

Barton Deakin Brief: VET Student Loans

17 October 2016

Today, the Commonwealth Department of Education and Training released further information about the new VET Student Loans program for students and providers. Subject to the passage of legislation, the VET Student Loans program will commence on 1 January 2017, replacing the current VET FEE-HELP scheme.

Background

Australia's vocational education and training (VET) sector delivers workplace specific skills and knowledge across a wide range of careers and industries. VET contributes to developing our national workforce, provides pathways to employment and addresses barriers to workforce participation. While the Commonwealth has a limited direct role in the VET system, one of the Commonwealth's key responsibilities is the VET FEE-HELP scheme which commenced in 2009 and provides income-contingent loans to students studying higher level VET courses. Its original intent was to remove financial barriers to study and to encourage students to pursue pathways to further or higher skilled qualifications in the higher education sector.

In 2012 the then Gillard Government removed the requirement for a link to higher education in an effort to open up state and territory training markets. This led to growing course costs, higher student debt and significant increases in costs to the Budget through substantially lower-than-forecast loan repayment rates. This period was also characterised by serious concerns over the quality, probity and unethical practices of some providers and low completion rates.

In 2016, the Government introduced sixteen reforms to address unethical behaviour and abuse of student entitlements. Despite progress made as a result of these reforms the Government decided that the scheme was no longer sustainable in its current form.

In April 2016, the former Minister for Vocational Education and Skills, Senator the Hon Scott Ryan, released the [Redesigning VET FEE-HELP discussion paper](#). The discussion paper provided an assessment of the issues in the VET FEE-HELP scheme and outlined a range of options to address them as part of the 2017 redesign. On 5 October following consultations with providers and public submissions, the Minister for Education and Training Senator the Hon. Simon Birmingham announced the Government's redesigned program: [VET Student Loans](#) to commence on 1 January 2017. A package of three bills to replace the VET FEE-HELP loan scheme is expected to be debated in Parliament this coming sitting week.

Key measures of the VET Student Loans program

Course eligibility

- Course eligibility for VET Student Loans is limited to courses that have a high national priority, meet industry needs, contribute to addressing skills shortages and lead to employment outcomes.
- A list of eligible courses can be found [here](#)



Caps on student loans

- Loan caps will apply to all eligible courses.
- There will be three bands of loan caps of \$5000, \$10,000 and \$15,000, which will apply irrespective of whether the course is being delivered face-to-face, online, or via mixed delivery modes.
- The loan caps on courses does not prevent approved VET Student Loan providers from setting tuition fees above the cap, rather it sets a ceiling on the maximum loan amount the government is willing to provide a student for a specific course.
- The courses eligible for each loan cap are detailed in the eligible course list [here](#)

Compliance

- Under VET Student Loans the Government will be empowered to take disciplinary action against training providers who breach requirements of the program and its associated guidelines.
- These powers will include financial penalties, the freezing of payments, the remission of student debts, and recovery of payments from providers to suspension or cancellation of the training provider's approval.
- Failure to comply with legislation under the program will result in compliance action, potential financial penalties and possible exclusion from the program.

Approvals and payments

- Approvals will be time-limited, with an annual estimation process for student enrolments, course offerings and fee arrangements.
- Payments to approved providers will be made monthly in arrears, based on actual enrolments.

Third party delivery

- Third party delivery of training will only be allowed in circumstances where the third party is also an approved VET Student Loan provider or accredited with the Tertiary Education Quality Standards Agency.
- Providers will be prohibited from using brokers or marketing agents to interact or engage with students at enrolment or any other time throughout their training.

Student engagement

- Students will be required to demonstrate they are progressing throughout their course.
- From 1 July 2017, students will be required to log in online and acknowledge that they accept the loan received for the course.



Provider eligibility for VET Student Loans

All private VET FEE-HELP providers, and any new providers, will be required to apply and meet new eligibility requirements to participate in the new student loans program. The application process proposed will assess providers against a range of criteria including:

Financial performance

- Evidence required will include audited general purpose financial reports from the last three years or, where the applicant forms part of a larger corporate network, consolidated financial statements for the group.

Strong management and governance

- Applicants will be required to list persons of influence and each person listed may be subject to a fit and proper person check.

Links with industry

- Evidence may include an assessment of the applicant's relationship with peak bodies and employers, and references from industry and employer groups.

Student outcomes

- Evidence may include data on completion rates at the course and unit level, data on student outcomes and student satisfaction, and plans on how to continue to improve upon completion rates and student outcomes.

Three year track record

- Evidence may include a sound history delivering state subsidised courses, capability to report data accurately and on-time, data on student complaints, and Australian Skills Quality Authority (ASQA) compliance history.

Course scope and fees

- Evidence may include the courses they wish to access the new loan program for; fees charged for each course; the estimated number of enrolments within each course; and arrangements regarding the offering of multiple enrolments for individual students.

Next Steps

Only current VET FEE-HELP approved providers will be granted provisional approval as a provider for a six month transition period from 1 January to 30 June 2017 (subject to meeting eligibility criteria). Providers will be required to apply for formal approval under new, streamlined eligibility requirements. The new approval arrangements will assess applicants' relationships with industry, assess student completion rates and employment outcomes, evaluate any articulation with higher education providers and appraise a provider's track record of delivering education and training. Applications will open for providers following tabling of the VET Student Loans Guidelines in Parliament.

A package of three bills to replace the VET FEE-HELP loan scheme with the new program is expected to be debated in Parliament this coming sitting week, commencing Monday 21 November.



Applications will be assessed and decisions made as soon as possible, for providers to obtain full access to the program from 1 July 2017. Details on how to apply will be available on the Department of Education and Training website [here](#), when applications open, later this year or early in 2017.

Further information

To view the Minister's media release on the VET Student Loans approved course list, click [here](#).

To view the VET Student Loans approved course list, click [here](#).

Information for current VET FEE-HELP Providers is available [here](#).

Information regarding provider eligibility for VET Student Loans is available [here](#).

To follow the progress of the Bills package, click [here](#).

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