



## WHAT'S A HECS DEBT, AND HOW DOES IT WORK?

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Categories: [Finance](#),

This series is provided in partnership with [Financial Counselling Victoria](#) and is around debt. We follow the journey of Young Carer Julie through understanding debt and putting her knowledge into practice. If you haven't read the first post 'Understanding debt' you should start there!

*Two months after the end of her exams, Julie felt like a totally different person. After many weeks of careful budgeting, she was finally debt free. In fact, she had been working full time at the cafe over the summer, and was starting to save up a little bit of money, which she was calling her 'emergency fund'. Unlike last year, she wasn't going to spend the money that she'd saved – if there was one thing she'd learnt, it was that it's always a good idea to have a buffer in case something unexpected happens.*



*But that didn't mean she wasn't having fun – she had never felt so happy, so independent, so free. Once a week, she spent money going out with her*

*friends – and the rest of the time she found inexpensive ways of having fun – going to the beach or the pool, watching movies at home. In mid-January, her family took a week-long holiday to the coast – it was something they'd rarely done before, and she felt she would always remember Joe's ecstatic face the first time he ventured into the water.*

*But perhaps most exciting of all, Julie found out that she'd got in to her dream course – film and television at the best creative arts uni in the state. She could barely contain her excitement – after the stressful time she'd had last year, she'd still managed to put together a short film for her media project that the course co-ordinators had called 'inventive' and 'thoroughly original'.*



*There was only one thing that was bothering Julie, and that was how she would pay for her degree. Three years of studying did not come cheap. She'd been offered something called a 'Commonwealth supported place', which meant she didn't have to pay the whole cost of her degree, and didn't have to pay anything upfront – instead, the government would pay some of her tuition fees, and would loan her the money for the other part. She would owe the government money, but she wouldn't have to pay it back until she started working. It sounded like a good deal, but the whole thing reminded her a lot of the trouble she'd had last year, and she felt nervous about committing to such a large amount of debt. Her debt monster, who continued to accompany her to work, to the beach, on holidays, didn't seem to know what to do either – he simply looked at her quizzically. All of her friends were enrolling in uni without a thought to the debt they were signing up for – but Julie wasn't sure. Although he was pleasant now, she'd seen how frightening her debt monster could get, and she wasn't sure that even her dream course was worth getting herself into a situation even more serious than last year.*

## **THE COST OF STUDYING**

In Australia, studying at university or TAFE costs money. In 2022, the average cost of an undergraduate degree is \$33,000 a year, while for TAFE courses it is \$22,000 per year. Most courses involve three years of study – so if young people had to pay for their degrees upfront, they'd be burdened with a huge amount of debt! But don't panic! The good news is that the Australian government helps subsidise Australian students' fees, and also offers an interest free loan to cover the remaining cost.

Depending on the kind of enrolment you have, the amount that you will end up paying for your course will be different. The Australian government might pay **some** or **none** of your tuition fees. If the government has paid for some of your fees, it may also loan you some of the remaining cost of your education – that is, the portion of your fees known as the ‘student contribution amount’. In many cases, this means that students completing their first undergraduate degree or TAFE course do not have to pay any money upfront – although they will eventually have to pay the government the amount that it lent them. The government will pay some of your university tuition if you are enrolled in a ‘Commonwealth support place’ (CSP) at uni – like Julie. CSPs are only available to Australian citizens – and most CSPs are offered for undergraduate study (CSPs in postgraduates courses do exist, but are much less common). If you are an Australian citizen, it is quite likely that you will be offered a CSP for your first undergraduate degree – although it is your responsibility to check what kind of place you have been offered before you enrol.

With a CSP, the government will pay for some of your tuition fees (you won’t have to repay this amount), and will also loan you the money to pay for your ‘student contribution amount’. This loan is called HECS-HELP. HECS-HELP is interest free (see previous posts in our ‘The Problem with Debt’ series for more information about interest), and you will not be obliged to pay back your HECS debt until you start earning above a certain income (this was \$47,014 for the period 2021-2022). This is important to remember, as it means that young people like Julie do not need to be afraid about entering into a contract that they will have no hope of repaying. The way that HECS-HELP is designed ensures that people do not find

themselves in a situation where they have outstanding debts but no means of paying them.

If you do not have a CSP, you will have to pay the full cost of your course. However, in most cases that doesn't mean you have to pay it upfront. Instead, the government may loan you money to pay some or all of your fees – this is called FEE-HELP. Like HECS-HELP, FEE-HELP is interest free, and students will only begin to pay the loan back once they start earning above a certain income (again, for the period 2021-2022, this was \$47,014). However, unlike HECS-HELP, if you are using FEE-HELP to help pay for your undergraduate degree, you will also be charged a 20% loan fee – making the cost of the degree even more expensive.

