

HELP.UK

A new higher education loan programme:
adding to the debate on funding



UNIVERSITY ALLIANCE

IS THE **CURRENT** **FUNDING SYSTEM** **BROKEN?**

For every £1 given out in student loans, only 55p will ever get paid back - a public spending black hole.



The average graduate will be paying back for more than 28 years!



2/3 of part-time students cannot access student loans.



Graduates that want to re-train in another profession cannot access a student loan.



Postgraduate students cannot access student loans.



We want to **HELP** all students access a loan to cover the cost of studying.

We want to **HELP** all students to pay off their debts sooner.

We want to **remove** the black hole from public finances.

**WE WANT TO
LOOK FOR WAYS
OF FIXING IT.**

H.E.L.P. UK

Universal access to
student loans for
the first time.

HELP UK is a new
design of student
loan that can help
every student cover
the cost of studying.

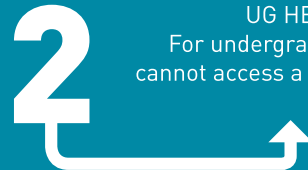
HELP UK would be rolled out in 3 stages:



PG HELP:
For postgraduates that cannot
access a loan right now



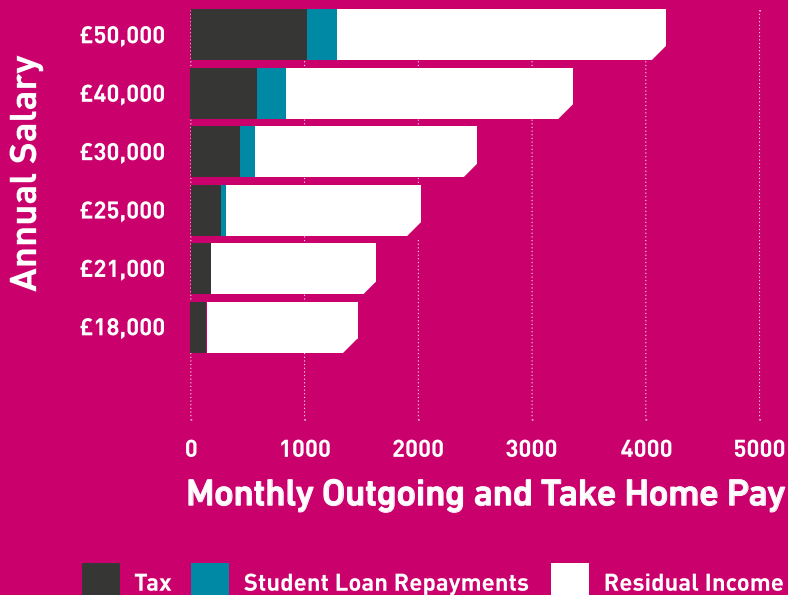
OPTIONS FOR WIDER
CONSIDERATION:
A range of options for first-
time undergraduate students
that currently fall within the
£9,000 fee regime



UG HELP:
For undergraduates that
cannot access a loan right now

£9,000 FEE SYSTEM

9% of earnings over £21,000



Who can get a student loan?

- First time undergraduate ✓
- Second time undergraduate ✗
- PG Professional qualification ✗
- Postgraduate qualification ✗
- Part-time qualification ✗
- Lifetime loan allowance ✗

