

Why a student loan isn't like other loans

Increases to the cost of living are hitting the hip pockets of many Australians, with interest rate rises and bigger petrol and grocery bills making it hard for households and individuals to make ends meet.

In the current financial environment, aspiring, current and former university students may be concerned about the impact of their student loan (HECS-HELP) on their budget.

Here's why they don't need to be.

Will rising interest rates cause my HECS-HELP repayments to increase?

No. A HECS-HELP debt doesn't accrue interest, and therefore rising interest rates have no impact on the size of your loan, unlike mortgage or car loan repayments.

However, the total loan amount changes over the life of the debt in line with inflation. The amount of indexation varies each year and is applied on 1 June.

While the size of your loan may change, your repayments won't. Unlike repayments on other loans, HECS-HELP repayments are based on your income – they're not affected by the size of your debt.



HECS-HELP loans are interest free, and repayments are not affected by inflation.

Under what circumstances will my repayments increase?

The amount you repay is based on your income, and only increases as your wage does.

Once you earn above the compulsory repayment threshold, which for the 2022-23 income year is \$48,361, you'll start repaying your loan.

If you earn less than the threshold, you don't have to make repayments at all and if you never reach the threshold, you won't be required to pay back your HECS-HELP loan.

As your income increases, you will pay slightly more. For example, someone earning \$48,361 will repay one per cent of their income each year, while someone earning \$141,848 or above will make repayments equivalent to 10 per cent of their income.

HECS-HELP loan repayments are made through the tax system. Typically, employers withhold money from each pay to count towards your HECS-HELP repayment, like income tax.

It's the loan you never see.

What is a HECS-HELP loan?

HECS-HELP is a loan from the Australian Government to cover a student's contribution to the cost of their degree. Students enrolled in a Commonwealth supported place are eligible for the scheme.

HECS-HELP loans have supported massive expansion in the number of university places, enabling millions of Australians to study at university who otherwise wouldn't have been able to.

More information:

studyassist.gov.au/help-loans/hecs-help