will tell StudyLink what your fees are. Your fees are then paid directly to them. The payment will be made two weeks before your course starts or seven days from the day your first Loan Entitlement Advice (LEA) letter is sent to you – whichever is later.

You can pay some of your fees yourself. If you've already paid for all of your fees with your own money, or if someone else has paid your fees on your behalf, you won't be able to use this part of the loan. If you've partially paid your fees, the amount you've paid will be deducted from the amount you can borrow.

For example, if your fees are $1,500 and you paid a $100 deposit before you applied for the student loan, your education provider can only ask for $1,400 for compulsory fees.

If you withdraw from your course you are still responsible for repaying your loan. If your education provider refunds all or part of your fees, the refund will be paid directly to your loan account.

LIVING COSTS

This helps with your weekly living costs, especially if you don't qualify for the full amount of student allowance. Your course must be full-time or approved limited full-time status to qualify for living costs.

Your education provider can tell you whether your course is full-time. In certain circumstances, you may still be able to get a loan if you are unable to study full-time and are approved limited full-time status by StudyLink. To find out more go to StudyLink's website **studylink.govt.nz**

You can borrow up to $333.48 a week for living costs while you're studying, or on a study break of three weeks or less, like mid-semester breaks. If your break is more than three weeks and you're unable to find work, you may be able to get the Jobseeker Support Student Hardship. For more details, visit StudyLink's website **studylink.govt.nz**

If you choose to receive the maximum amount of living costs each week you may choose to have this adjusted automatically if the maximum rate changes.

You decide how much you want to borrow so if you don't need the full amount, you can ask for less. You'll only get paid living costs from when you apply for them – they can't be back-paid if you apply late or if, at any stage, you increase the amount you want to get.

Tama borrows $100 a week at the start of his course. A few weeks later, he decides to increase his living costs to $120 a week. This means he'll only start receiving $120 from the week that he requested it. He won't be back-paid.

The earliest your living costs payments can start is the second week of your course because you're paid one week in arrears. This means your payment for each week is paid to your bank account the following week.

You can change the amount of living costs you borrow or view your payments at any time using MyStudyLink at **studylink.govt.nz**

WHAT HAPPENS IF YOU'RE GETTING A STUDENT ALLOWANCE?

In some situations you maybe eligible for living costs and also receive a Student Allowance.

If your Student Allowance is more than the maximum amount of living costs ($333.48), you can't get living costs as well.

If your Student Allowance is less than $333.48, you can get living costs as well, but your total cannot be more than $333.48.

For example, if your Student Allowance is $100.00 you can get up to $233.48 for living costs.

If your loan for living costs is approved before your student allowance, you'll get the full amount that you asked for. Once your student allowance is approved, any back-payments you get will automatically be used to repay the difference in the living costs you've already borrowed for the same period.

COURSE-RELATED COSTS

This helps with costs related to your studies, for example:

- text books
- computer equipment
- childcare
- travel
- student association fees.

You need to be studying full-time or limited full-time with StudyLink's approval to be eligible for course-related costs.

You can borrow up to $1,000 per loan account (usually a 52 week period) for course-related costs. You don't have to claim all your costs at once, just specify when you apply how much you need. You can claim the balance at any time up until your course finishes.

Please note that if you pay back your course-related costs within a year, you are not entitled to borrow the money again in that same year.

You can apply for your course-related costs online using your MyStudyLink account.

Using MyStudyLink you're able to:

- apply for course-related costs
- view the status of your course-related costs applications including payment date.

Course-related costs are paid directly to your bank account – the earliest StudyLink can do this is 14 days before your course starts.

You don't have to apply for the full amount of course-related costs, living costs or course fees – you decide which part to apply for and how much you need to borrow from each.

IF YOU'RE GETTING A WORK AND INCOME BENEFIT

You can't get a loan for living costs if you'll be getting a Work and Income benefit while studying. Remember to talk to Work and Income about your study plans as it could affect your benefit entitlement.

