

The government's proposals for higher education funding and student finance – an analysis

Annexes

Annex A: Modelling student loan repayment

1. This Annex¹ is based on the information provided by the Department for Business, Innovation and Skills (BIS). The information is contained in:

BIS Research and analysis model, "BIS Student Loan Repayment Ready Reckoner"

BIS Research and Analysis note, "BIS Student Loan Repayment Ready Reckoner: Background Note"

located at: www.bis.gov.uk/policies/higher-education/research-analysis

2. It should be appreciated that the Ready Reckoner is a tool, originally requested by the Browne Committee, designed for making comparisons between policy options. BIS will model more realistic ranges of course lengths and course types, take-up rates, ranges of maintenance and fees loans taken out, collection inefficiencies, dropout rates, and demographic changes in the calculations used for their budgeting.

3. In this annex we describe how we used this model and information and we present more detailed results than set out in the main body of the report. There are five sections:

	Paragraphs
Future incomes –an assessment of their estimation	4 -19
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¹ This annex replaces the version placed on the HEPI web site on 10/11/2010. The modelling has been refined since that first publication and all the figures in this version of the report reflect those changes. None of the differences are material or change the conclusions of the report. The spreadsheets placed on the web site with this revised report incorporate all the improvements to the calculations. The original version contained an error which we have corrected; we incorrectly stated that students who take out loans but do not qualify are not included in the BIS data.

Future incomes

4. BIS have made available a model which provides projections of the repayments expected from those studying on a three year degree course. The driver in creating these estimates is a matrix of 141,435 cells of the expected incomes of 4,041 former students over 35 years. The derivation of the various statistics from this matrix is straightforward, if complex. The difficulty is in initial generation of this simulation of future employment states and incomes.

5. The "BIS Student Loan Repayment Ready Reckoner: Background Note" provides a description of how the income projections were created. In brief, survey data was used to estimate the parameters of distributions of both employment status and incomes. The profiles generated from these data are then adjusted by assuming an additional annual growth in cash income of 4.75 per cent.

6. There are some features that are not made explicit in the Background Note, which may be important when judging the results.

- a. There are estimates of the number of former students who go abroad and, pessimistically, they are assumed to make no payments when abroad, but to resume payment if or when they return.
- b. EU students are not included in the modelling.
- c. In generating salaries from year to year, the association between the salary in one year and the previous year is not made through individual earning values. Each former student in a given year is assigned to one of three income bands (low, medium or high) and the mean and standard deviations of these bands provide the parameters for the distribution from which the next year's income are generated. This will ensure that there is some correlation between an individual's income between one year and the next, but apart from this, there is nothing to associate an individual's salary from one year to the next.
- d. For each of the three income bands and for males and females there is a linear regression model of income by age, age squared and age cubed. It is these models which drive the 'career' mean salary increases. The data for this model covers about ten years and therefore combines age cohorts. Individuals at the end of the 35 year period will have been born earlier than those at the beginning.

- e. Nearly half of the simulated former students are male.

Concerns about the simulated dataset of incomes

Emigration and EU students

7. The treatment of emigration would seem to be cautious by not including any repayments from former students abroad. However, the concern is that estimating emigration is difficult, and there is evidence that significant numbers of young men emigrate without this being captured by most surveys.

8. The 2010 repayment cohort of EU borrowers is the first significant group of EU borrowers who have come into repayment. EU borrowers in earlier repayment cohorts will mostly comprise of those borrowers on one or two year courses or those who have dropped out of their course. It was only in 2009 that the Student Loan Company (SLC) began to take action against those borrowers who moved overseas. This means we have very little repayment history, but the expectation must be that there will be a much lower yield from repayments.

9. We have been unable to make any adjustments to take account of these groups in the time available. Though this creates further uncertainties, because they only relate to minorities of former students, the uncertainties are smaller than for the other concerns.

Changes in individual incomes from year to year

10. As the IFS modellers have pointed out (Dearden 2010b), there is good evidence showing that there are strong correlations in individual incomes which go back through time for more than one year. Our concerns were further raised on producing some sample descriptive statistics. For example just 5.2 per cent of male former students had not earned £40,000 or more in any year of the first ten years (2016 prices), and only 2.0 per cent had earned less than this in all of the thirty year repayment period. Table A1 shows the proportions of former students with a maximum salary below a range of values. It can be seen that there are very few individuals on consistently low or even middle incomes. This, we suspect, is an artefact of the modelling.

