

OS-HELP: Financial support for Australians studying overseas

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Abstract:

The *Higher Education Support Act 2003* introduces a new suite of income-contingent loans called the Higher Education Loan Programme (HELP).

OS-HELP is one of three loan schemes included within HELP. OS-HELP will provide loans of up to \$5,000 to eligible Australian students who undertake part of their course overseas. In 2005, 5,000 notional loans valued at \$5,000 will be available throughout the higher education sector. The number of loans available will increase to 20,000 loans per year by 2008. OS-HELP loans will be distributed to providers, which will then select students to receive the loans.

DEST engaged in sector consultations on OS-HELP in the first half of 2004. This enabled further development of the programme. A number of resources and products to assist the administration of OS-HELP will become available as the programme is established. These resources will include a section in the *Administrative information for providers* document and dedicated OS-HELP products.

This workshop will outline the administrative processes that have been established to enable the delivery of this new programme.

Key Words:

OS-HELP, financial support.

Introduction:

OS-HELP is a new programme that provides financial assistance to eligible students who undertake part of their course of study overseas. Pending the passage of legislative amendments, OS-HELP will commence in 2005. Students can receive up to \$5,000 per six month period of overseas study for one or two periods of overseas study. This paper details the establishment and implementation of OS-HELP and accompanies a presentation delivered at the 15th ISANA International Conference.

Policy objective:

The objective of OS-HELP is to encourage more Australian undergraduates to undertake some of their study overseas and to increase access to overseas study opportunities, especially for students who would not have otherwise had the financial capacity to do so. OS-HELP loans are paid as cash loans to students so that students have the flexibility to use the funds to pay airfares, accommodation and other travel and settling expenses. It is anticipated that most students who receive an OS-HELP loan will be participating in a formal exchange programme so the funds should not be required to cover tuition fees. However, OS-HELP loans are available to students who undertake study abroad (non-exchange) and these students are free to use the funds to pay tuition fees.

Overview of OS-HELP loan features:

Students may receive OS-HELP loans of up to \$5,000 per six month period for one or two six month periods. A 20 per cent loan fee is applied to each OS-HELP loan when it is received by the student. For example, if a student borrows \$5,000, he or she would receive \$5,000, but their recorded debt will be \$6,000.

OS-HELP debts are combined with other DEST administered student debts, such as any Higher Education Contribution Scheme (HECS) debts and other HELP debts that a student may have incurred. Students are only required to make loan repayments when their income exceeds the minimum threshold (\$36,184 for the 2005-06 financial year). HELP debts are indexed each year by movements in the Consumer Price Index (CPI) to maintain their real value, but are otherwise interest free.

Programme establishment:

OS-HELP was announced in May 2003 as part of the *Our Universities: Backing Australia's Future* higher education policy package and its legislative foundation was established in the *Higher Education Support Act 2003* (HESA), which received Royal Assent later that year. During the passage of this legislation, the originally proposed 3.5 per cent per annum interest rate on OS-HELP debts was replaced with a 20 per cent, once off, loan fee. This enabled the grouping of OS-HELP debts with other Higher Education Loan Programme (HELP) debts and meant that OS-HELP debtors would benefit from the 10 per cent bonus payable on voluntary loan repayments of \$500 or more. Increasing the minimum HELP repayment threshold for compulsory repayments to \$36,184 for the 2005-06 financial year further improved the value of OS-HELP for its recipients.

HESA empowers the Minister for Education, Science and Training to make OS-HELP Guidelines. These Guidelines detail how the annual pool of loans is to be distributed between higher education providers and the procedures that providers must follow in selecting students for receipt of OS-HELP. An OS-HELP reference group was established in December 2003 to assist with the development of these Guidelines, which were made by the Minister in May 2003. The OS-HELP Guidelines require that the loans are distributed between higher education providers based on the number of loans requested by each provider, the share of eligible students at each provider and the number of loans available.

