



Full-time Guide

YOU CAN AFFORD TO GO TO UNI

The true cost of full time
higher education study in
England from 2013



The information in this guide is for full-time students in England starting a higher education course in 2012 with no previous history of higher education studies. If you have previously studied on a higher education course, contact the advisory service at the university you are applying to.

Information in this booklet is correct at time of writing (August 2012) and can be subject to change

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No flannel, we've just seen the biggest changes to how you pay for university for a generation. And you're due to be the second intake under those conditions.

This is still so new that there are widespread myths and misunderstandings out there, often focused on political argument. Yet what really counts for those considering university is the actual practical everyday impact on your pocket, and that isn't nearly as harsh as many fear.

The loudest shouts are those saying "you'll leave university with a monstrous £50,000 of debt". I wish I could say that wasn't true, but if you take the maximum loans over three years it is. However, that figure is mostly meaningless, since student loans are one of the very few areas where the price tag bears little resemblance to the real cost.

This is because your repayments depend solely on how much you earn once you graduate/leave university. Regardless of what you borrow, if you choose a career that isn't highly paid, you won't need to repay much at all – some won't pay a penny. Whereas earn big bucks and you may pay back more than you borrowed, but obviously will have more cash to pay it with. Some call it 'no win, no fee'.

So forget the headlines. The aim of this booklet is to give you enough information to understand how much YOU will repay. After all, if you don't know how much it costs – how can you work out if it's worth it?

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Money Saving Expert
Head of the Independent
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Finance Information



Whether to go to university or not will be one of the biggest decisions of your life. And like all big decisions, it can seem pretty scary. You need to think about where to go, what to study – and if you can afford it. While we can't help you decide about the first two questions, we can give you a quick answer to the third...

YES. IF YOU WANT TO GO TO UNIVERSITY, THEN YOU CAN AFFORD TO GO.

OK, some of the costs seem pretty huge – like up to £9,000 in tuition fees per year, before you even begin to think about living costs. However, before you start worrying about where you're going to find the money, remember two big facts:

1.

No-one has to pay fees upfront

The government will provide loans for your time at university so it's not like you or your parents have to save up all the money beforehand.

2.

You only repay when you earn enough

Once you leave university you only repay the loan if you earn more than £21,000 a year. If not, you don't repay. And if you never earn enough (although we hope for you that you do) you never repay a thing.



WHAT LOANS ARE AVAILABLE?

1. Tuition Fee Loans

These cover the full cost of tuition fees and are available to all eligible first time students. They are paid directly to your university every year by the Student Loans Company.

2. Maintenance Loans

Money is also available for eligible full-time students to pay for things such as rent, food and bills. The way some of this is decided is by means testing, which is where they look at how much your household earns each year, usually based on your parents' income (see the Q&A for exact details).

In general, the less your parents earn the more funding you're entitled to. Many students from lower income households will also get a grant (which replaces some of the loan). This works in the same way, except the big difference is it NEVER has to be repaid.

Applications for loans and grants need to be done separately to your UCAS application. You can normally apply in the January before you go to university and you don't have to wait until you've got a confirmed place to apply. Applications are made to the Student Loans Company through the Student Finance England website **www.studentfinanceengland.co.uk**



WHAT DO TUITION FEES PAY FOR?

Universities and colleges need to be paid for. They have to pay staff to teach and assess you, keep buildings in good condition and provide facilities such as libraries and laboratories. Over recent years it's been decided that rather than the taxpayer paying, students should pay if they earn enough after graduating.

A £9,000 COURSE WON'T ALWAYS COST MORE THAN A £6,000 ONE

It sounds odd, but it's true. If you're planning to go for a course just because it's cheap, it's important you understand this first. Once you add in maintenance loans many students who AREN'T higher earners after university won't repay in full even on £6,000 courses, which means there's no additional cost in going for a £9,000 course.

Try www.studentfinancecalc.com which allows you to see whether it's likely you'll be someone who repays or not and see the How do I repay the loans? section for more explanation.



£6,000



£9,000



THE LOAN IS WIPED THIRTY YEARS AFTER YOU GRADUATE

Whatever you borrow, regardless of what you've repaid, in the April thirty years after you graduate/leave university the loan is wiped. You won't owe another penny. So even if you haven't repaid everything you borrowed, the rest of the debt is gone.

Part-time students repay tuition fees in the same way

Universities can charge up to £4,500 a year for a part-time course, or up to £6,750 if they offer bursaries or other financial support. Part-time students can get a tuition fee loan that works exactly the same way as for full-time students, but not a maintenance loan, so they have to think about saving up to cover their living costs. See the Q&A section at the end for more information.

Download the
separate part-time
students' guide for
more information

You don't have to take a loan

You don't have to take a loan if you already have the money to pay for your tuition fees and living costs. But you could actually end up spending more than needed if you pay upfront because, if you do take out a loan, you might not have to pay it all back before the debt is wiped.

