



## Briefing Note: Impact of the EFTS loan borrowing limits

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	4 November 2018	<b>Priority:</b>	Low
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1165866
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<b>Messaging seen by Communications team:</b>	N/A	<b>Round Robin:</b>	No

### Purpose of briefing

This paper responds to your request for information on people who have reached Equivalent Full-Time Students (EFTS) lifetime limits on loan borrowing (EFTS limits).

### Summary

Given that borrowing from 2010 counts towards a borrower's EFTS limits, not many have reached their EFTS limit. Of these borrowers, few have fully repaid their loan.

Since 1 January 2010, 1,815 people (0.2% of all borrowers) have reached the EFTS limits. Most of this group:

- have studied a bachelors qualification or higher (76%)
- have attempted 4 or more qualifications (86%)
- were studying qualifications in the field of Society and Culture (48%)
- are repaying their loan (77%) (with only 8% having fully repaid)
- have completed at least 1 qualification (97%).

The proportion of borrowers with these characteristics is higher for this group when compared to all students who borrowed from 1 January 2010. In the Annex, we have provided tables with more detail on the impact of the EFTS limits.

  
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04/12/2018

Notes - Hon Hipkins  
7/1/19 KA

## Background

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1. In September, you asked for information on the number of people who have reached their EFTS limits and, of these, their qualification/s type and the repayment status of their loan.
2. The EFTS limits are lifetime limits. This counts all borrowing from 1 January 2010 onwards. Once the limit is reached, a borrower has no further entitlements to student loans over their lifetime. This is regardless of whether or not they have an active loan.
3. EFTS limits allow students to borrow up to a **maximum<sup>1</sup>** of:
  - a. 7 EFTS for all students
  - b. 8 EFTS (7 EFTS plus up to 1 EFTS) to complete postgraduate study
  - c. 10 EFTS (7 EFTS plus up to 3 EFTS) to complete doctoral or a long undergraduate programme (medicine, dentistry, optometry and veterinary science of study).<sup>2</sup>
4. Of all borrowers, those with bachelors and graduate diplomas/certificates tend to leave with larger loan balances and take longer to repay. Borrowers with postgraduate qualifications typically leave with the largest loan balances and take the least time to repay.<sup>3</sup>

### Less than half a percent of all borrowers have reached their EFTS limits

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5. Since 1 January 2010, 738,618 students borrowed through the Student Loan Scheme. 1,815 (0.2% of all borrowers) reach their EFTS limits.

<b>Most borrowers who reached EFTS limits..</b>	<b>Compared to..</b>	<b>All borrowers</b>
Are studying or studied at level 7 or bachelors	56%	38%
Have attempted 4 or more qualifications	86%	<i>Not available</i>
Are studying or studied in the field of Society and Culture	48%	21%
Are repaying their loan <sup>4</sup> (with on 8% having fully repaid)	77%	<i>Not available</i>
Have completed at least 1 qualification	97%	64% <sup>5</sup>
Are female	67%	58%
Are Māori	44%	20%

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<sup>1</sup> Borrowers can receive support for more EFTS where they commence further study prior to reaching their EFTS limit that will take them over that limit. For example if a student has borrowed 6.5 EFTS when they apply to borrow for study for 2019 their final EFTS borrowing may reach 7.5 EFTS at the end of 2019.

<sup>2</sup> From 1 January 2019, students in long undergraduate programmes (medicine, dentistry, optometry and veterinary science) will be eligible to borrow up to the maximum 10 EFTS limit. We expect that around 100 people will benefit from this change in 2019.

<sup>3</sup> For example in 2016, the median leaving balance and median post study repayment time for leavers with bachelors or graduate certificates/diplomas is around \$32,400 and 9 years respectively and for postgraduate leavers is around \$36,800 and 7.5 years (Student Loan Scheme, Annual Report 2017/18).

<sup>4</sup> As at September 2018.

<sup>5</sup> Many of the 738,618 borrowers are still in study and are yet to complete a qualification.