If you get the Training Incentive Allowance, the amount you can get for compulsory fees and course-related costs goes down by the amount of Training Incentive Allowance you get (not including any Training Incentive Allowance you get for childcare, transport and disability-related costs).

OTHER THINGS YOU NEED TO KNOW ABOUT GETTING A STUDENT LOAN

IF YOU'RE UNDER 18 YEARS OLD

If you're under 18 years old, one of your parents (or a guardian) must sign your loan contract to show they give their consent to you taking out all three parts of the loan.

It doesn't mean they're guaranteeing your loan. You're still fully responsible for paying it back.

Once your parent has signed the contract they can't withdraw their consent.

If you're legally married or in a civil union, have a dependent child or eligible for an Independent Circumstances Allowance[1], you don't need a parent to sign your contract.

IF YOU'RE A YOUTH GUARANTEE RECIPIENT

If you're a Youth Guarantee recipient (or enrolled in a trades academy or tertiary high school course funded as part of the Youth Guarantee programme) you won't be eligible for a student loan, as your course is fully funded by the Government. You may be eligible for a student allowance if you meet the eligibility criteria.

The Youth Guarantee Programme is available to some 18-19 year olds. These students may be eligible for the living costs and course-related costs components of the Student Loan if they meet the relevant criteria.

Go to **studylink.govt.nz** to find out more.

LEVEL 1 AND 2 STUDY

If you study a fees-free Level 1 or Level 2 qualification, and you're under 18 when you start it, you won't be eligible for any part of the student loan. You may be eligible for a student allowance if you meet the eligibility criteria.

If you're aged between 18 and 24 and are studying a fees-free Level 1 or Level 2 qualification you may be eligible for the living costs and course-related costs components of the student loan if they meet the relevant criteria.

Go to **studylink.govt.nz** to find out more.

1 The Independent Circumstances Allowance is a student allowance for 16-23 year olds with exceptional circumstances. For more details visit StudyLink's website **studylink.govt.nz**

IF YOU'RE DOING PILOT TRAINING

There is a limit on borrowing for compulsory fees for pilot training. The maximum that may be borrowed is $35,000 per 1 EFTS.

The amount that you can borrow is proportional to the EFTS of your programme. For example, if you're enrolled in 0.5 EFTS the maximum you'll be able to borrow for fees is $17,500.

IF YOU'RE AGED 55 OR OLDER

If you're aged 55 or older on the date your course starts you aren't entitled to living costs or course-related costs. You can continue to receive a fees-only loan.

HOW LONG YOU CAN GET A STUDENT LOAN FOR

There is a life-time limit of 7 EFTS for student loans.

The life-time limit includes all study you've had a student loan for, since 1 January 2010.

Full-time students generally have study loads of between 0.8 EFTS up to a maximum of 2 EFTS for a year. For a full-time student, 7 EFTS is equal to about 7 or 8 years of study. Part-time students use less EFTS each year.

Once you've used any part of the student loan, such as living costs, fees, or course-related costs, the EFTS for that loan will count towards the 7 EFTS limit.

You can use more than 7 EFTS in some situations, including:

- finishing a paper or course even if it takes you over the 7 EFTS limit
- up to an additional 1 EFTS to complete post graduate study[1] or 3 EFTS to complete a long undergraduate programme in medicine, dentistry and veterinary science.
- up to an additional 3 EFTS if you undertake doctoral study, less any additional EFTS already used to complete post graduate study or a long undergraduate programme.

Generally, you won't be able to receive more than 10 EFTS of student loan entitlement when these extensions are included.

If you withdraw from your course and get a full refund of your tuition fees, we won't include that course in your lifetime limit.

2 EFTS CAP

There's a limit on borrowing of 2 EFTS per loan account. This means for any course that takes you over 2 EFTS, you won't qualify for a loan.

For more information go to **studylink.govt.nz**

OVERDUE REPAYMENT OBLIGATION

Students won't be able to get a student loan if they have an overdue repayment obligation of $500 or more with Inland Revenue and at least some portion of that amount has been overdue for a year or more.