11. We carried out a number of simulations, using artificial data, to see how year to year variation in income impacts the RAB. We found that the changes to the RAB were small, and not consistent. For example, an individual whose expected income was just below the repayment threshold would have a reduced RAB with increased year to year variation, but other circumstances produced the opposite result. We concluded therefore that though the data set did generate some implausible statistics, the lack of association between individual incomes from year to

year did not make the data unfit for the purpose of providing at least a **rough** estimate of the RAB. The simulations we have carried out suggest that the high year to year variability is not a first order source of inaccuracy, but for figures to be truly credible this issue needs to be addressed.

Table A1: Maximum incomes over 10 and 30 year periods

Maximum income (£ 000s pa, 2016 prices)	Over first 10 years		Over 30 years	
	Male	Female	Male	Female
£0	0.5%	0.5%	0.4%	0.3%
< 10	0.5%	0.8%	0.4%	0.3%
< 20	0.7%	3.8%	0.6%	1.0%
< 30	1.5%	13.7%	1.2%	3.2%
< 40	5.2%	33.1%	2.0%	6.7%
< 50	53.4%	89.4%	3.5%	17.8%
< 60	79.3%	97.5%	6.9%	41.2%

Source: BIS Ready Reckoner – cash figures deflated by 2.75 per cent pa.

Combining age cohorts in estimating income growth

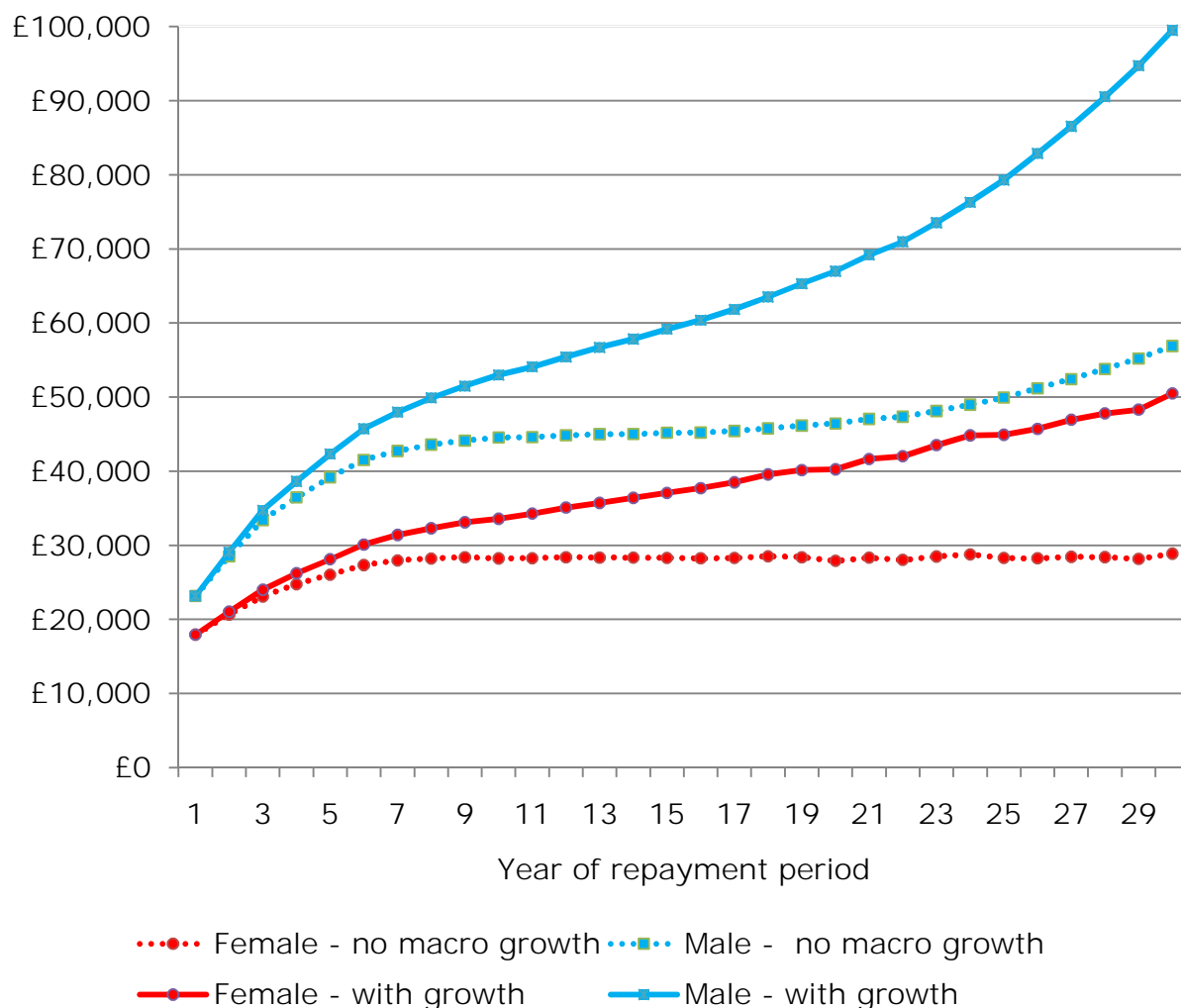
12. By taking former students from different age cohorts the data will include those graduating over a long period of time. Given that only about ten years' worth of data was available, for a given age of graduation this will be at least twenty years. Over this period the proportion of former students in the population has greatly increased. By using these data without making any allowance for this, the estimated rise in income with age, the 'career' growth in income, will be confounded with these generational effects.

