HECS SUBMISSION

Areas that the Interim Report has not addressed:

1. **HECS approvals by their nature are predatory.**
   For the purpose of loan serviceability, HECS is treated like any other regulated credit contract (i.e. a debt where the amount repaid is greater than the principal), yet unlike a credit contract there is **NO RECOURSE FOR HARDSHIP**. If they were treated like a regulated credit contract (because they meet the same criteria) then students should have to qualify for HECS like any other loan. But since HECS credit is given to anyone, I doubt the Australian Financial Complaints Authority (AFCA) would abide **capitalising the debt for someone who never qualified for it - in fact any other lender would be regarded as PREDATORY in these circumstances**. If unable to pay a loan, other than HECS, people are usually able to negotiate with a bank or other lender, due to hardship or extenuating circumstances.
   In addition, the applicants are often young and inexperienced, straight out of school, unaware of the repercussions of this loan, and the fact that it could blow out to overwhelming amounts that they may never be able to pay back. Also, the huge amount as it accumulates often prevents them from being eligible for a housing loan. (This dooms them to paying high rent which prevents them from being able to save).
   To illustrate: a person on $70,000 salary can borrow about $380,000. With a $50,000 HECS debt, that person has a $175/month payment, so they can only borrow $359,000. This means if they want a typical 'two up two down' unit in SEQ they need to save an extra $21,000, while still paying the HECS debt, just to cover the difference.
2. **Natural justice is denied** because, **there is no avenue for complaint direct to the lender**, the original source of the loan.
3. **CPI adjustments are unfair** because they are increasing the debt much more than the original value of the debt. This is especially due to its compounding nature and the unpredictable rate of CPI on which it is calculated. Using 1June as the date for CPI adjustment calculation point is unfair, as it does not take into account any payments made in the financial year. **Indexation is currently applied on June 1st** – just before the ATO apply the annually collected contributions from the PAYE taxation, which would significantly decrease the principal debt. In other words, the ATO are holding onto the money – **NOT applying it to the debt,** and then indexing the HECS on the maximum amount possible, while simultaneously holding onto any payments made throughout the year (and incurring interest).
4. When applying for HECS, **the general public and students assume, that they will get at least reasonable quality tuition,** especially because of the high cost. I know of one example where a student at a TAFE course which cost $10,000 for one year tuition, constantly complained that the teacher was frequently absent, that everyone passed regardless of attendance and ability, and they were unable to gain employment because jobs for Library Technicians are so rare that it is recommended that the course not run unless the student already has employment. This $10,000 has added to the close to $40,000 for an ARTS degree and partial Social Work degree (not completed due to severe and chronic health issues).
5. **Recommendations** are:
   - Index annually by a flat 1% each year, applied at the end of the financial year when the year's payments are applied to reduce the loan.
   - Provide a ready avenue for recourse for hardship, including the approval to have the debt waived for low-income earners who will never be able to pay back during their lifetime. After all the debt is waived on death.