1 Postgraduate study includes Masters and Bachelor Honours study

CONTACT PERSON

To apply for a student loan you need to provide us with the details of a contact person in New Zealand. Their details will be provided to Inland Revenue once your loan is approved. If you have an overdue student loan repayment and haven't been in touch with Inland Revenue, they may contact this person. Your contact person doesn't have to repay any of your student loan, but must let Inland Revenue know how you can be contacted. Once we've provided these details to Inland Revenue you'll need to notify them if your contact person and/or their details change.

PASSING AT LEAST HALF OF YOUR PREVIOUS STUDY

Students need to have passed at least half the total EFTS of their course load in order to continue receiving a student loan.

HOW THIS IS CALCULATED

The EFTS count starts once you have used one or more parts of the student loan (eg living costs, course fees, or course-related costs).

Once you have completed 1.6 EFTS of study (this is about two years of full-time study), you'll need to have passed at least half the total EFTS of your previous study in order to continue receiving a student loan. This performance is assessed using a rolling five year assessment period and includes any study you use a student loan for and any you pay for in another way.

If you lose access to the student loan you can regain it by passing at least half of your total EFTS without using a student loan or by providing evidence that there are sufficient reasons beyond your control for not passing at least half. You can also regain eligibility as part of the rolling five year assessment period.

If you withdraw from your course and get a full refund of your tuition fees, we won't include that course when we assess whether you've passed your previous study to get another student loan.

For more information on passing at least half the EFTS of your previous study go to **studylink.govt.nz**

PAYING OFF YOUR STUDENT LOAN

How and when you repay your student loan depends on the type(s) and amount of your income.

The information below sets out generally when you'll need to make repayments.
For more information go to **ird.govt.nz/student-loans**

IF YOU EARN SALARY OR WAGES OR GET A STUDENT ALLOWANCE

You need to select a tax code on your *Tax code declaration (IR 330)* that includes the "SL" repayment code. Give this to your employer who will make student loan repayment deductions from your income on your behalf, based on the pay period repayment threshold.

If you have a second job, select a secondary tax code that includes the "SL" repayment code. If your main source of income is under the pay period repayment threshold, you may qualify for a student loan special deduction rate. This will reduce the amount of student loan deducted from your secondary income.

If you're studying full-time and working you may qualify for a student loan repayment deduction exemption.

If you're on the wrong tax code, Inland Revenue can ask your employer to change the code to the right one and you may have to make extra repayments to clear any missed payments.

IF YOU HAVE INCOME OTHER THAN SALARY OR WAGES

Repayments won't automatically be deducted from this income. Your repayment calculation depends on the sources of your non-salary/wage income.

ADJUSTED NET INCOME REQUIRING A TAX RETURN

If you have non-salary or wage income, eg self-employed, rental, business, you'll need to file an *Individual income tax return (IR 3)* at the end of the year and Inland Revenue will work out how much you need to repay towards your student loan.

ADJUSTED NET INCOME NOT REQUIRING A TAX RETURN

If you don't have to file an IR 3 but have income from interest, dividends, casual agricultural work, election day worker or Maori authority distributions, you may need to let Inland Revenue know to ensure your student loan obligations are correct. You can do this securely online in myIR. Go to **ird.govt.nz/myIR** to find out more. Inland Revenue will then work out how much you need to repay towards your student loan.

WHEN REPAYMENTS ARE DUE

Any end-of-year student loan repayments will normally be due 7 February the following year.

INTERIM PAYMENTS

You may also have to make interim payments for the following year.

IF YOU DON'T MAKE REPAYMENTS

If you don't make repayments when your income is over the threshold, you'll end up with a bill at the end of the tax year. You may incur penalties on this and late payment interest may be charged.

MAKING EXTRA REPAYMENTS

If you are able to make extra repayments towards your loan, you'll pay it off faster.

For more information on repaying your loan go to **ird.govt.nz/student-loans**

GOING OVERSEAS

You'll need to contact Inland Revenue before you leave New Zealand. If you go overseas, you may be charged interest. It depends how long you go for.