13. Even if the career progression in the past had been accurately characterised, it is a very big assumption to expect the career progression of those graduating in 2016 to follow the same profile. Recent evidence shows that though the average returns to former student education have been stable, the dispersion of these returns has substantially increased, with those for the lower income former students falling (Green, 2010). It is not clear without more details to know to what extent this change has been captured in the modelling, but even if it were, we need to ask whether the trend is likely to continue, because only those former students earning over average earnings make repayments.

14. Figure A1 shows the average incomes for men and women in employment through the thirty year repayment period. Note these are actual income (2016 prices), so those in part-time work have incomes they actually receive, rather than a full-time equivalent. Two sets of lines are shown. The dotted lines reflect the career progressions, based on the models of incomes described above. The full lines show the combination of

this career progression with the adjustment for a general growth in income.

Figure A1: Average Incomes over repayment period (year 1, 2016 prices)



Data taken from original BIS Ready Reckoner, adjusted to year 1 prices assuming inflation at 2.75 per cent. Former students with zero incomes excluded.

15. What is striking about these plots, apart from the very high average salaries at the end of the period (£99,500 for men, 2016 prices), is the acceleration of 'career' increases for men over the last ten years of the repayment period. To assume this will take place towards the middle of the 21st century seems highly optimistic.

16. In order to reflect these concerns we have adapted the BIS Ready Reckoner to allow the income assumptions to be modified. We have done this by changing the real growth in former student incomes. Further details are given under the 'Modified Ready Reckoner' section below. The method employed is a simple and crude way of dampening the career

growth in income, but this does enable us to ask whether given RAB values are plausible.

17. What is really needed is an estimate of the trend in the longitudinal changes of incomes, looking at the distributions as well as the averages, then it would be possible to come to a view as to how those trends should be extrapolated. This would be a nontrivial exercise and is certainly well beyond the scope of this assessment, but something along these lines is needed to improve the long term forecast of incomes and repayments.

Proportions of male and female former students

18. Figure A1 shows a marked difference between male and female income profiles. This is reflected in the very different RAB values for men and women. Using the Ready Reckoner parameters set out in table A2 and the Modified Ready Reckoner described below with BIS estimated incomes, the male RAB is 5.5 per cent and the female 55.4 per cent. This makes it especially important to ensure that the proportions of males and females in the model reflect the proportions of former students. Fortunately this is a problem that is easy to fix. For the case described above the overall RAB increases from 30.8 per cent to 34.2 per cent when on adjusting the proportions of men and women to reflect those in the population.

