



**Inland Revenue**  
Te Tari Taake

# **Overseas-based borrowers with a student loan**

**Standing in their shoes - turning  
research into action**

**Richard Owen**



# Overseas-based borrowers under the Student Loan Scheme

- SLS relies on overseas-based borrowers making their repayments when they become due
- Repayments based on size of loan balance:
  - \$1,000 a year for loan balances of \$15,000 or less.
  - \$2,000 a year for loan balances of \$15,001 to \$30,000.
  - \$3,000 a year for loan balances over \$30,000.
- Despite an amnesty (2006) and the introduction of repayment holiday (2007), default is growing rapidly
- Many borrowers tend to let their repayments slip when they go overseas and do not keep Inland Revenue informed about their new contact details
- Top 3 countries New Zealand borrowers travel to are: Australia, UK and USA



# Breakdown of Loan Balance for NZB and OBB

	<b>Borrowers</b>	<b>Percentage</b>	<b>Loan balance \$b</b>	<b>Percentage</b>	<b>Debt-balance \$m</b>	<b>Percentage</b>
<b>NZB</b>	556,578	85	9.2	78	104.2	25
<b>OBB</b>	99,783	15	2.6	22	318.2	75
<b>Total</b>	656,361	100	11.8	100	422.5	100

# Challenges

- Ensuring a financially sustainable and well managed loan asset given New Zealanders are highly mobile – around 17% of borrowers are based overseas
- Collections straightforward via the tax system for New Zealand-based borrowers but option not available to overseas-based borrowers
- Borrowers need to actively manage their loans if they are going overseas including when they are having difficulty in meeting their obligations



# Policy responses

- Introducing a loan eligibility stand-down for permanent residents and Australians from 1 January 2011, to reduce the numbers of new residents studying and then leaving NZ
- Recalling full student loan in cases of serious non-compliance from August 2011, to increase tools available for serious default
- Reducing the length of the repayment holiday from 3 years to 1 year, requiring borrowers to apply for the holiday (rather than being automatic) and introducing the requirement for an alternative contact person, from April 2012, to increase contact information and reflect that the holiday is a privilege



# New initiatives for overseas-based borrowers

- **Australian initiative:** commenced in November 2010 with a focus on 1,000 New Zealand borrowers, in default believed to be living in Australia via “direct” (1 to 1) and “indirect” (1 to many) campaigns
- **Scaling-up the initiative:** commenced 1 October 2011
- **Return:** \$19.8m recouped as at 31 March 2012 – \$4.10 received for every \$1 spent in November 2010 to \$12 received for every \$1 spent in March 2012



# Research

- Research into attitudes of New Zealand-based and overseas-based borrowers towards their repayment obligations completed
- Need to better understand attitudes/behaviours of borrowers to develop communications and policy initiatives to raise compliance among all borrowers
- This will be achieved through taking on-board borrower comments and aligning our planned campaign work to borrowers based on the research and in particular borrower profiles



# Research results

- Borrowers can be segmented by location and attitudes



- There is a lack of knowledge about certain aspects of the student loan scheme and this has implications for the repayment of loans
- A combination of communication, incentives, and sanctions is required to encourage borrowers to repay their loan



# Results (continued)

- There is widespread agreement that student loan borrowers are responsible for making repayments on their loan
- Other borrowers have influence on a borrower's behaviour – either good or bad
- How much the scheme is costing New Zealand does not have a large impact on borrowers' repayment behaviour
- Awareness of payment methods is higher among those meeting their repayment obligations overseas
- The student loan scheme is highly valued for the accessibility it provides to tertiary education
- New Zealand-based borrowers understand the consequences of taking out a student loan better than borrowers based overseas



# Action taken as result of research -

- **Direct campaigns** to focus on borrower populations with differing responses for each:
  - **Prioritisers:** focus on reinforcing the norm of regular payment and self-management of their loan;
  - **Parkers:** contact with nominated people and borrowers providing education and assistance;
  - **Procrastinators:** contact with borrowers with education and assistance messaging including highlighting importance of repayment and the fact that continued non-compliance may lead to further recovery action including possible legal action.



# Action taken as result of research -

- **Indirect campaigns** focusing specifically on “Parkers”. Further work being undertaken to best understand how to “connect” with our “Procrastinator” group. Key focus is on education and compliance messaging.
- Increasing range of **payment options** – global, online, cheap (free where possible) i.e. “OrbitRemit” and “PayWay”
- Access and use of Inland Revenue’s **online services** for borrowers

