

Higher Education Update for Parents

A Guide to Student Finance Changes



A guide to Student Finance Changes

This document seeks to:

- Set out the key changes to student finance from 2012
- Summarise the position regarding the introduction of increased tuition fees
- Explain what support is available in terms of loans and grants
- Explain loan repayment levels and arrangements
- Give links for further information and help

In this short guide we aim to set out the key facts and practical implications for students and their parents. We hope to dispel some myths and confusion so that you can make informed decisions and plan effectively.

Higher Education is not just for the better off. Loans and grants mean you don't need to find the cash upfront to go to university.

A large amount of student loan debt may seem daunting but we will explain how repayment works in real terms.

Some key points about student loans:

- They are repaid through the income tax system
- Repayment does not start until graduates are earning at least £21,000
- Repayment will cease if earnings drop below £21,000
- Repayment levels depend on earnings
- Monthly repayments will be lower than at present but repayments will continue over a longer time period
- Debt is written off after 30 years
- Student Loan debt should not affect credit rating or mortgage applications

Please bear in mind...

The proposed changes to student finance are subject to parliamentary approval.

Details are still emerging as national policy develops. There are some useful links noted at the end of this document to help you keep up to date.

Fees are not new for UK universities and colleges, students have been paying on average £3000 per year for full-time higher education courses for a while now.

Who is affected?

The changes only affect new undergraduate starters beginning a programme on or after 1 September 2012.

Applicants taking a gap year and starting a course in 2012/13, instead of 2011/12, will still have to pay the new fees, even if they have a guaranteed place under the deferred entry scheme.

The changes to tuition fees outlined apply to universities and colleges in England.

The proposed package of student loans and grants only applies to UK students who normally live in England.

There are separate funding arrangements for UK students who normally live in Wales, Scotland or Northern Ireland. Students from other EU countries will be eligible to apply for the tuition fee loan, but are not usually eligible to apply for living cost support.

Higher Education – the benefits

Employment and Earnings potential

Despite the current economic climate, studying for a degree still puts graduates in a better position in terms of finding jobs and earning potential.

Having a degree improves a person's chance of getting a job and they will earn more than non-graduates in years to come. Research shows that graduates are more likely to be in a job than those with lower qualifications.

On average, a university graduate earns £12,000 per year more than someone who leaves school at 18 and does not progress into higher education (Office of National Statistics, 6 April 2011).

The average graduate will earn over £100,000 more, net of tax, than a similar individual who achieved university entrance qualifications but did not go into HE – this premium is holding up despite the recession (Foskett, Roberts and Maringe 2006).

Other benefits

Universities offer students unparalleled opportunities to study subjects they are truly interested in and develop skills which will stay with them in the years after they leave.

Research shows graduates are more healthy, more active in the community, and more likely to pass on generational benefits to children.

Higher Education Tuition fees

FULL-TIME STUDENTS

From September 2012, universities and colleges will be able to charge new full-time students up to a maximum of £9,000 in tuition fees.

This is because universities' funding from central government will be cut drastically.

Universities that charge over £6,000 will have ensure they offer help to applicants from lower income families. This will include bursaries and scholarships from the university or college. Details can be found by contacting the university or college directly and also on the National Association of Money Advisors website www.nasma.org.uk

PART-TIME STUDENTS

Part time fees are rising but tuition fees are now available

There is currently no maximum rate that universities or colleges can charge for part-time tuition fees. From 2012/13 a maximum rate will be introduced subject to the approval of Parliament.

For the first time, part-time students starting a course in 2012/13 will be able to apply for a Tuition Fee Loan to cover the full cost of tuition.

Student loans and grants

A summary of the new student support package (pa):

Loan/Grant	Max award	Means tested	Repayable
Tuition Fee Loan	£9000	No	Yes
Maintenance (Living cost) Loan	£5500*	35%	Yes
Non-repayable Maintenance grant to help with living costs	£3250	Yes	No
Bursaries and Scholarships from the university/college under the National Scholarship Programme	£3000	Yes	No

*up to £7675 for students who live away from home and study in London and up to £4375 for students who live at home whilst at university. Students living at home should take the cost and availability of public transport into account when thinking about living costs whilst studying. To help with the cost of university or college, applicants can apply for loans which have to be paid back and grants which don't. From 2012/13 loans don't have to be paid back until a student has graduated and is earning over £21,000.