19. The numbers for English Domicile, English Institutions, first degree qualifiers from three year full-time courses in 2008-09 were 85,935 male and 61,345 female, 58.3 per cent female. This is the value used in this revised version of the analysis to correct the RAB and various income estimates given in this annex. Note that this figure will over-estimate the proportion of former students who are female, because more men than women fail to complete. Without any identification of the non-completers, or information about their loans and incomes, it is difficult to take this into account. The trends in participation² between 2005-06 (when most of the 2008-09 qualifiers entered) and 2009-10 suggest that the proportions of females will remain about the same up to the 2012-13 qualifiers. So it is reasonable to assume there will be no change up to 2015-16.

² These trends are for young HE participation relating to all English domiciled entrants to UK Higher Education Institutions and GB Further Education Colleges. This does not exactly match the relevant populations but it gives some indication of recent trends. Estimates used the data tables supplied with the HEFCE participation report (HEFCE, 2010b).

Calculating the RAB

20. The BIS Ready Reckoner can allow for most of the various features of both the Browne and Government proposals. One exception is the charges that are planned to be introduced for former students paying off their loan more quickly than required. No such charges are included in the Ready Reckoner.

21. In the BIS documentation inflation, incomes growth, the government cost of borrowing, and interest charged are said to be 2.75, 2.00, 2.20 and 3.00 per cent, but in the actual calculations are consistent with values of 2.75, 1.95, 2.14 and 2.92 per cent. We have modified the spreadsheet to facilitate using the stated percentages. The effects of each of these changes cancel each other out and the net effect is a very small increase in the RAB. Table A1 and figure A1 show the incomes from the original Ready Reckoner adjusted to year 1 (2016) prices, and table 1 in the main part of the report is also based on the original unmodified BIS Ready Reckoner, but all the other RAB and income figures in this Annex and in the Main Report use this modified calculation with corrected proportions of male and female former students in the population. In all the calculations, unless otherwise stated, the parameters and assumptions are as shown in table A2.

Table A2: Standard parameters for RAB calculations

Parameter/assumption	Value	Comment
Course length	3 years	
Loan amount per year	£12,850	£4,000 maintenance + 95% £9,000 + 5% £6,000
Repayment term	30 years	
Repay rate	9%	
Discount Rate	2.20%	Cost of government borrowing
Real Interest	3.00%	
Inflation	2.75%	
Low Income Protection Pre-SRDD (Y/N)	N	
Low Income Protection Post-SRDD (Y/N)	Y	
Type of Low Income Protection	Phased	
Repayment threshold	£21,000	
Full-interest threshold	£41,000	
Type of Low Income Protection	Phased	
Repayment Threshold Growth	4.81%	2.00% real growth and 2.75% inflation

22. Note that calculating the average RAB for a mixture of fees, in this case £9000 and £6000, is not the same as calculating for the average of those fees, because the RAB is not a linear function of the size of the loan

or the increase in incomes. However for this particular combination, with 95 per cent of the fees set at £9000, using an average fee was shown to be a very good approximation to treating each fee level separately. For the income growth giving the break-even RAB the difference was just 0.03 per cent.

Modified Ready Reckoner

Break-even RAB sheet

23. This calculates the RAB value which would result in the government costs associated with tuition (not maintenance) remaining unchanged when moving to the new proposed arrangements. This calculation has no connection with those on other sheets, which calculate the RAB from a set of assumptions about income levels and the terms of the loans.

Parameter sheet

24. The parameter sheet has the following parameters: -

Original Parameters

Loan Amount Per Year (3 Year Course)	12850
Repayment Term	30
Repay Rate	9%
Discount Rate	2.26%
Real Interest	3.08%
Low Income Protection Pre-SRDD (Y/N)	N
Low Income Protection Post-SRDD (Y/N)	Y
Type of Low Income Protection	Phased
Repayment Threshold Growth	4.81%

Additional Parameters

Inflation	2.75%
Average incomes growth	2.00%
Cash incomes growth	4.81%
Real interest	3.00%
Notional real interest	3.08%
Actual Discount growth	2.20%
Notional Discount rate	2.26%
Former student career income growth adjustment	53.68%
Cash former student incomes growth	6.17%
% Females	58.35%

25. The parameters in italics are calculated, the others in bold are input by the user. The Cash incomes growth is input into the Repayment Threshold Growth in the original parameter table, and the Notional real interest and Discount rates are input into the Real Interest and Discount Rate in the original parameter table.

