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**Submission to the Finance and Expenditure Committee on the
Student Loan Scheme Amendment Bill**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 51 nationally organised societies and national members. It has 23 branches throughout the country attended by representatives of those societies and some 150 other societies as well as individual members. NCWNZ's function is to represent and promote the interests of New Zealand women through research, discussion and action.

This submission has been prepared by the NCWNZ Economics Standing Committee with input from the Education Standing Committee and the Parliamentary Watch Committee after consultation with the membership of NCWNZ.

Reference has been made to relevant NCWNZ policy and previous submissions on the issue of student loans. We welcome the opportunity to comment on this Bill, which contains both positive aspects and some areas of concern.

General Comments

Clause 7 – New section 16A inserted

Adjustments to the Student Loan Scheme that make collecting repayments more efficient and effective are fair to those borrowers who are making repayments as required. Given the difficulty Inland Revenue has keeping in contact with some borrowers, holding details of a contact person other than the borrower seems a sensible idea.

Contact persons will be particularly helpful if borrowers leave the country, the point at which IRD is most likely to lose track of them. However, this Bill does not require borrowers to supply details of a contact person as a prerequisite to accessing a loan, so there is still potential for losing contact with borrowers.

There is also some concern that:

- a) a contact person's rights and duties should be clearly defined, so as not to find themselves inadvertently liable for another's debt. The 'contact person' should be just that - and have no other responsibilities.
- b) that the Administration fee could escalate and interest might then be charged on it.

Clauses 8 – 16

Including all forms of income when calculating the threshold for student loan repayment is important. However, an argument may be made for distinguishing between business income and investment income, with particular regard to the size and scope of the business. Women often cluster in small business enterprises, and the move to exclude business losses in calculating liable income may stifle entrepreneurship or contribute unnecessarily to small business failure. Women therefore may be more disadvantaged by this change.

Clause 17 New sections 106 to 108A and heading substituted

NCWNZ agrees that repayment holidays should no longer be automatic for borrowers who are leaving the country. In the interests of better communication, requiring a borrower to apply for the repayment holiday and to supply details of a contact person in New Zealand as part of that application is long overdue. However, there is concern expressed by the Ministry of Education¹ that reducing the time of the repayment holiday will not be effective in encouraging repayments, and could even have the opposite effect. Current statistics indicate that 70% of borrowers return from their OE within three years; shortening the repayment holiday may delay the return of some indefinitely.

Conclusion

With the exception of concerns mentioned above, NCWNZ is in support of this Bill, as a move toward more effective collection of repayments and better communication with borrowers.

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President

Katherine Ransom

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¹ www.minedu.govt.nz/RISStudentLoansBudget2011