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**STUDENT LOANS FOR HIGHER EDUCATION IN THE
UNITED KINGDOM – FINANCIAL YEAR 2004-05
(PROVISIONAL)****INTRODUCTION**

This statistical first release provides statistics on loan outlay and repayments of loans and borrower activity, in the United Kingdom during financial year 2004-05, and also shows comparable data for financial years 2002-03 and 2003-04. Figures are provided for the publicly owned debt only. Further information on student support arrangements is given in the Notes for Editors.

KEY POINTS

- The total amount lent to eligible UK HE students during financial year 2004-05 was £2,780m, almost all of which was paid to income contingent students, a rise of 2% when compared to 2003-04;
- Repayments posted to customer accounts amounted to £496.9m (including £158.9m paid earlier than required) in the financial year 2004-05. £213m of these repayments relates to Income Contingent Loans.
- The amount of debt cancelled by the Repayment of Teachers' Loans scheme during financial year 2004-05 was £10.6m, of which £7m related to income contingent students;
- During the 2004-05 Financial Year more than 83,000 borrowers repaid a loan account in full (compared to 78,000 during 2003-04).
- The balance outstanding (including loans not yet due for repayment) at the end of financial year 2004-05 was £15,947.6m of which £14,147.3m relates to income contingent loans. At the end of the year there were 2.6 million borrowers; of these, 1.5 million had accounts in repayment status.

TABLES

Table 1 shows the amounts paid out in loans and repaid during financial year 2004-05 and makes comparisons to financial years 2002-03 and 2003-04.

Table 2 shows the number of borrowers taking out loans and making repayments during financial year 2004-05 and makes comparisons to financial years 2002-03 and 2003-04.

NOTES FOR EDITORS

1. The statistics on student loans in this notice were compiled by the Student Loans Company (SLC). They include public sector loans only, which are made and repaid on both an income contingent basis and a mortgage style basis.

2. Information on borrowers up to financial year 2003-04 in the same format as table 2 in this publication could previously be found under Table 5 in SLC SFR 01/2004, published on 30 November 2004 (available at www.slc.co.uk/noframe/corpinfo/natstat.html)

3. A portfolio of student loans to the value of just over £1bn was sold to the private sector in March 1998. A second tranche to the value of £1.03bn was sold in March 1999. The loans sold were mortgage style; none of the new income contingent loans available from the 1998/99 academic year were involved in either sale. This publication does not include statistics on the sold debt portfolios.

PRE- 1998/99 STUDENT SUPPORT ARRANGEMENTS (FOR STUDENTS ENTERING HIGHER EDUCATION UP TO AND INCLUDING 1997/98)

4. The financial support arrangements for students on courses which began before 1 August 1998, also applied to some new students who entered higher education in 1998/99 but were treated exceptionally as existing award holders for the purposes of the Mandatory Awards Regulations (e.g. gap year students). Tuition fees were paid in full by LEAs where the student was eligible for a mandatory award and such students also received a grant towards their maintenance, depending on income, for the duration of their course. Eligible students were able to apply for loans repayable on a mortgage-style basis.

5. Mortgage-style loans were available to most 'home' students in full-time non-postgraduate higher education (and students on full-time and part-time postgraduate courses of initial teacher training) who were aged less than 50 when their course started. They were available to eligible students whether or not they received a mandatory award, although their course had to be designated for mandatory awards purposes. These loans were not income-assessed.

6. Borrowers start to repay their loans in the April after they complete, or otherwise cease to attend, their course, unless they qualify for deferment because of low income. Borrowers are able to apply for deferment of repayments for a year at a time if their income is less than 85 per cent of national average earnings, i.e. less than £1,897 per month from 1 September 2004. The amount owed by each student is adjusted annually in line with the annual inflation rate. In 2004-05 the annual inflation rate as measured by the March 2004 Retail Price Index of 2.6% was used for this adjustment.

DEFINITIONS

7. The following is a glossary of terms used in connection with mortgage style loans:

In deferment	The borrowers gross income is 85% or less of the National Average Earnings or he or she has taken out a further mortgage style student loan in relation to a subsequent course. The borrower's obligation to make repayments is therefore deferred for one year at a time, or until the end of the course if granted on grounds of continuing study. Borrowers must apply for deferment.
In arrears	Borrowers who have at least one loan on which repayments are owed excluding those granted time and indulgence.
Deferred with arrears	Borrowers who have at least one loan in deferment status with arrears of repayment excluding those granted time and indulgence.
Accounts paid in full	All repayments made in accordance with the schedule of repayments required under the Loan Agreement. This can include payments made in respect of accounts not yet in repayment status as well as those in repayment status (including deferment) where repayments have been made ahead of schedule.
Entered repayment status / in repayment status	The borrower has reached the point where repayment is scheduled to commence, that is, the April after he/she graduates or leaves his/her studies.
Cancelled loan	The borrower no longer has any liability to repay as provided for in the loans regulations. A borrower's liability shall be cancelled: <ul style="list-style-type: none"> • On the death of the borrower • After 25 years or when the borrower reaches the age of 50 (60 if the borrower was aged over 40 when he/she last borrowed), whichever is the earlier, provided the borrower is not in default • If borrower is in receipt of a disability related benefit and permanently unfit for work.
Written off loan	The borrower remains liable to repay but recovery is deemed unlikely by the loan administrator or not possible by legal judgement.