### **Most of this group have studied a bachelors qualification or higher**

6. Of those who had reached their EFTS limits, 76% have studied a level 7 or bachelors qualification or higher.
7. 20% of this group have studied a postgraduate or doctoral qualification compared to a slightly smaller percentage of all borrowers (13%) studying at these levels. There are additional borrowing entitlements available to support these students to complete postgraduate study (up to 8 EFTS) and doctoral study (up to 10 EFTS).
8. Most have studied Society and Culture (48%). This could in part be because a lot of students tend to study Society and Culture (21% of all borrowers). Further, it is a very broad field of study that includes:
  - a. Human Welfare Studies and Services
  - b. Language and Literature
  - c. Sport and Recreation
  - d. Studies in Human Society
  - e. Political Science and Policy Studies
  - f. Behavioural Science
  - g. Law
  - h. Economics and Econometrics.
9. Smaller proportions have studied Creative Arts (10%), Education (10%), Health (10%), and Management and Commerce (10%).

### **Most of this group have attempted 4 or more qualifications**

10. Most (86%) of the borrowers who had reached their EFTS limits have attempted 4 or more qualifications. Almost one third (31%) of this group have attempted 8 or more qualifications. Only 15% had attempted fewer than 4 qualifications. We do not know how many of these attempts have been completed.
11. We do not know why these borrowers have attempted multiple qualifications but there are likely to be a combination of reasons. For example, some may have been undertaking courses to gain prerequisites for another qualification. Others may have been 'sampling' study to find the best fit for their abilities and/or career plans, or need or want another qualification for work.

### **Most of this group are repaying their loan**

12. Of those who have reached EFTS limits, most (77%) are actively repaying their loan, 147 (8%) have fully repaid, and 267 (15%) have made no repayment.
13. We did not expect many who had reached EFTS limits to have fully repaid their loan yet. This is because limits on loan borrowing count borrowing from 2010 onwards and most people who have reached these limits would not have done so until 2017.
14. We expect that most of those who have fully repaid will have been working while studying.

## Comment

15. The above trends in the data may shift in the next few years following the full implementation of the policy and impact of the eligibility of students in long undergraduate programmes to borrow the maximum 10 EFTS.<sup>6</sup> We will continue to monitor the effects of EFTS limits.
16. We may also see an interaction between EFTS limits and fees-free tertiary education and training with fewer students borrowing for living costs and course-related costs (if they do not need to) in their year of fees-free. For every year that a student is eligible for fees-free tertiary education and training, and does not borrow for these loan components, their EFTS entitlement does not decrease. In effect, this would mean an additional year of study is available to them with government support for tuition fees, course related costs and/or living costs.

## We can provide further information on the impact of the EFTS limits

17. To give an indication of people who want, or need, to study more than 7 EFTS, 8 EFTS or 10 EFTS we could look at enrolment information. This could include enrolment data from before the introduction of the EFTS limits on loan borrowing to show a comparison of behaviour before and after the introduction the EFTS limits.
18. This is because some impacts of the limit are difficult to monitor using the data available such as enrolment and loan application data. For example it is difficult to know the number of people who want or need to undertake further study or retrain based on the data that we collect.
19. Further, we do not have information on the size of the loans of borrowers who have reached EFTS limits or on their likely repayment times. We expect that most would have larger loans compared with those who haven't reached the EFTS limits, although this may not be the case for everyone. We can provide you with the size of loans of borrowers in this group. ✓ yes

## Proactive release

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20. It is intended that this briefing is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Agree /  Disagree

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<sup>6</sup> The purpose of these limits is to encourage students to make informed study choices and take the most direct route through their study. This will help them and the government to manage the cost of tertiary study and help them reach their career objectives sooner.

## Annex: Tables on the impact of the EFTS loan borrowing limits

### **DISCLAIMER**

*The results in this paper are not official statistics, they have been created for research purposes from the Integrated Data Infrastructure (IDI) managed by Statistics New Zealand.*

*The opinions, findings, recommendations and conclusions expressed in this paper are those of the author(s) not Statistics New Zealand or the Ministry of Education.*

*Access to the anonymised data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business or organisation and the results in this document have been confidentialised to protect these groups from identification.*

*Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the Privacy impact assessment for the Integrated Data Infrastructure available from [www.stats.govt.nz](http://www.stats.govt.nz).*

### **Qualification level and subject between 2010 and 2017**

*Table 1: Borrowers who reached the EFTS limits on loan borrowing by the end of 2017*