The loans and grants available include:

- A Tuition Fee Loan to cover course tuition fees, which is paid by the Student Loan company directly to the university or college.
- A Maintenance Loan to help with living costs. The amount will depend on where the student lives, studies and household income. The loan is paid into a student's bank account at the start of the each academic year and students must apply each year.
- A non-repayable maintenance grant to help with living costs, which is also paid into a student's bank account. Applicants will be eligible if in the tax year 2010-11 their household income was equal to or under £42,600. The maximum grant is £3250.
- The National Scholarship Programme will be piloted in 2012/13 and is aimed at students from lower income families. These scholarships are part funded by the Government so there are limited number available. Students should check with universities and colleges for the eligibility criteria. The support packages will be worth at least £3,000 in the first year. No more than £1,000 will be in a cash payment.
- Supplementary Grants: Extra support is available for full time students who have dependents and for those with a disability.

Student loans and grants

PART-TIME STUDENTS

For the first time, from September 2012, new part-time students can apply for a Tuition Fee Loan to cover their tuition fees. The Tuition Fee Loan is paid directly to the university or college.

The Tuition Fee Loan is not dependent on household income, but the amount a student gets depends on the number of hours studied each week. To be eligible, a student's hours of study must be equivalent to at least 25% of a full time programme.

Part-time students may also be eligible for additional fee support under the National Scholarship Programme and should contact the university or college for details of the scheme and eligibility criteria.

As for full time students, support will not be available to those who already hold a higher level qualification.

Extra support is available for part time students who have a disability.

Subject Specific Support

Funding for students on courses leading to certain health professions including nursing, midwifery and 5th year Medical students is different from other courses. NHS bursaries and grants are available. Visit www.nhsbsa.nhs.uk/students for details.

PGCE students may qualify for a training bursary. Visit www.tda.gov.uk for details.

Help with Living Costs

How much help students could get with living costs depends on the household income. Households with income below £25,000 pa will be able to get the maximum grant, households with less than £42,600 will be eligible for the amounts shown in the table below:

Household income	Non repayable maintenance grant	Living cost loan	Total support for living costs
£25,000 or less	£3,250	£3,875	£7,125
£30,000	£2,341	£4,330	£6,671
£40,000	£523	£5,239	£5,762
£45,000	£0	£5,288	£5,288
£55,000	£0	£4,288	£4,288
Over £62,500	£0	£3,575	£3,575

(Source: <http://www.bis.gov.uk/policies/higher-education/students/student-finance>)

If students are eligible for the Maintenance Grant they may also be entitled to a Bursary from the university or college.

Repaying the Student Loan

Monthly repayments will be lower than under the present system. At the moment graduates repay 9% of everything above £15,000. For 2012 starters that threshold increases to £21,000. This means more disposable income for graduates. The flipside of this is that the interest rate is higher (RPI to RPI plus 3%) so the overall repayment will be higher. However the cost will be spread over a much longer period making repayments more manageable.

Whether the course costs £6000 or £9000, monthly repayments will be the same because they are based on income.

Only 9% of income above £21,000 is repaid. So for example, if a salary was £25,000, the 9% would only apply to £4,000, giving a repayment of £30 per month which is just under £7 per week. The below shows some salaries and typical repayments.

Salary	Amount of salary from which 9% will be deducted	Monthly Repayment (new 2012 system)	Monthly repayment under old system
£21,000	£0	£0	£45
£25,000	£4,000	£30	£68
£30,000	£9,000	£67	£113
£40,000	£19,000	£142	£188
£50,000	£29,000	£217	£262

(Source: <http://www.bis.gov.uk/policies/higher-education/students/student-finance>)

For more details on calculating repayments and costs go to: www.yourfuture.direct.gov.uk

When does repayment start and stop?

Students are eligible for repayment the April after they graduate.

Graduates don't start paying anything until they earn over £21,000 pa.

Part-time students who study for more than three years start repaying their loan in the April after they've finished three years of study. This applies even if they are still studying. Repayments begin once they are earning over £21,000 (subject to the approval of Parliament). Part-time students studying for less than three years and all full-time students start repaying their loan in the April after their course finishes, depending on their salary.

If earnings fall below £21,000 repayments stop. Repayments only start again once the graduate earns over £21,000.

Any balance which has not been repaid after 30 years will be written off.

For information on how repayment works for the self employed, those who move overseas or have savings or investment income please see www.direct.gov.uk/studentfinance

Useful links:

yourfuture.direct.gov.uk
[direct.gov.uk/student finance](https://direct.gov.uk/student-finance)
ucas.co.uk
bis.gov.uk
study.york.org
moneysavingexpert.com
nhsbsa.nhs.uk/students
tda.gov.uk
nasma.org.uk

Aimhigher...
York and North Yorkshire

Some local providers of Higher Education courses:

Askham Bryan College
askham-bryan.ac.uk

Craven College
craven-college.ac.uk

The University of York
york.ac.uk

York College
yorkcollege.ac.uk

York St John University
yorks.j.ac.uk