26. When the **former student career income growth adjustment** is set to 100% it equals that estimated from the figures supplied by BIS without any adjustment. The default figure shown above gives the break-even RAB shown in the Extra Results sheet.

27. The standard (100%) former student career income growth was calculated by first discounting the BIS income figures by 4.75 per cent pa. These correspond to the dotted lines in figure 1. The average career income growth was then calculated from all former student simulations with non zero incomes in periods 1 and 30, then taking the 29th root of (average incomes year 30 / average incomes year 1). This is shown in the Growth sheet and has a value of 2.42 per cent pa.

28. The Cash former student incomes growth is calculated as: -

$$(1 + \text{inflation}) \times (1 + \text{average incomes growth}) \times (1 + \text{career income growth}) - 1$$

This value is used to update the income by year matrix in the Repayment calculation sheet.

NoGrow sheet

29. This contains the salary data from the original Ready Reckoner discounted by: -

$$(1 + 4.75\%) \times (1 + \text{standard average career income growth})$$

This means that the average incomes (removing those with zero income in years 1 and 30) for year 1 and 30 are the same.

30. Growth 30 sheet

31. This holds the incomes for years 1 and 30 at year 1 prices and the standard and adjusted career income growth rates. It is used in the calculation of average income growth figures.

Repayment calculation sheet

32. The income by year matrix is populated by taking the NoGrow data and increasing by the Cash former student incomes growth for each year.

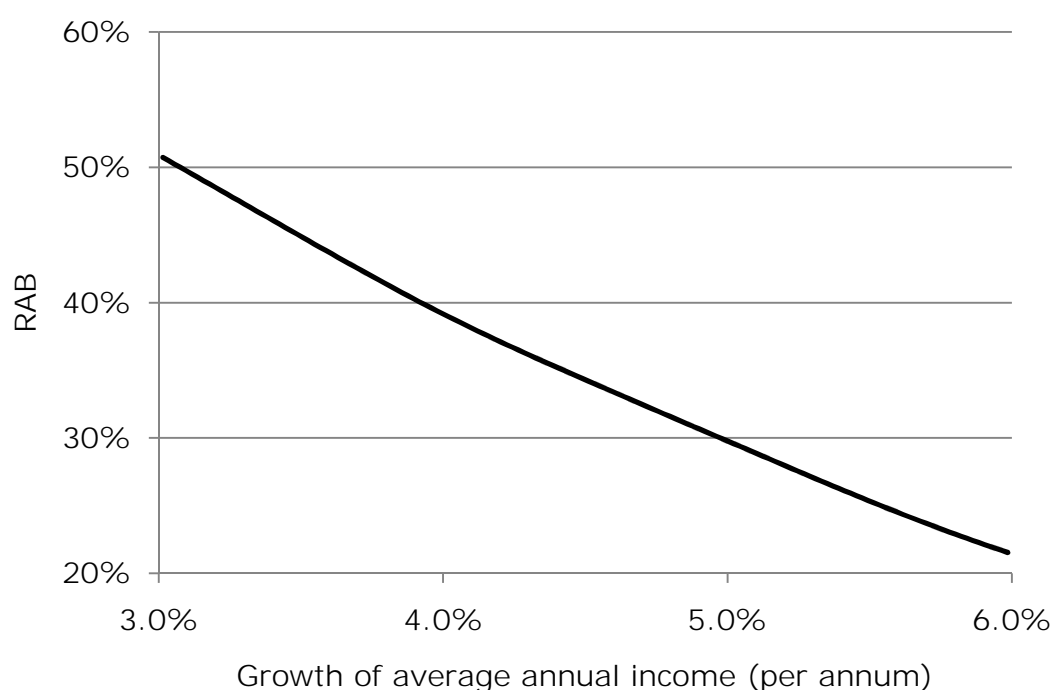
Extra Results sheet

33. This sheet uses data on the proportions of female former students to adjust the value of the RAB. Average RAB values excluding former students with negative RABS are also shown along with summary income growth figures.