To be eligible for FEE-HELP, in most cases you must be an Australian citizen, and you must maintain a pass rate of at least 50% while studying. You should remember that paying the full cost of a degree is a very expensive option – if you are an Australian citizen considering enrolling in a full fee place in your first undergraduate degree, you should consider whether there is a similar course available that might offer you a CSP instead. It is also important to remember that HECS-HELP and FEE-HELP loans will only cover the cost of tuition – they do not cover other expenses related to tertiary study, like accommodation, textbooks or a laptop. Also – the HECS-HELP and FEE-HELP loans will go straight to your university or TAFE provider, which means that you won't see the money, and it cannot be spent on anything other than what it is intended for.

## SO IS IT WORTH IT TO GO TO UNI?

There's no one answer to this question! However, it is worth saying that HELP debts are not as financially risky as Julie initially thinks. HECS-HELP and FEE-HELP have been designed to make tertiary study more accessible for young people who have just finished high school and are not yet earning a full-time wage. Unlike the kinds of debts that Julie faced throughout Year 12, students are not obliged to begin paying back either a HECS-HELP or FEE-HELP debt until they are earning above a certain income. Also, when they do begin to repay their debt, it will be interest-free, and automatically deducted from their pay in small enough repayments that it should not be overly burdensome.

So the question really is – do you value the education and qualifications you will receive from your course highly enough to accept the accompanying HELP debt? If you are studying something that you find interesting, engaging and stimulating, and that will assist you in finding a job in the field you would like to work in, then you might feel that your HECS-HELP or FEE-HELP debt is 'worth it'. If you don't think your course is assisting in the achievement of your goals, perhaps you don't feel that it is worth the debt you are accumulating. Your value judgment may also change depending on the total amount of your debt – for example, you may feel that the larger amount you will owe if you are not on a CSP is too much given the kind of qualification you will receive.

Understanding the way that HECS-HELP and FEE-HELP work may also change how you complete your course – or what subjects you do. You are charged for each subject you complete – and you have until the 'census date' (usually about four weeks into a semester) to confirm your subjects.

This means that you may withdraw from a subject (or your entire course) before this date and not be charged anything.

So, if you factor in your HELP debt, you may decide to withdraw from subjects that you are not enjoying, or that do not seem worth the money that you are being charged, before the census date – this ensures that you are spending money on subjects that you find valuable.

## OTHER FINANCIAL ASSISTANCE AVAILABLE TO CARERS WHILE STUDYING

Although HECS-HELP and FEE-HELP can only be applied to tuition fees, there are other forms of financial assistance available to students completing their first undergraduate degree. These include Centrelink benefits such as: Youth Allowance, Austudy or ABSTUDY. Students with complex circumstances (including those who study remotely, must travel from a remote location to study, have a disability, have carer responsibilities, or are from a culturally or linguistically diverse background) may also be eligible for other financial support, such as travel allowances and respite care. This Services Australia [webpage](#) provides you with information about that kinds of financial assistance that is available to you when you are studying.

Students who are carers may face added difficulties in meeting their study obligations. Sometimes, flexible arrangements can be made with study and assessments, including taking time off to meet medical appointments. Counselling and academic support is available at many universities to support each student's individual learning needs. Financial counsellors are



also often on campus or nearby to help plan study expenses at no cost to the student.

*Still unsure what to do, Julie emailed her school's careers co-ordinator to see if she could get some information about how HECS debts worked. The careers co-ordinator, Ms Singh, got back to her the next day and was incredibly helpful, explaining that HECS-HELP was designed to help students like Julie complete their preferred course. Julie had been dreaming of studying film and television since she was 12, so once she knew that she wasn't signing herself up for years of trouble the choice was actually easy.*



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*he felt elated – in a few short months, she had paid off her debts, finished Year 12, started saving an emergency fund and enrolled in her dream course. There was no way she would have believed all that was possible when she was in the midst of her money crisis, her debt monster towering over her.*

*It was funny how quickly her perspective had changed, and how immediately her anxiety had abated. Heading into work the day after*

*enrolling in her degree, her furry debt creature ambling next to her, Julie felt strong, competent and independent – she felt certain that she could navigate this next chapter of her life. But she also felt sure that, if she ever had another money problem or needed some advice, there was help available for her – she just had to reach out and ask.*

**If you are over 18 and experiencing a financial problem, it may help to talk to a financial counsellor. Their assistance is free, confidential and independent. If you would like to talk to a financial counsellor, click [here](#) to access the Carer Pathway to financial counselling.**