Of course paying for the fees isn't everything.

As well as finding innovative ways to cook baked beans – and whatever you're there to study – managing your money is one of the most important things you'll learn at university, especially if you don't want to eat those beans EVERY night of the week.



SO THE BIG QUESTION IS - WHERE DOES THE MONEY FOR DAY TO DAY LIFE COME FROM?

Like everyone else, students should not spend more than they earn, and knowing how much income you'll have is essential. Once you get the information back from Student Finance England you should know exactly how much you'll be getting each year, making it easier to plan your spending. Most of your income will come from one of five places:

1. Maintenance loans

are to help you pay for food, rent and other living costs. They are paid into your student bank account in three instalments – one at the start of each term and are repaid just like tuition fee loans.

The maximum amounts are:

£5,500 for students living away from home outside of London

£7,675 for students living away from home in London

£4,375 for students living at home

Any full-time student can apply for up to 65% of the maximum amount. How much of the remainder you get depends on means testing.

2. Maintenance grants

do not need to be repaid. £3,354 is available to students with a household income of £25,000 per year or less, and students with a household income between £25,001 and £42,611 will be able to get some grant, although the higher your household income the less you get.

If you qualify for a maintenance grant, the amount of loan you receive will be reduced (the amount of loan that is taken away makes up part of your grant, meaning you've less to repay overall).

3. Bursaries and scholarships

are extra cash provided by universities and colleges, or other organisations like charities and businesses, which you don't have to pay back. Not everybody can get a bursary or scholarship, and they are awarded to different students for different reasons – like your household income and how well you've done in your exams. Ask your choice of university what extra funding they provide and how you can apply.

Some universities might offer you a reduction on your fees – or a fee waiver – instead.

If you are given a choice, with everything else being equal, it is usually better to go for a bursary, as that's cash in your hand, rather than a reduction in a fee you may not have to repay.

For more
information on
means testing see
the Q&A section
at the end

See the Q&A
section for
why and how
to choose



But no matter where
the money comes from,
the same golden rule
always applies -
Never spend more
than your income

What doesn't count as your income?



DON'T include things like 'interest free overdrafts', or far worse, 'credit cards' as part of your income (i.e. money you can plan to spend). They are debt and will need paying back. So while they may help get over any minor cash flow problems in the short term, if you know money is coming soon, it's important not to see these as part of your income.

4. Part time job

Many students supplement their cash when studying by getting a part-time job or working in the summer holidays. This can make a big difference to the lifestyle you can afford – and many also provide valuable skills that are helpful for getting a job later. Do think realistically about how much time you will have for work though, so that it won't damage your studies.

5. Contributions from parents

Your parents may also decide to give you money if they can afford it. However it's also worth noting that the amount of maintenance loan you get depends for most people on their parents' income; those who come from wealthier homes get a smaller loan. This is done because your parents are expected to contribute. So if you don't get the full loan, while there is no way to force them, and they are not legally required to give you money, it is certainly worth having the conversation with them in advance about whether they'll contribute. Feel free to show them this paragraph if it helps.

	October
Phone	£32
Rent	£10 
Bills	17 + 31 + 20
Food	£1  £
Insurance	£12

Not all debt is the same

It's easy to think, "I've got to get a student loan, why not borrow a little more?" but you have to understand how special student loans are. No other loan only needs you to repay if you're earning enough. With others, it'll never go away, they'll chase you even if you can't afford it – the interest is higher and will multiply at speed. Be very careful about taking any other form of borrowing.

DOING A BUDGET IS CRUCIAL

This is where you match up what money is coming in with what is going out. It's incredibly important or you may end up having a great first week splashing the cash – then spend the rest of term struggling to survive.

Of course, it's tough right now to know exactly what you'll need to spend on things like books, transport, course equipment and partying. Plus, there are other costs people often forget, like TV licence or toilet roll (none of which are much fun to buy, but are even less fun if you're caught without them at the wrong time). Once you know what your situation is why not try

www.studentcalculator.org.uk, a free interactive tool to help you.

HOW DO I REPAY THE LOANS?

This a long time away, but it's worth understanding now. Once you've graduated (or even if you dropped out) you may worry that you've got an enormous debt hanging over you.

But don't panic! You don't have to repay a penny until you get a job and are earning more than £21,000 a year. But don't panic! You don't have to repay a penny until you get a job and are earning more than £21,000 a year (this threshold will rise in 2017, the year you are likely to be eligible to start repaying).

Once you're past that point you'll pay back 9% of everything you earn above £21,000. So if you earn £22,000, as it's one grand over the threshold, you'll pay £90 of it a year.