Changing income growth assumptions

34. Figure A2 shows that as average real income growth rises, so the RAB decreases. Over the most likely range of growth rates from 3.0 to 4.5 per cent, for each 1 percentage point increase in average annual income growth there is a 12 percentage point drop in the RAB.

Figure A2: Change in RAB with change in average real income growth



Using Modified Ready Reckoner. All incomes at 2016 prices. Parameters set as in table A2.

Average real annual increase incomes based on all former student simulations with non zero incomes in periods 1 and 30, then taking the 29th root of (average incomes year 30 / average incomes year 1) both at 2016 (year 1) prices.

The RAB values and income growth are adjusted to the male female proportions in the population.

35. 'Break-even' RAB is the RAB where the savings in public expenditure on tuition in moving to the new system are balanced by the costs. See the section below for an explanation as to how the value was arrived at. Here we consider whether the income growth associated with the break-even

RAB rate of 47 per cent is plausible. Table A3 shows a selection of statistics.

36. The break-even scenario looks possible. On top of the general growth in real incomes of 2.0 per cent pa former students would see an average annual rise as they progressed through their career of 1.3 per cent.

Table A3: RAB values for different income assumptions

	Break-even tuition public expenditure	BIS assumption
RAB	47.0%	34.6%
Average 'career' annual increase	1.30%pa	2.42% pa
Average 'growth' annual increase	2.00% pa	2.00% pa
Average total annual increase	3.33% pa	4.47% pa
Average income in year 30	£52,100	£71,700

Using Modified Ready Reckoner. All incomes at 2016 prices. Parameters set as in table A2.

Average real annual increase incomes based on all former student simulations with non zero incomes in periods 1 and 30, then taking the 29th root of (average incomes year 30 / average incomes year 1) both at 2016 (year 1) prices.

The RAB values and incomes are adjusted to the male female proportions in the population.

The 'break-even' RAB

37. The 'break-even' RAB is the RAB where the savings in public expenditure on tuition in moving to the new system are balanced by the costs. Note that this figure does not take into account any change in the costs of maintenance grants and loans, though when calculating the income growth consistent with the break even RAB (table A2) it is assumed that a maintenance loan of £4000 pa is also taken out. Table A4 shows the assumptions behind the calculation, Table A5 shows how the RAB for the current system was calculated, and Table A6 shows the RAB values for the current and new systems, which are used in the break-even RAB calculation.

Table A4 – Break-even RAB

Assumption		Source
Cut in HEFCE grant	£2.8 billion	Browne Review (page 44)
Funded students (completers)	809,000	HEFCE HESES survey
Non-completing students	88,000	HEFCE HESES survey
Grant cut per student	£3461	
Current fee	£3290	
Growth in current fee	5%	
Current fee in 2012	£3455	
Current RAB = ? x new RAB	? = 0.54	See Table A6 below
% students on max fee	95%	
Average lower fee	£6000	
Average new fee	£8850	
Non-completers as % of completers	10.9%	HEFCE HESES survey
% of fee collected for non-completers	50%	Rough estimate, depends on when student leaves
Break-even RAB	47.0%	
Increase in university income	£2,200	

Table A5: Parameters for RAB calculations of current arrangements

Parameter/assumption	Value	Comment
Course length	3 years	
Loan amount per year	£7455	£4000 maintenance + £3,455 fee
Repayment term	25 years	
Repay rate	9%	
Discount Rate	2.20%	Cost of government borrowing
Real Interest	0.00%	
Inflation	2.75%	
Low Income Protection Pre-SRDD (Y/N)	N	Not relevant
Low Income Protection Post-SRDD (Y/N)	Y	Not relevant
Type of Low Income Protection	Phased	Not relevant
Repayment threshold	£15000	
Full-interest threshold	£15000.1	0.1 added to avoid division by zero errors
Type of Low Income Protection	Phased	Not relevant
Repayment Threshold Growth	0%	

Table A6: RAB values at break-even RAB income growth

Current system	25.4%
New system	47.0%
Current system as % of new system	54.0%

Summary of changes made to the RAB calculation

38. Table A7 provides a summary of how the changes to the calculation and the parameter used increased the RAB to the break-even value. Each version of the calculation is the same as the one in the previous row except for the changes described.

