

Financial Advice Commonwealth Supported Place (CSP)

HECS - HELP: *Discount or Loan?*

“Should I pay my student contribution up-front with a 20% discount or defer payment until after I graduate?”

This is a question asked by many new students and their families when considering a university place.

What is CSP?

CSP stands for Commonwealth supported place which was introduced in 2005 under the Nelson Reforms, ensuring that Australian Citizens and Permanent Residents continue to contribute toward the cost of their education. Commonwealth-supported places are partially funded by the Commonwealth Government, whilst the student pays the remainder of the cost. The following are the options available for payment of the student contribution:

- **Defer payment** of the entire amount of the student contribution by taking out a “**HECS-HELP loan**”. This loan can be repaid through the taxation system (usually after graduation) once their personal income reaches the compulsory repayment threshold (set at approximately \$36,000 per annum from 2005/2006).
- **Pay the entire Student contribution amount** upfront at the beginning of each semester and receive a 20% discount on the entire amount. This will be known as a “**HECS-HELP discount**”.
- **Pay \$500 or more of the student contribution amount** upfront at the beginning of each semester, receive a 20% discount on the amount paid and defer the remainder.

Note: At the beginning of each semester, students are given an opportunity to change their student contribution options

Following is a summary of the advantages of the student contribution payment options

Why defer payment of the student contribution?

If the payment of the student contribution upfront would place a financial strain on the student and/or their family, deferral is strongly recommended.

(Continued overleaf)

Many students live on a tight budget while studying at university. This is a time when any additional funds may be needed to help meet living expenses, particularly if the student is living away from home.

Whilst the Government Higher Education reforms have changed the name from HECS to CSP, the general nature of the student contribution, paid either upfront or deferred remains the same. The original developer of the student contribution system (formerly known as HECS), Bruce Chapman, recommended deferral of the HECS amount, as the real rate of interest on the HECS-HELP loan is **0%** (despite it increasing in line with inflation). The longer the loan repayment period, the better the deal for the student.

Deferring payment is likely to be even more beneficial economically for graduates who may spend time away from full-time work. For example: parenting, volunteer work, working part-time, or working / travelling overseas for extended periods.

If you have a disability which restricts your capacity to work full-time, deferring payment of the charges may be a better option.

Why pay the student contribution upfront and receive the 20% discount?

If payment of the student contribution upfront is not a strain on student or family finances, then payment upfront to receive the discount may be preferable.

If the student is studying part-time and earning significantly above the repayment threshold, and is therefore expected to start paying the amount back to the government in the current year, an upfront payment with the discount will be beneficial.

The simplest advice is probably:

If you can clearly afford to pay the charges upfront and your studies will not be affected, you may wish to 'grab' the 20% discount.

But if paying upfront is likely to place any pressures on you, or your family's, financial situation, deferring, and repaying the charges later via the tax system, is likely to be the better option.

More information about the student contribution and HECS-HELP loans

Full details about CSP, student contribution and HECS-HELP loans are available at the following website:

www.goingtouni.gov.au/

Information is also available via Student Administration at this University.

The following websites provide additional information about fees and student finances:

www.futurestudents.unimelb.edu.au/

www.services.unimelb.edu.au/finaid/

The information provided on this information sheet was correct at time of printing (August 2006). The University reserves the right to make changes as appropriate.

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Australian Fee Paying Places

An Australian fee-paying place is an enrolment at the University where a student is responsible for the full cost of the course. Government funding (or subsidy) is not provided. The amount payable will depend on the course and subjects studied. The fees for a fee-paying place are significantly higher than a student's contribution for a commonwealth supported place (CSP).

It is important to carefully consider the financial implications of accepting a fee-paying place, and to keep in mind the living expenses of being a student at university.

FEE-HELP Loan scheme

The Government offers assistance towards fee-paying places through the **FEE-HELP** loan scheme, allowing Australian students to borrow up to \$80,000 towards the fees for their course. Students of Medicine, Veterinary Science and Dentistry may borrow up to \$100,000. Although interest is not charged on the loan, outstanding amounts will be annually indexed (ie. adjusted according to the Consumer Price Index - CPI).

There is an additional **20% loan fee** levied on fee-help loans for undergraduate courses. ie If a student borrows \$50,000 under FEE-HELP to assist with their undergraduate course fees, a total of \$60,000 (plus CPI adjustments) will be repayable through the taxation system.

Notes:

Once the FEE-HELP loans limit has been reached, additional loans will not be available under the scheme, irrespective of enrolment at the undergraduate or postgraduate level. FEE-HELP loans will not be available to permanent residents or international students. The current Postgraduate Education Loans Scheme (PELS) has been taken over by FEE-HELP from 2005

If you are relying on FEE-HELP loans to fund your enrolment:

Some courses will cost considerably more than the FEE-HELP loans limit, particularly combined courses and single courses with a duration of 4 or more years. Can you afford to pay the difference between the maximum fee-help loan and the total cost of your course?

Transfer to a Commonwealth supported place (CSP):

The University of Melbourne has guaranteed a student's transfer from a fee-paying place to a CSP if a student achieves a 75% average across the equivalent of not less than 100 subject points (the equivalent of a full year enrolment). If a student has completed more than 100 points of their course, a 75% average across all points is required (ie. not just the best 100 points). For more details, check the website:

www.futurestudents.unimelb.edu.au/aust/aug/guaranteedtransfer.html

In the first year of study at university, students often have to make adjustments to the new learning styles and assessment standards, and they find their achievement is not as high as in secondary school.

The following websites provide additional information about fees and student finances:

www.futurestudents.unimelb.edu.au/

www.services.unimelb.edu.au/finaid/

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