<b>Qualification</b>	<b>No.</b>	<b>Percentage</b>
<b>Total</b>	<b>1,815</b>	<b>-</b>
Non-postgraduate/PhD	1,668	91.9%
Postgraduate (including Honours)	138	7.6%
PhD/doctoral study	6	0.3%

*Table 2: Borrowers by highest level of study completed or enrolled*

<b>Level of study</b>	<b>Exceeded EFTS limit</b>		<b>All borrowers</b>	
	<b>No.</b>	<b>Percentage</b>	<b>No.</b>	<b>Percentage</b>
Level 1-3 Certificates	24	1.3%	136,509	18.5%
Level 4 Certificates	132	7.3%	125,382	17.0%
Level 5-7 Certificates/Diplomas	267	14.7%	103,974	14.1%
Level 7/Bachelors	1,023	56.5%	278,913	37.8%
Level 8-10 postgraduate	366	20.2%	93,840	12.7%

Table 3: Borrowers by broad field of study completed or enrolled

Level of study	Exceeded EFTS limit		All borrowers	
	No.	Percentage	No.	Percentage
Natural and Physical Science	63	3.5%	40,716	5.5%
Information technologies	36	2.0%	32,580	4.4%
Engineering and related technologies	24	1.3%	59,526	8.1%
Architecture and building	18	1.0%	29,220	4.0%
Agriculture, environmental and related studies	27	1.5%	27,030	3.7%
Health	180	9.9%	82,098	11.1%
Education	174	9.6%	51,912	7.0%
Management and Commerce	177	9.8%	138,825	18.8%
Society and Culture	867	47.8%	154,869	21.0%
Creative Arts	189	10.4%	51,345	7.0%
Food, Hospitality and Personal Services	18	1.0%	31,425	4.3%
Mix field programmes	42	2.3%	39,072	5.3%

Table 4: Number of qualification attempts by borrowers who have reached EFTS limits

Number of qualifications attempted	Percentage
1	0.5%
2	4.5%
3	9.6%
4	13.4%
5	14.2%
6	15.9%
7	11.6%
8	9.8%
9	7.3%
10	5.3%
More than 10	8.4%

#### Student Loan repayment status between October 2017 and September 2018

Table 5: Percentage of borrowers who have reached EFTS limits (n = 1,815) by level of study and repayment status

Level of study	Repaying	Full Repaid	No repayment
Level 1-3 Certificates	1.0%	-	0.3%
Level 4 Certificates	4.6%	0.7%	2.0%
Level 5-7 Certificates/Diplomas	9.4%	1.7%	3.5%
Level 7/Bachelors	46.0%	3.8%	6.6%
Level 8-10 postgraduate	16.0%	2.0%	2.1%

*Table 6: Percentage of borrowers who have reached EFTS limits by broad field of study and repayment status*

<b>Broad field of study</b>	<b>Repaying</b>	<b>Full Repaid</b>	<b>No repayment</b>
Engineering and related technologies	1.0%	0.2%	0.2%
Food, Hospitality and Personal Services	0.8%	-	0.2%
Architecture and building	0.7%	-	0.3%
Agriculture, environmental and related studies	1.2%	-	0.3%
Mix field programmes	1.7%	0.2%	0.5%
Natural and Physical Science	2.8%	-	0.7%
Information technologies	1.3%	-	0.8%
Education	7.9%	0.7%	1.0%
Health	7.6%	0.7%	1.5%
Creative Arts	6.8%	1.7%	1.7%
Management and Commerce	7.6%	0.5%	1.8%
Society and Culture	37.9%	4.1%	5.8%

*Table 7: Percentage of borrowers who have reached EFTS limits by age and repayment status*

<b>Age (years)</b>	<b>Repaying</b>	<b>Full Repaid</b>	<b>No repayment</b>
Under 30	49.3%	1.5%	6.3%
30-39	13.4%	1.7%	2.6%
40-49	8.9%	2.6%	2.5%
50-59	4.3%	1.5%	2.3%
60 and over	1.2%	1.0%	1.0%

*Table 7: Percentage of borrowers who have reached EFTS limits by gender and repayment status*

<b>Gender</b>	<b>Repaying</b>	<b>Full Repaid</b>	<b>No repayment</b>
Female	52.3%	5.9%	9.1%
Male	24.6%	2.5%	5.6%