Table A7: Changes to the RAB calculation

Calculation	Loan p.a.	RAB
BRR	£10,000	24.3%
MRR - 50.1% females	£10,000	24.3%
MRR – 58.3% females	£10,000	27.7%
MRR - 58.3% females	£12,850	34.6 %
MRR - 58.3% females - lower income growth	£12,850	47.0 %

BRR – Unmodified BIS Ready Reckoner model with default parameters. MRR – Modified Ready Reckoner model with actual cost of borrowing, income growth adjusted and interest charged set to 2.2%, 2.0% and 3.0" pa.

Former students repaying more than they borrowed

39. For those students with a negative RAB, their total repayments when discounted by inflation and the government borrowing rate are greater than the sum they have borrowed. Table A8 shows how many former students make such a contribution and their impact on the RAB. These figures show that the scheme would be completely unviable without these contributions from those qualifiers whose income profile means that they pay at the highest rate.

Table A8: Former students with negative RAB values

	Break-even	BIS assumption
Former students with negative RAB	55.5%	49.8%
RAB with all former students	47.0%	34.6%
Proportion of former students with negative RAB	14%	28%.

Using modified Ready Reckoner with parameters as shown in table A2.

Government, IFS and 'break-even' RABs

40. Shortly after this analysis was first published, the Institute for Fiscal Studies published a commentary on the government's proposals (Dearden et al, 2010c). The IFS analysis is based on courses of different lengths and a range of maintenance loans, so the RAB values cannot easily be compared with those produced from the Ready Reckoner. Also IFS plan to redo their calculations after clarifying some of the details behind the proposals with government. These revisions will probably increase contributions from former students and decrease the RAB costs to government.

41. So this difference between government and IFS is less than might appear. However, IFS do comment that their estimate of the annual earnings at the top of the distribution is lower than that assumed by government, and to that extent they support our contention that government income growth assumptions look optimistic.

42. The recent IFS calculations use the same earning profiles as in their earlier work (Dearden et al, 2010b) and though these calculations have clearly been carried out with care, there are good reasons for concluding that their income growth forecasts may also turn out to be optimistic³.

Reporting uncertainty

43. Our break-even values are the result of 'what if' analyses, they are not estimates as such, but we argue that the income growth rates that are consistent with these break-even figures are plausible. Making a judgement as to the credibility of the income growth profiles is appropriate given the uncertainties that the estimates involve.

44. We have given some specific reasons as to why we think the income projections of government and IFS may prove to be optimistic, but, more importantly, we would argue that estimating the costs of any long term loan system is difficult, and estimating costs for the new proposed system is particularly difficult for two reasons. Firstly, a high proportion of the NPV collected is collected in the second half of the repayment period. To estimate the growth rate of salaries in general, and for former students in particular, so far in the future is impossible to do with any certainty. To make matters worse, it is important to know the growth rates across the distribution of incomes, not just the average, to be able to accurately estimate the RAB. Secondly, the sensitivity of the RAB to changes in the income growth is much higher than for the current system. So the income growth estimation has to be more accurate, even though it has to be made far into the future.

45. Table A9 shows the proportion of NPV collected after 15 years, and the change in the RAB per percentage point change in average income growth, for current and proposed loan systems, and for the BIS assumed income growth and the growth required for the break-even RAB.

³ See paragraphs 26 to 28 of the HEPI report, "The Independent Review of Higher Education Funding: an analysis", available at: www.hepi.ac.uk/466-1860/The-Independent-Review-of-Higher-Education-Funding--an-analysis.html

Table A9: Per cent NPV collected from year 16 (2032) and Change in RAB with change in income growth

Average income growth pa	Current		New	
	High	Low	High	Low
% NPV collected from year 16 (2032)	7.9%	10.3%	40.5%	36.6%
Change in RAB per percentage point change in income growth pa	1.2%	1.8%	9.2%	12.1%

Using modified Ready Reckoner with parameters as shown in tables A5 (current) and A2(new). NPV after 15 years calculated by setting the repayment term to 15. Change in RAB per percentage point change in income growth pa was measured by making a small decrease in average total income growth pa. High income growth following BIS estimates and assumptions. Low income growth using income growth for the break-even RAB.