STUDENT SUPPORT ARRANGEMENTS FROM 1998/99

8. New student support arrangements came into effect from the start of the 1998/99 academic year. Students are, with certain specified exceptions, expected to contribute towards the cost of their tuition up to £1,000 a year in 1998/99 (£1,150 in 2004/05). The amount depended on their own and, if appropriate, their parents' or spouse's income.

9. Students receive support for living costs through loans which are partly income-assessed. Most students in the final year of a course receive a lower rate of loan

because the loan does not cover the summer vacation following the end of the course. There are different rates of loan based on whether the student is living at home, and, if not, on whether the student is studying in London or elsewhere. Repayment of these loans is linked to income after leaving university or college so that leavers only repay as and when they can afford to. Repayments are at the rate of 9% of income above the income threshold (which has been £15,000 since April 2005, previously £10,000). Apart from a few exceptions, where borrowers live overseas or have small balances, SLC does not collect monies from borrowers with income contingent loans – this is done through the taxation system. From 1999/2000 student loans have been made available to those aged 50-54 who plan to return to work after studying.

10. For new entrants to higher education, 1998/99 was a transitional year. For the first year of the new scheme eligible new entrants received support for living costs through both grants and loans. Grants, which were assessed against family income, on average formed about a quarter of the support available. Students were entitled to apply for a non income assessed loan, which comprised the remaining three quarters of support available, and which is repayable on an income contingent basis. Those borrowers who took out the new style loans in 1998/99 who left their studies before April 1999 and who would normally enter repayment status at the start of the 1999/00 financial year were granted a repayment holiday until April 2000.

11. The Higher Education Grant was introduced for new entrants into Higher Education in England and Wales in academic year 2004/05 to help cover the cost of participating in higher education. It is fully means tested.

12. Students with additional costs such as those with dependants, or who have a disability, may be eligible for specific grants on top other student support. Grants for students with dependants and single parent students are income assessed but the care leaver's grants, school meals allowances, care leavers grants and disabled students allowances are not.

13. Discretionary Hardship Loans introduced in 1998/99 as part of the new arrangements and available to students in financial difficulty were increased to a maximum of £500 in 1999/00. From 2000/01 students on low incomes and on certain benefits in part-time higher education, provided they were studying at 50% of an equivalent full-time course, were eligible for a loan of £500, repayable on an income contingent basis, to cover the additional expenses of studying. Hardship Loans and Part Time Loans have now been discontinued (although Part Time Loans are currently still available to Scottish domiciled students).

14. The Repayment of Teachers Loans scheme was introduced in September 2002. It was open to newly qualified teachers, teaching one of the priority subjects for at least half of their time in a state school or Further Education establishment in England and Wales. Priority subjects include Mathematics, Science, English (including drama), ICT, Modern Languages (including Welsh) Technology & Basic skills. The Government has decided not to continue the RTL scheme beyond its third pilot year. Those already in the scheme will be unaffected. For Mortgage Style loans the debt is cancelled over 5 or 7 years, depending on the original credit agreement. For Income Contingent loans the debt is cancelled over 10 years. Those who leave teaching before this period expires become responsible for the remaining debt.

Table 1 : Student Loan outlay and repayments - Publicly Owned Debt [1] : financial years 2002-03 to 2004-05 [2] : amounts (£m)