In September 2004, 3,065 of the 5,000 OS-HELP loans available in 2005 were allocated to 36 higher education providers. Because the aggregate number of loans requested by providers was less than the number of loans available, each provider was allocated the number of loans it requested. Requests for loans ranged from 4 to 300. Only three 'Table A' providers declined the invitation to request a share of the 2005 allocation of loans. There is no obvious relationship between the number of loans requested by each provider and the size of its pool of 'eligible students'. This suggests that the bidding process, where providers estimated local demand for loans, may have been more sensitive to actual demand profiles than a pro-rata distribution based on numbers of eligible students. It is reasonable to expect some imprecision in the estimates of local demand in the first year of OS-HELP, so the final take up of loans throughout 2005 will be of considerable interest. However, the allocation of over half the available loans represents both a positive start for this new programme and a solid basis upon which to build future gains.

OS-HELP management cycle:

The OS-HELP loans allocated to providers for distribution to students in 2005 have a notional value of \$5,000 (this value will be indexed annually). This means that students may request and receive a loan of less than \$5,000 and, in these circumstances, providers will be able to use the residual funds to offer more loans.

Providers receive their annual allocation of OS-HELP funds in biannual payments in January and July of each year. Each provider is then required to select students to receive OS-HELP in accordance with the provisions contained in HESA, the OS-HELP Guidelines and its own OS-HELP policy, which the Guidelines require each provider to establish and publish.

Providers submit data to DEST biannually on OS-HELP debts incurred by their students. This data is used by DEST to undertake an annual reconciliation of the OS-HELP programme funds and by the Australian Taxation Office to administer loan repayments. Providers are not penalised if they do not distribute their full allocation of loans, however, DEST will recover any unused OS-HELP funds from providers on an annual basis.

Selecting students for OS-HELP:

HESA sets out a number of eligibility requirements for a student to be entitled to OS-HELP. These are, in relation to a six month period, that the student must:

- be an Australian citizen or the holder of a permanent humanitarian visa;
- have not received an OS-HELP loan on more than one other occasion;
- be enrolled in an undergraduate course of study;

- have already completed one equivalent full-time student load (EFTSL) in their course of study in Australia² either as a:
 - Commonwealth supported student;
 - HECS student²; or
 - Merit-equity scholarship holder²;
- be enrolled in full-time study with an overseas higher education institution or the overseas campus of an Australian higher education provider² and be outside Australia while undertaking that study, which must commence on or after 1 January 2005;
- have his or her study outside Australia count towards the course requirements for their course of study;
- have, on return from overseas study, units to the value of at least one EFTSL to complete the requirements of their course of study;
- meet the tax file number requirements;
- complete and lodge an *OS-HELP debt confirmation* form with his or her provider;
- have been selected by his or her provider to receive OS-HELP in relation to the six month period; and
- have not received another OS-HELP loan for a coincident or overlapping six month period.

While HESA sets a maximum OS-HELP loan amount at \$5,000 in 2005 (this will be indexed each year), it empowers providers to determine the actual amount of OS-HELP assistance payable to each recipient. The OS-HELP Guidelines require providers to publish their own OS-HELP policy and to select students for receipt of OS-HELP in accordance with HESA, the Guidelines and the policy. Therefore, providers are free to set further criteria that students must meet in order to be selected to receive OS-HELP. At the time this paper was written, most providers were still in the process of developing or finalising their OS-HELP policy. Whether providers use their OS-HELP policy to mould the programme in the context of their own unique institutional mission or whether there is notable homogeneity in approaches will be a matter of interest over the coming months.