46. The characteristics of the new system, as illustrated in Table A9, mean that any estimate of the RAB will entail a large degree of judgement about the trends in income over the next twenty years and beyond. It is important that the uncertainties in the RAB estimates are made clear, with ranges of values rather than a single figure.

References

47. See the main section of the report for the references in Annex A.

Annex B: Differences between the Browne Review and Government policies

1. The proposals of the Browne Review are all contained within one document. Information for this comparison has been drawn from the following sources:

- a. The Press Release, "Progressive plans for higher education", 3 November 2010.
- b. The Written Statement, "Statement on Higher Education Funding and Student Finance", 3 November 2010.
- c. BIS Research and Analysis note, "Background on the Government Student Finance Proposals".
- d. The answers to questions by David Willetts following his Statement to the Commons on 3 November 2010.

2. The Browne Review, Written Statement and Press Release can be found (5/11/10) at:

www.bis.gov.uk/news/topstories/2010/Nov/student-finance

3. The BIS Research and Analysis notes can be found (5/11/10) at

www.bis.gov.uk/policies/higher-education/research-analysis

4. The Commons exchange (6/11/10) at:

www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101103/debt_ext/101103-0001.htm

	Browne	Government
Maximum fee	No limit	£9,000
Maximum fee without access conditions	£0	£6,000
Institutional levy on fees	Levy on fees over £6,000	No levy
Threshold income for repayment	£21,000 linked to average earnings	£21,000 linked to average earnings
Frequency of threshold updates	Reviewed regularly	BIS model updates every five years
Real interest rate	Cost of government borrowing (2.2 per cent)	3.0 per cent
Real interest rate with income below threshold income for repayment	0 per cent	0 per cent
Real interest rate with income above threshold income for repayment but below some other level.	Interest reduced where repayment does not cover full (2.2 per cent per annum) interest charge. No income limit to this interest reduction.	<p>For incomes up to “around £41,000” interest reduced to maximum of 3 per cent per annum. Not clear whether the £41,000 is a firm threshold or an estimate of what the highest income would be in practice. If it is a threshold then those above £41,000 would see debts of over £60,000 increase. With maximum fees of £9,000 pa and maintenance loans of £5,500, loans greater than £60,000 can only occur for students studying for more than four years.</p> <p>Details of the interest taper have not been announced but the BIS model includes a system whereby real interest is linearly based on income and independent of debt. The real interest charged would be $3\% \times (\text{£41,000} - \text{Income}) / (\text{£41,000} - \text{£21,000pa})$ for Income between first (£21,000) and second (£41,000) thresholds.</p>

Maximum repayment period	30 years	30 years
Charges for early repayment	No charges	Consultation on early repayment charges. A 5 per cent levy might be charged on additional repayments each year over a specified amount such as £1,000 or £3,000. Alternatively, those on higher incomes, for example over £60,000, who made an additional repayment could be required to pay a 5 per cent levy on that sum.
<u>Maintenance grants and loans (HI = Household Income)</u>		
Maintenance grants	(= < £25K HI) - £3,250 (>£25K HI - < £62,500 HI) – tapered reducing (>=£62,500 HI) - £0	(= < £25K HI) - £3,250 (>£25K - < £42,600) – tapered reducing (>=£42,600) - £0
Maintenance loans	Income independent loan of £3,750 per annum	(= < £25K HI) - £3,250 (>£25K - = < £42,600) – tapered increasing to £5,500 (>£42,600 - = < £42,600) – tapered decreasing to £3,575 (>=£61,250) - £3,575

Control of student numbers	No control for students not using the finance plan. Minimum tariff set by government. Small number of allocated places.	More consideration is required, and that will lead into the White Paper. The absolute number of students expected to remain "broadly flat" over the next 10 years.
Loans for part-time course fees	Loans for FTE of one third or more.	Loans for FTE of one third or more
Deferred entry	No statement.	Students with deferred entry for 2012 will have to pay the new fees. It is hoped that they will have the opportunity to start in 2011 if they wish.