What you'll pay back

Salary	Monthly repayment	Yearly repayment
£20,000	£0	£0
£25,000	£30	£360
£30,000	£67.50	£810
£35,000	£105	£1,260

It's worth thinking about this for a second. It means the amount you repay each month **ONLY** depends on what you earn, not on how much you borrowed in the first place (though borrow more and it may mean you repay more in total and over a longer time). So whether you're on a £6,000 or £9,000 course, the amount to repay is the **SAME**.

ACTUALLY YOU WON'T EVEN SEE THIS CASH.

UNLIKE NORMAL BORROWING, WHERE YOU HAVE TO HAND OVER THE CASH, WITH STUDENT LOANS, IF YOU'VE GOT A JOB YOUR EMPLOYER TAKES THE AMOUNT YOU OWE FROM YOUR SALARY EACH MONTH (IT'S CALLED A 'PAYROLL DEDUCTION') IN THE SAME WAY THEY DO WITH ANY TAX YOU NEED TO PAY (SEE THE Q&A SECTION AT THE END FOR WHAT HAPPENS IF YOU'RE SELF EMPLOYED).

So you might not even notice the money has gone, since you'll never actually have it in the first place – you'll just take home less each month than someone who doesn't have to make loan repayments. This is a very important point, because it means the rather scary debt collectors who normally enforce loan repayments won't come knocking at your door for student loans.



You will be charged interest though

You will pay interest on your student loan as soon as you take it out, at the rate of inflation plus an extra 3% a year. How much interest you pay after studying depends on how much you earn. Afterwards, interest starts at the inflation rate (when you earn less than £21,000) and goes up to inflation plus 3% (when you earn more than £41,000).

Interest is added to what you owe: it's not an upfront fee and it won't affect how much you pay each month. The interest cost will only affect you if you'll repay all you owe before the debt wipes after 30 years, otherwise you'll never repay it. Yet if you do earn enough to repay fully it's likely to mean you repay more overall, and you'll be paying for longer.



What is inflation?

Inflation is a measure of the rate at which prices change over time. Usually, though not always, they are increasing. So if inflation is 4%, then a basket of shopping costing £100 this year will cost £104 next year.

Therefore, if the interest on a loan is set at the rate of inflation it's like saying you were lent a 'basket of shopping's worth' of money this year, but when it comes to repaying you'd only have to give the cash that'd buy that same basket back. This means your actual spending power hasn't been diminished by taking out the loan so it hasn't cost you anything.

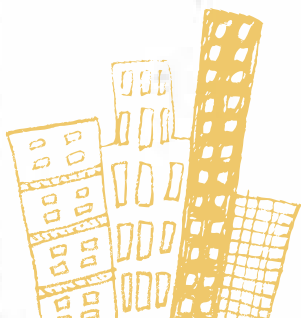
What is interest?

Interest is the price you pay for borrowing money. It's based on how much you owe and how long you have the loan for. So if you borrowed £1,000 with 10% annual interest you'd owe £1,100 at the end of the year if you didn't pay anything back.



WHAT HAPPENS IF I DON'T GET A JOB, LOSE MY JOB OR TAKE A CAREER BREAK

If your income ever falls below £21,000 a year, or if you don't get a job, lose your job or decide to take a career break, your repayments will simply stop, no questions asked.



Q. HOW DOES MEANS TESTING WORK?

A. Means testing is used to decide how much financial help you are entitled to. For most students it's based on the joint income of your parent(s) before tax (they are allowed to take off their pension contributions and some allowances for each of your younger siblings, if you have any). If you have a lot of savings in your own name this will also be taken into account.

There are a few situations that mean the testing is based on your own income (and your husband, wife or civil partner if you have one) including if you are over 25, or have financially supported yourself for more than three years, have no living parents or are caring for a child. See the Student Finance England link at the end for more information.

Q. IF MY PARENTS ARE DIVORCED/SEPARATED WHOSE INCOME IS MEANS TESTED?

A. If this is the case in your family the income of the parent you live with most of the time will be used (if that's not clear, this is normally the parent who claimed child benefit for you before university). If the parent you mainly live with remarries or has a cohabiting partner, their joint income will then be looked at.

Q. WILL THE STUDENT LOAN GO ON MY CREDIT FILE?

A. Whenever you apply for a financial product which involves lending you money, be it a bank account, contract mobile phone or monthly paid car insurance, the company you're applying to will check your credit file to help decide if they want to lend to you. Your file is a record of things like how much debt you already have and whether you have missed payments on credit cards or utility bills. Having a lot of outstanding debt on your file can make it hard to get a loan or credit card.

Unlike other loans, student loans won't appear on your credit file, so lenders won't know about it unless they ask – and they often won't. Even if they do, though, in the bigger scheme of things due to how it's repaid it's only likely to have a limited impact on your ability to borrow.