United Kingdom									
£ million except where otherwise stated									
Financial years	2002-03			2003-04			2004-05 (provisional)		
	Income Contingent Loans [3]	Mortgage Style Loans	Total Public Debt	Income Contingent Loans [3]	Mortgage Style Loans	Total Public Debt	Income Contingent Loans [3]	Mortgage Style Loans	Total Public Debt
Academic Year interest rate (APR)	1.3%	1.3%	1.3%	3.1%	3.1%	3.1%	2.6%	2.6%	2.6%
Total amount outstanding (including loans not yet due for repayment) at end of previous financial year, including interest of which:	5,905.6	2,483.9	8,389.5	8,555.1	2,266.1	10,821.2	11,328.1	2,036.1	13,364.2
(i) balance of loans in deferment [4]	.	1,139.1	1,139.1	.	1,217.9	1,217.9	.	1,134.0	1,134.0
(ii) balance of loans in arrears status [5] of which: arrears value	-	244.8	244.8	-	263.2	263.2	0.8	277.8	278.7
(iii) balance of loans deferred with arrears [6] of which: arrears value	.	85.4	85.4	.	84.2	84.2	.	71.8	71.8
(iv) others [7]	5,909.9	1,010.4	6,920.3	8,555.1	700.8	9,255.9	11,327.1	552.6	11,879.7
PLUS									
Amount lent during financial year [8]	2,599.2	18.9	2,618.0	2,717.4	4.6	2,722.0	2,779.2	0.9	2,780.0
MINUS									
Amount repaid, including interest, during the financial year of which:	60.1	272.4	332.6	132.1	280.8	413.0	213.3	283.7	496.9
paid off earlier than required [9]	50.4	45.7	96.1	85.8	49.1	134.8	113.9	44.9	158.9
MINUS									
Amount cancelled [10] in respect of the Repayment of Teachers' Loans scheme during the financial year	0.0	0.5	0.5	2.5	2.1	4.6	7.0	3.6	10.6
MINUS									
Amount otherwise written off / cancelled during the financial year	0.7	2.0	2.6	1.0	2.2	3.2	0.7	2.3	3.0
PLUS									
Amount of interest added to loans [11] during the financial year [12]	106.9	39.9	146.8	191.2	47.3	238.5	261.0	50.8	311.7
PLUS									
Administration charges applied [13] during the financial year	-	2.5	2.5	-	2.5	2.5	-	2.0	2.0
PLUS									
Transfer value at end of financial year	.	-	-	.	0.7	0.7	.	0.2	0.2
GIVES									
Total amount outstanding at the end of the financial year, including loans not yet due for repayment [12][14]	8,555.1	2,266.1	10,821.2	11,328.1	2,036.1	13,364.2	14,147.3	1,800.4	15,947.6
Year-end timing adjustments [15]	..	..	6.3	-	-	-	-	-	-
Balance after timing adjustments	8,555.1	2,266.1	10,827.5	11,328.1	2,036.1	13,364.2	14,147.3	1,800.4	15,947.6

. = not applicable - = nil or negligible .. = not available

[1] This SFR relates to Publicly Owned Debt only, unlike previous SFR's which included Public and Private Debt. SLC no longer administers both Private Sector Loan Portfolios.

[2] Repayments of Income Contingent Loans are shown in the table according to the latest known information. The SLC are notified of repayments by the Inland Revenue usually within one year of the end of the tax year they relate to, e.g. there will be some borrowers who have repaid their accounts in full in financial year 2004-05 but this will not be reported until the reconciliation has been made with SLC records.

[3] Includes hardship loans and loans of £500 for part time students.

[4] The cumulative balance of loans in deferment with no arrears at end of previous financial year (i.e. the amount of deferment and the sum not yet due for repayment but excluding any amount repaid).

[5] The cumulative balance of loans which are in arrears status at the end of previous financial year. The arrears value is the overdue amount and does not include administration charges; the balance is the outstanding amount of the account on which there are arrears (including the overdue amount).

[6] The cumulative balance of loans in deferment with arrears at end of previous financial year. The arrears value is the overdue amount: the balance is the outstanding amount of the account on which there are arrears (including the overdue amount).

[7] Includes the balance of loans not yet in repayment status and the balance of loans in repayment status (where repayments are made according to, or ahead of, schedule) at the end of the previous financial year.

[8] Including the fixed rate loans of £500 for part-time students. The amounts outstanding at the end of the financial years 2002-03, 2003-04 and 2004-05 for these loans are £10.9m, £16.4m and £17.5m respectively.

[9] Early repayments include those which do not necessarily settle the account in full.

[10] Debt cancelled under the Repayment of Teachers Loan scheme introduced in September 2002.

[11] Interest which was added to the existing loan debt which was neither repaid or cancelled during the financial year.

[12] For PAYE or self employed repayers, interest is not applied to income contingent loan accounts until the SLC have received notification of the amounts collected by the Inland Revenue, which is usually within one year of the tax year the repayments relate to. Interest is then applied retrospectively to individuals' accounts by the SLC.

[13] A non-interest bearing penalty imposed on accounts where extra administration is required (e.g. in cases of arrears, default).

[14] Constituent parts may not add to totals due to roundings.

[15] Up until Financial Year 03-04, year end timing adjustments were reported to show amounts received before the year end which were not applied until after it. From FY 03-04 onwards these amounts are reported in the year they were applied so no such adjustment is required. The adjustments from FY 03-04 onwards only indicate transactions in the year affecting customer balances that have not been accounted for in the transaction lines shown on the report.

