



Revamp value of loans for uni, jobs

EXCLUSIVE

KYLAR LOUSSIKIAN

Vocational college students would not be allowed to borrow as much as university students to pay for training and would have loans capped at a lower level if studying courses that did not lead to priority jobs, under proposals for a radical shake-up.

The vocational education sector and in particular the contentious VET FEE-HELP loan scheme have been rife with rorting and other unscrupulous behaviour by some private colleges which have racked up billions in taxpayer-backed loans but graduated few students.

A government discussion paper to be released today has put a raft of options on the table, including reducing the maximum loan limit for students from nearly \$100,000 to better reflect the “true cost” of delivering the courses. Other proposals include setting a “reasonable” maximum course fee or specifying specific loan limits depending on the course studied.

“Directing resources to areas of national economic, employer and student need is worthy of consideration ... this does not

necessarily entail a limitation of the scheme to specific areas, but may be reflected in different rates of subsidy,” the paper reads.

Vocational Education Minister Scott Ryan said the original design of the loan scheme “clearly did not provide for the interests of all students” and had caused reputational damage to the sector.

“The design of this program has suffered from a lack of thought about the consequences and so, for that reason, I want a free and open discussion about all the options so we can be sure we understand the incentives we are putting in place and their consequences,” he said.

“The original scheme opened the floodgates to shonky training providers and predatory brokers to take advantage of the system.”

The student loan scheme, known as the Higher Education Loan Program, was extended to vocational providers by the Gillard government, and currently has the same loan limits and repayment thresholds as loans for university students.

Students can borrow up to \$100,000 in study loans and are obliged to make repayments once they earn more than \$54,000 a year.

“The HELP system was expanded from universities to vocational education providers without taking into account the key differences between the sectors: that is the source of most of the problems we have seen,” Senator Ryan said.

Recent analysis has shown up to half of those loans will never be repaid because some large, unscrupulous private colleges have enrolled thousands of students with no prospect of employment into multiple expensive courses.

Loans made under the VET FEE-HELP scheme have grown from just \$26 million in 2009 to nearly \$3 billion last year, with Parliamentary Budget Office estimates projecting another \$3.3bn to be loaned by the end of 2026.

Last year the government capped the existing loan scheme at the current annual loan amount, and introduced stricter criteria for colleges to be eligible for funding.

The outcome of the discussion paper will become clear only after a likely July 2 federal election, with the overhaul to come into effect next year.

Labor has already put forward several policies in the sector, including the introduction of an ombudsman, a cap on course fees



29 Apr 2016

The Australian, Australia

Author: Kylar Loussikian • Section: General News • Article type : News Item
Audience : 104,774 • Page: 3 • Printed Size: 263.00cm² • Market: National
Country: Australia • ASR: AUD 5,315 • Words: 582 • Item ID: 585014822



 isentia.mediaportal

Copyright Agency licensed copy (www.copyright.com.au)

Page 2 of 2

and a lower cap on the loan scheme. The discussion paper reveals a legislated ombudsman is already under consideration.

A number of large agencies have been deregistered after they failed regulatory audits, while the Australian Competition & Consumer Commission is taking legal action against four colleges and a broker to claw back hundreds of millions of dollars of taxpayer funds lent under the scheme.