You may need to keep making student loan repayments to Inland Revenue unless you can get a temporary repayment suspension, then you can take a break from paying your student loan for up to 12 months while you travel overseas. You'll need to provide a contact person based in New Zealand. If you're not on a temporary repayment suspension, you'll have an overseas-based obligation of up to $5,000 per year.

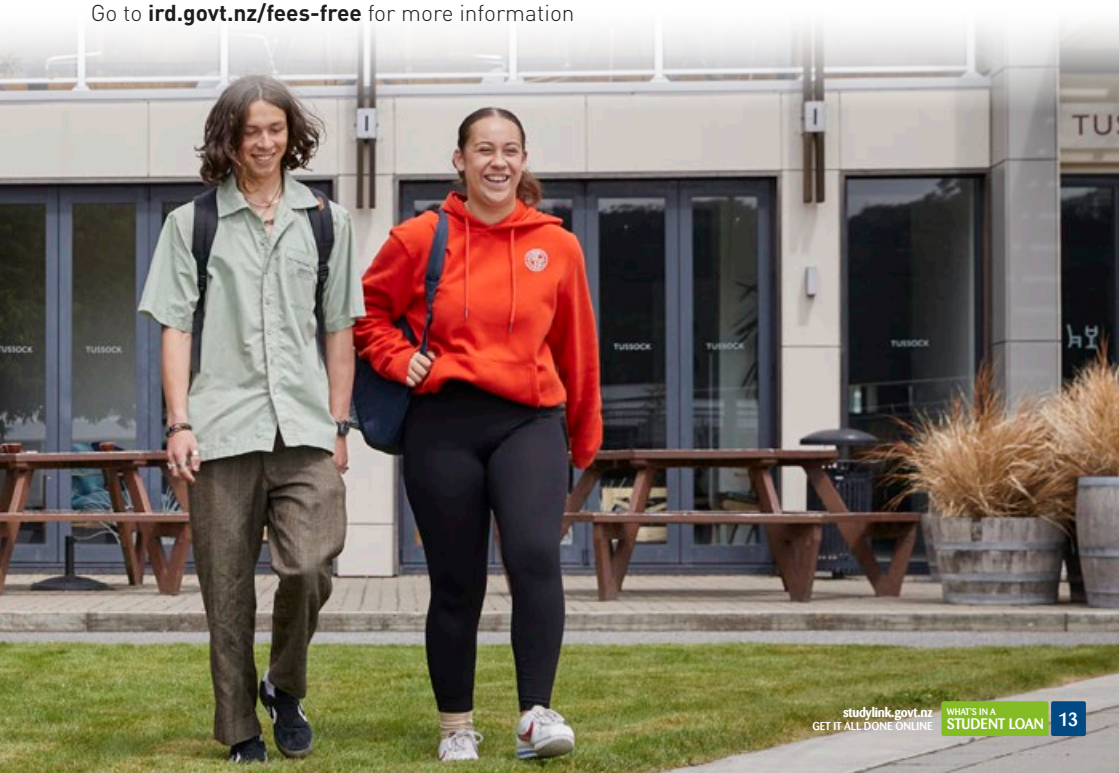
Note: even if you're on a temporary repayment suspension you'll still be charged interest on the loan.

For more information about going overseas and how it affects your student loan go to **ird.govt.nz/student-loans**

FEES FREE

You may be able to claim a Fees Free entitlement payment after you complete the final year of your first qualification. If you have a Student Loan, any Fees Free entitlement you have will be paid towards this first.

Go to **ird.govt.nz/fees-free** for more information



DEFINITIONS

EFTS

EFTS stands for Equivalent Full-time Student. EFTS is a measure of the amount of study or the workload involved in undertaking a course.

The Tertiary Education Commission assesses the content of each course and then allocates the appropriate EFTS value.

A year of full-time study can vary between 0.8 EFTS up to a maximum of 2 EFTS. Part-time or part-year students use smaller amounts of EFTS for their study.