28 year
average
repayment
period

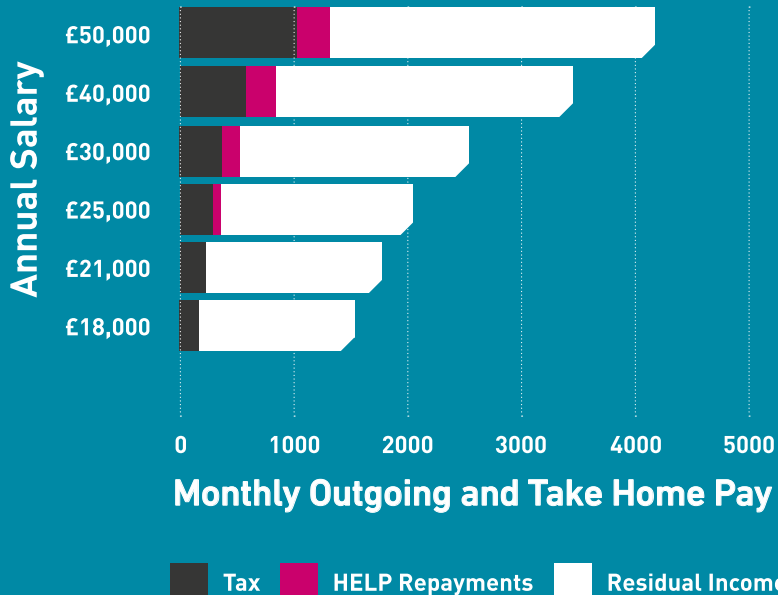


45% of
loan value
will not be
repaid



HELP UK

4-8% of total earnings, once over £21,000



Who can get a student loan?

- First time undergraduate ✓
- Second time undergraduate ✓
- PG Professional qualification ✓
- Postgraduate qualification ✓
- Part-time qualification ✓
- Lifetime loan allowance ✓

8 year average
repayment
period for
postgraduates



100% of
loan value
repaid for
postgraduates



OPTIONS FOR WIDER CONSIDERATION

Options for first-time undergraduates paying £9,000 fees

Status quo

PG HELP and UG HELP could run alongside the existing £9,000 fee system with no changes needed.



Stability



Does not address sustainability of current system

The final stage of our proposals offer a range of options that a HELP loan might provide for those students currently studying within the £9,000 fee regime (all first-time undergraduates).

HELP plus £9k fee regime

HELP loans could replace existing student loans but with no changes to the £9,000 fee regime.



Stability



Graduates get to pay off their loan faster



Would raise serious questions about the balance of public : private investment in HE

HELP plus lower fees

Savings from loan subsidies could be re-directed into direct funding for teaching to reduce fees for students.



Lower fees, lower debt and shorter repayment periods for students



A more transparent system where fee levels more accurately reflect graduate contribution



Courses possibly at risk of reduction in direct public investment - would risk reduction in the quality of UK HE, the capacity to deliver world-class graduates and, therefore, the global competitiveness of UK HE and UK PLC

HELP plus variable fee bands

Savings from loan subsidies could also facilitate a system of variable fees where the Government set a range of fee bands by subject or groups of subjects with varying levels of direct public funding to ensure courses were fully funded.



Even greater transparency in the system



A highly visible balance of public: private contribution by subject



Could become a complex system if too many fee bands



Possible access issue for subjects with higher fees

FOR THE STUDENT

H.E.L.P. UK will ensure that university is free at the point of use for all students, not just the few. It will offer a generous system to support students studying not just at undergraduate but at postgraduate level too.

2/3rds of students feel that access to a student loan would make them more likely to study a postgraduate qualification³.

HELP FOR LIVING COSTS

Full-time students would continue to get grants and maintenance loans in the same way that they do right now.

PG-HELP and UG-HELP could be used towards fees or living costs to provide student support for post-graduate and 'other' undergraduates for the first time.



FOR THE GRADUATE

The vast majority of students on H.E.L.P. UK will be expected to pay off their loans if they are in a position to do so. Repayment contributions would be a progressive percentage of total salary and interest rates would be subsidised for low-earners so that the total loan debt cannot increase in real terms.

“It would be ideal to have my student loans paid off by the time I’m 30 so that I’m debt-free and able to buy my first house.”

—Student from the University of Hertfordshire

The average age of first time buyers is now 35 (2012 survey by Post Office Mortgages), average age for getting married is now 30 and the average age for having a first child is now 29.

HELP loans would allow students to pay off their debts much faster, through higher monthly repayments, whilst still being affordable and progressive.

For postgraduate students, the average HELP loan repayment period would be less than 7 years.

By a margin of almost 2 to 1, undergraduates and parents* would rather a student loan is paid back quicker, with higher monthly repayments, than longer, with smaller monthly repayments¹.

2:1
of students
want to pay
back faster



Nearly **Twice** as many
parents want to pay
back faster

Parents* are more concerned about the size of their child's student loan (64%) rather than the level of repayment (29%)².