² These criteria are subject to the passage of legislative amendments as indicated in the next section

Legislative amendments:

Technical amendments to HESA are required before providers may finalise the selection of students for OS-HELP. The main amendment will be to change the current legislative requirement for a student to have completed 1 EFTSL as a Commonwealth supported student to be entitled to OS-HELP. The notion of a Commonwealth supported student does not exist until 2005, therefore, students will not be eligible for OS-HELP until the end of 2005. The government had intended for OS-HELP to be available at the beginning of 2005 and had introduced amendments to the legislation through the *Higher Education Legislative Amendment Bill (No 3) 2004* (HELAB3). These amendments would allow students to count prior study undertaken as a HECS-liable student towards the 1 EFTSL requirement. As with all Bills before Parliament, HELAB3 lapsed when Parliament was prorogued ahead of the 2004 federal election. The OS-HELP legislative amendments will be reintroduced as soon as practicable so that the providers may finalise selections and pay students their OS-HELP loan amounts.

In addition to the change described above, HELAB3 contained other proposed amendments to OS-HELP as described below.

- The purpose of OS-HELP will be stated in the legislation. This is intended to help providers when developing their OS-HELP policy.
- OS-HELP loans will become available to students undertaking study with non-‘Table A’ providers. In 2005, this amendment will allow Avondale College, Christian Heritage College, Tabor College and the University of Notre Dame, Australia to request an allocation of OS-HELP loans to offer their eligible students. This proposed amendment also covers higher education providers that may receive an allocation of Commonwealth supported students from the government in the future.
- Students will be required to undertake their prerequisite 1 EFTSL of study in Australia. That is, it cannot be undertaken at an offshore campus of an Australian higher education provider.
- Students will be able to receive OS-HELP for overseas study undertaken at an overseas campus of a higher education provider.

OS-HELP resources for providers:

The key resources for providers include the enabling legislation, which is contained in two Acts and one set of Guidelines; and administrative information developed by DEST to help providers interpret the legislative instruments.

The legislative basis for OS-HELP is set out in the *Higher Education Support Act 2003*. The legislative amendments that will make OS-HELP functional in 2005 will be contained in the *Higher Education Support (Transitional Provisions and Consequential Amendments) Act 2003*, once the amendment Bill passes. Current versions of both Acts are available at <http://scaleplus.law.gov.au>.

The processes which must be followed by higher education providers when selecting students for, and administering, OS-HELP and the mechanism for distributing loans between providers is set out in the OS-HELP Guidelines. These Guidelines are currently available via the DEST website, www.dest.gov.au/highered/resources.htm.

To assist providers interpret and implement the provisions contained in the above legislative instruments, DEST has developed a document called the *Administrative information for providers* (AIP). The AIP offers a plain English interpretation of the legislation and answers commonly asked questions about the operation of higher education policy. A dedicated OS-HELP chapter has been drafted to assist providers understand and implement OS-HELP. The AIP is also available at www.dest.gov.au/highered/resources.htm.

Furthermore, the institutional OS-HELP policy should provide sufficient information to students and staff to understand the processes around applying for, selecting and receiving OS-HELP through individual providers.

OS-HELP resources for students:

DEST has developed three publications, which it intends to print and distribute to providers for circulation to students once the required legislative amendments have passed through both houses of Parliament.

A small brochure called *Support for overseas study – OS-HELP*, gives a brief overview of OS-HELP and is suitable for wide circulation to students to generate interest and instil a basic understanding of the operation of OS-HELP.

The *OS-HELP statement of terms and conditions* outlines the provisions for entitlement to OS-HELP in detail. Students will declare that they have read this document when they sign their *OS-HELP debt confirmation* form. It is likely that this booklet will only be circulated to students who wish to apply for an OS-HELP loan.

All students must sign an *OS-HELP debt confirmation* form before they can be paid the OS-HELP loan amount. This form collects vital information for the administration of OS-HELP debts and records a student's acceptance of the *OS-HELP statement of terms and conditions*.

In late 2004, DEST will launch a new website at www.goingtouni.gov.au, which will provide information for students on all aspects of higher education in Australia. General information on overseas study opportunities, including the availability of OS-HELP will be offered on this website.

Further information:

Further information on OS-HELP is available by contacting the author.