Table 2 : Student Loan outlay and repayments -Publicly Owned Debt [1] : Financial years 2002-03 to 2004-05: borrower activity [2] [3]

United Kingdom

£000's

Financial years	2002-03			2003-04			2004-05 (provisional)		
	Income Contingent Loans	Mortgage Style Loans	Total Public Debt [4]	Income Contingent Loans	Mortgage Style Loans	Total Public Debt [4]	Income Contingent Loans	Mortgage Style Loans	Total Public Debt [4]
Number of borrowers at the end of the previous financial year	1,106.7	888.1	1,970.7	1,408.7	826.5	2,206.3	1,702.9	756.8	2,427.8
Number of borrowers with accounts paid in full in financial year [5]	..	..	67.9	..	..	77.9	..	..	83.6
of which:									
paid off before liability for repayment had arisen [6]	2.9	0.2	3.0	3.6	0.1	3.6	3.6	-	3.7
Number of borrowers with accounts written off in financial year [7]	0.1	1.0	1.1	0.2	1.0	1.2	0.1	1.1	1.2
New borrowers in financial year [8]	298.2	0.6	298.8	293.4	0.1	293.5	285.9	-	285.9
of which:									
loans of £500 for part-time students	7.6	.	7.6	5.7	.	5.7	0.8	.	0.8
All borrowers at the end of financial year [4]	1,408.7	826.5	2,206.3	1,702.9	756.8	2,427.8	1,988.4	682.1	2,636.1
of which:									
(A) Borrowers with accounts in repayment status	..	..	1,075.8	..	..	1,296.8	..	..	1,502.3
of which									
(a) ahead with repayments [9]	..	..	105.1	148.7	74.5	222.6	300.9	68.2	368.4
(b) up to date with repayments [10]	..	..	507.5	431.2	233.5	661.1	567.3	224.0	786.8
(c) owing less than 2 months' repayments [9]	..	..	39.3	-	51.1	51.1	-	58.1	58.1
(d) owing 2 or more months' repayments [9]	..	..	71.7	-	62.1	62.1	-	59.1	59.1
(e) deferring repayments [11]	.	348.4	348.4	.	315.4	315.4	.	267.4	267.4
(f) deferring repayments with arrears [11]	.	26.8	26.8	.	21.7	21.7	.	14.8	14.8
(B) Borrowers with accounts not yet in repayment status	1,172.8	35.7	1,207.1	1,222.4	9.4	1,231.5	1,238.1	2.5	1,240.5
of which									
who have made one or more repayments	15.8	2.6	18.2	18.5	1.0	19.5	20.8	0.4	21.3
who have made no repayments	1,157.0	33.2	1,190.1	1,204.0	8.4	1,212.4	1,217.3	2.1	1,219.4

. = not applicable - = nil or negligible .. = not available

- [1] This SFR refers to Publicly Owned Debt only, unlike previous SFR's which included Public and Private Debt. SLC no longer administers both Private Sector Loan Portfolios.
- [2] Constituent parts may not sum to the totals because individual borrowers may be counted in more than one category if they have loan accounts in more than one status.
- [3] Borrowers with income contingent loans are shown in the table by their status according to the latest known information. The SLC are notified of borrowers' repayments by the Inland Revenue usually within one year of the end of the tax year they relate to, e.g. there will be some borrowers who have repaid their accounts in full in financial year 2004-05 but this will not be reported until the reconciliation has been made with SLC records.
- [4] Each borrower has a loan account for each academic year of study in which they take out a loan. The repayment activity may be different for each loan account. Numbers in the total debt column count each borrower once only, even where borrowers have loan accounts belonging to more than one product type. Therefore the totals in the total debt column will not necessarily reconcile to the total of the component parts.
- [5] Borrowers who have repaid at least one loan account in full during the financial year. This covers those accounts that have a status of fully paid; and those accounts with small balance write-offs of less than or equal to £5. Includes accounts closed under the Repayment of Teacher Loans (RTL) scheme.
- [6] Borrowers in payment status who have repaid at least one loan account in full in the financial year prior to the loan's statutory repayment due date.
- [7] Borrowers who have at least one loan account written off during the financial year. Note that small balance write-offs are included in accounts paid in full. Excludes borrowers with accounts closed under the RTL scheme.
- [8] Borrowers who had no loans at the beginning of the financial year and who took out new loans during the financial year.
- [9] This category includes mortgage style loans and income contingent loans which are not repaid through the tax system.
- [10] This category includes all borrowers with income contingent loans being collected by the Inland Revenue other than those who have made additional voluntary repayments which would put them in the "ahead with repayments" category. It includes those with income contingent loans who have made nil repayments because they are below the earnings threshold.
- [11] Deferment does not apply to Income Contingent Loans.