60%

Worry over
size of loan



29%

Worry about terms
of repayment

“ I want to be able to **pay it back** and **relax.** ”

-Student from the University of Hertfordshire

A lifetime loan allocation, available to all.



An affordable repayment system.

We have undertaken affordability checks using average London rent and levels of take home pay to ensure that HELP contributions would be affordable for all graduates at all levels of pay.

4-8% of earnings over £21,000



“ The current system means more **worry** all of the time.

How we pay back and **when.**

Paying off loans **faster**

would be one thing we can **take out of mind.** ”

-Student from the University of South Wales

FOR SOCIETY



Universities contribute to the economic and societal well-being of the UK. There are significant public and private benefits to higher education, so it is important that both Government and graduates (not students) contribute towards to cost of studying. HELP loans would provide a more transparent system that would allow people to assess whether there is a fair balance of contribution being made by students and society.

A sustainable system

H.E.L.P. UK would remove the black hole of loan subsidy from public finances putting universities on a more sustainable footing.

A high-skill economy

H.E.L.P. UK would create a flexible and expandable system that would help us meet the needs of our future economy.

By 2042...



About £90bn of the total £200bn in student loans will remain unpaid.

By 2022...



Growth in high-skill roles in the UK is to expand by 17% (or 2.3 million jobs)

About H.E.L.P. UK

H.E.L.P. UK offers clear thinking and simple steps to enabling universal access to student loans, bringing down the massive cost of the current loans system and re-balancing the contribution between Government and the individual to higher education. H.E.L.P. UK has been developed with extensive economic modelling and research from funding systems across the globe. Our proposals have been guided by experts and leaders from across the higher education sector and beyond. We would like to thank:

- Professor Ian Diamond, Vice-Chancellor, University of Aberdeen;
- Julian Gravatt, Assitant Chief Executive, Association of Colleges;
- Professor Bruce Chapman, Crawford School of Public Policy, Australian National University
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- Tessa Stone, Chief Executive, Brightside;
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- Professor Quintin McKellar, Vice-Chancellor, University of Hertfordshire
- Caron Wright, Principal and Chief Executive, Hull College Group;
- Professor Mary O'Mahony, Professor of Applied Economics, King's College London;
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- Irfan Zaman, Manager, Money for Life, Lloyds Banking Group;
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- Roxanne Stockwell, Principal, Pearson College
- Jonathan Simons, Head of Education, Policy Exchange; and
- Vivienne Stern, Head of Political Affairs, UUK.

About our research

Extensive modelling has been undertaken regarding the loan model. For further information, including methodology and details of wage projection data, please see our full report on our website. Our model has also been tested at student workshops and from newly commissioned research by Ipsos MORI. The online study surveyed two target groups from England to understand their opinions on university fees. Target 1 was made up of male and female undergraduate students aged 18-24 and target 2 consisted of male and female parents who were aged 25+ and had a child aged under 24 years old. The survey was conducted using an online panel methodology and fielded from the 7th May 2014 to 16th May 2014 to achieve 1000 completes per target (No quotas were applied in field).

¹When parents* and students were asked whether they would prefer to pay (or their child to pay) small monthly payments for approximately 25 years (incurring more interest) or higher monthly repayments for approximately 10 years (incurring less interest) 47% of students and 40% of parents preferred the higher repayments for a shorter time, compared to 29% of students and 21% in favour of the former option.

²When parents* were asked whether they were more concerned about the size of a student loan or the terms of repayments, 64% felt the size of the loan was the biggest concern.

³When students were asked what effect the up-front fee with no loan for postgraduate study had on their likelihood to undertake a postgraduate degree 60% said it would make them less likely. When asked what effect a student loan for postgraduate study would have on their decision to undertake a postgraduate degree 66% thought it would increase the likelihood.

* Parents who have children that have completed university, are at university or, in the parent's opinion, have a child that may go to university.

About University Alliance

University Alliance brings together leading global universities for science, technology, design and the professions to tackle the big issues facing universities, people and the economy.

Our aim is to help build a strong future for UK universities by creating a constructive and positive space for debate and new ideas.

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