Q. WILL IT BE MORE DIFFICULT TO GET A MORTGAGE LATER?

A. Once you're earning enough to repay the student loan you'll have less income than if you didn't have it, so this will have a minor impact on your ability to get a mortgage. However, it's worth noting that this has always been the case. One of the few advantages of the new system is, because you repay at £21,000, compared to current graduates who have to start repaying

when they earn £15,795, you'll actually have more money in your pocket. Therefore, in the early years, compared to now, it's actually a minor improvement.

Q. IF WE'VE GOT THE MONEY SHOULD WE SIMPLY PAY AND NOT TAKE THE LOAN?

A. If you or your parents decide to pay your tuition fees without taking a loan there's a few things to bear in mind. It's definitely a bad idea if you or your parents are borrowing the money elsewhere to do it – as student loans are a very cheap long-term form of borrowing, and you only have to repay them if you earn enough.

Even if you used savings, it's worth remembering that if, as an extreme example, you never earned over £21,000 you'd have effectively paid that cash for no reason – as you'd never have needed to repay the loan. This is a complex subject though, so if you're serious about doing it, for more information on the pros and cons see **www.moneysavingexpert.com/students2013**

Q. WHY DOES A BURSARY BEAT A FEE WAIVER?

A. Unless you earn a higher salary on graduation, a fee waiver is unlikely to reduce the amount you repay at all. So while it may feel like your fee and debt is lower, there may well be no material

impact on your pocket. Yet a bursary will provide cash now, which could reduce the need for any commercial borrowing. So as one is a certain gain, and the other a 'you may benefit in the future but might not', the choice is a no brainer.

Q. HOW DO YOU PAY BACK THE DEBT IF SELF EMPLOYED?

A. If you set up your own business or work for yourself your repayments will be collected via HMRC's Self Assessment scheme. This means you will need to make payment at the appropriate deadline to fulfil your legal obligations. If you do not pay, HMRC will pursue you for any amount overdue.

Q. IF I'VE GOT SAVINGS OR OTHER EARNINGS AFTER I GRADUATE DO THEY COUNT?

A. If you have additional income of £2,000 or more from savings interest, pensions or shares and dividends, this will also be treated as part of your income for repayment purposes and you'll need to repay 9% of that, again via self assessment.

Q. DO I STILL HAVE TO REPAY IF I MOVE ABROAD?

A. Yes is the simple answer. You're still obliged to repay the student loan based on 9% of all earnings above the equivalent of £21,000 in the country you are in and can face a fine if you don't.

By taking out the loan you have a contractual relationship to repay it. You may have heard that some people don't repay loans when they move abroad. If that happens it's because there are practical difficulties in the government pursuing them for the money – but that doesn't stop them being responsible for paying it back.

Q. WHAT HAPPENS IF I DROP OUT OF UNIVERSITY?

A. If you don't complete your course, any tuition or maintenance loan you have taken up to that point will still need repaying. The repayments and interest work in the same way as if you had done the course – in other words you repay 9% of everything earned above £21,000 from the April following the three years after you started.

Q. WHAT HAPPENS TO THE LOAN IF I DIE?

A. While it sounds morbid, it's worth knowing that if you die, or are permanently injured, the rest of your loan is wiped, meaning your kids or parents will never have to pay it on your behalf.

Q. CAN I PAY BACK THE LOAN MORE QUICKLY?

A. Yes, the government has said that you will be able to repay the loan early without penalty charges, although this doesn't mean you should pay off early. While in general it's better to repay debts as quickly as possible, student loans are one of the rare cases where it may be a bad decision because you might not repay the full amount before it's wiped after 30 years.

Q. IS THE £21,000 THRESHOLD FIXED?

A. The threshold will start to rise with average earnings from 2017. In other words, as the amount people earn increases (and prices go up due to inflation) the £21,000 salary level rises in proportion so you're effectively paying the same each year.

BRIGHT KNOWLEDGE

www.brightknowledge.org

- the essential guide to careers, education and student life

MONEYSAVINGEXPERT

www.moneysavingexpert.com/students2013

- key facts and figures about student finance and tuition fees

STUDENT FINANCE ENGLAND

www.studentfinanceengland.co.uk

- information about applying to university and student finance

NASMA

www.NASMA.org.uk

- the National Association of Student Money Advisers who work in universities, student unions and further education colleges

NUS

www.nus.org.uk

- National Union of Students, a voluntary membership organisation which represents the interests of students

UCAS

www.ucas.com

- the organisation responsible for managing applications to higher education courses in the UK

UNIVERSITIES UK

<http://www.universitiesuk.ac.uk/StudentFinanceCrossBorders>

- For information on student finance across all parts of the UK

If you are thinking of studying in Wales, Scotland or Northern Ireland please visit:

www.studentfinancewales.co.uk

www.saas.gov.uk

www.delni.gov.uk

See our other guides
for specific details

- Part-time students guide
- Teachers' guide
- Mature students guide