If you're unsure of the EFTS value of your course, check with your education provider.

FIVE YEAR ROLLING PERFORMANCE ASSESSMENT

Performance is assessed over a five-year rolling cycle. This means that a student who applies for study will have their last five years of results checked. When the student enrols the following year, the first year of the original assessment is no longer included. The performance assessment only starts once a student has studied more than 1.6 EFTS in total since receiving a student loan.

FOR EXAMPLE:

STUDY YEAR	LOAN RECEIVED	EFTS STUDIED	YEARS ASSESSED	EFTS TO CHECK
Year 1	Yes	1.0	None – assessment only starts once 1.6 EFTS have been studied	0.0
Year 2	Yes	0.8	None – assessment only starts once 1.6 EFTS have been studied	0.0
Year 3	Yes	0.8	Year 1 and 2	1.8
Year 4	Yes	1.0	Years 1 to 3	2.8
Year 5	Yes	0.8	Years 1 to 4	3.6
Year 6	Yes	0.8	Years 1 to 5	4.4

FULL-TIME

The Tertiary Education Commission assigns an EFTS value to each course to determine if it meets the full-time status criteria for student loans.

FOR EXAMPLE:

LENGTH OF INDIVIDUAL COURSE	MINIMUM EFTS TO BE FULL-TIME
12 weeks	0.3
20 weeks	0.5
32–52 weeks	0.8

LIMITED FULL-TIME

Limited full-time status is a provision for students who are applying for financial help from StudyLink but are unable to undertake a full-time course due to one of the following reasons:

- you're completing a recognised programme that you've previously studied (but did not complete) and to do this you need to study less than full-time but more than half of a full-time course in this enrolment
- your education provider supports your application to study less than full-time for one of the following reasons:
  - you have an illness that stops you studying full-time,
  - you can't study full-time where there is sufficient cause outside your control (this could include a disability which stops you studying full-time),
  - it's in your academic best interests[1] to study less than full-time.

To apply for limited full-time status you need to complete a Limited Full-time application. You can download this from StudyLink's website **studylink.govt.nz**

LOAN COMPONENTS

The study status of your course determines what components of the student loan you can access.

FOR EXAMPLE:

STUDY STATUS	FEES	COURSE-RELATED COSTS	LIVING COSTS
Full-time, full year (ie studying both 1st and 2nd semester)	Yes	Yes	Yes
Full-time, part year (ie studying either 1st or 2nd semester	Yes	Yes	Yes
Part-time, full year	Yes	No	No
Part-time, part year (Minimum EFTS value required is 0.25)	Yes	No	No

Note: if the length of your course does not meet the required EFTS value to be full-time, StudyLink will check to see if there is any part or segment of your course which may still qualify as full-time.

For example, if your course is 32 weeks long (full-year), you need to be studying 0.8 EFTS to be full time. If you're studying 0.4 EFTS in the first semester and 0.3 in the second semester, StudyLink will determine you're full-time for the first semester, but not for the full year.

1. Academic best interests means that the student would be likely to fail, for academic reasons, if they undertook a full-time course but would be likely to pass more than half of the course if they studied part-time.

MYSTUDYLINK

GET IT ALL DONE ONLINE

- check out what financial assistance you may be able to get
- apply for your student finances
- check your student allowance and student loan application status
- view and update your personal details
- change the amount of your living cost payments and apply for your course-related costs
- view details of your next payment and previous transactions.
- view your mail
- view and accept your Student Loan Contract.

studylink.govt.nz

INLAND REVENUE – myIR

- check all your loan details
- send secure mail to Inland Revenue.

Go to **ird.govt.nz** to register. You'll need your IRD number to register and can activate your account by calling **0800 227 770**.

HOW TO CONTACT US

STUDYLINK
Website: **studylink.govt.nz**
Phone: **0800 88 99 00**

INLAND REVENUE
Website: **ird.govt.nz/student-loans**
0800 self-service: **0800 257 777**
Phone: **0800 377 778**

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New Zealand Government