TheUniGuide

STUDENT FINANCE: WHAT PARENTS NEED TO KNOW

STUDENT FINANCE EXPLAINED: HOW DOES STUDENT FINANCE WORK?

Get started with this quick video from Student Finance England (SFE) summing up the basics of student finance in England:

Watch Now: Student Finance Explained

Universities and colleges can now charge full-time students a maximum of £9,250 a year in tuition fees, but only if that institution has been rated gold, silver or bronze according to the Teaching Excellence Framework.

Otherwise, the maximum fee they charge is £9,000 a year.

Tuition fees for 2019/20: What students in England, Scotland, Wales and Northern Ireland will pay.

Local colleges will charge less than this.

Tuition fees 2020, by country

Maximum annual fees you'll be charged

I live in...	I'll be studying in...			
	England	Scotland	Wales	Northern Ireland
England	£9,250	£9,250	£9,250	£9,250
Scotland	£9,250	Free *	£9,250	£9,250
Wales	£9,250	£9,250	£9,000	£9,250
Northern Ireland	£9,250	£9,250	£9,250	£4,395

** These are paid for by Student Awards Agency Scotland (SAAS) provided students satisfy residence criteria*

Source: Ucas, Nov 2019

SHOULD I PAY MY CHILD'S TUITION FEES UPFRONT?

This isn't expected. So you can start breathing normally again!

Your child can apply for a Tuition Fee Loan to take care of their tuition fees upfront – this goes straight to their university. So they can head off to uni without the worry of paying this back until they've graduated. or left their course and earning above the repayment threshold.

It's not recommended that you take out a personal loan to help your child with their student debt; this is almost always a more expensive option than your son or daughter taking out a student loan. Interest rates on student loans are still very low in comparison with other loans on the market.

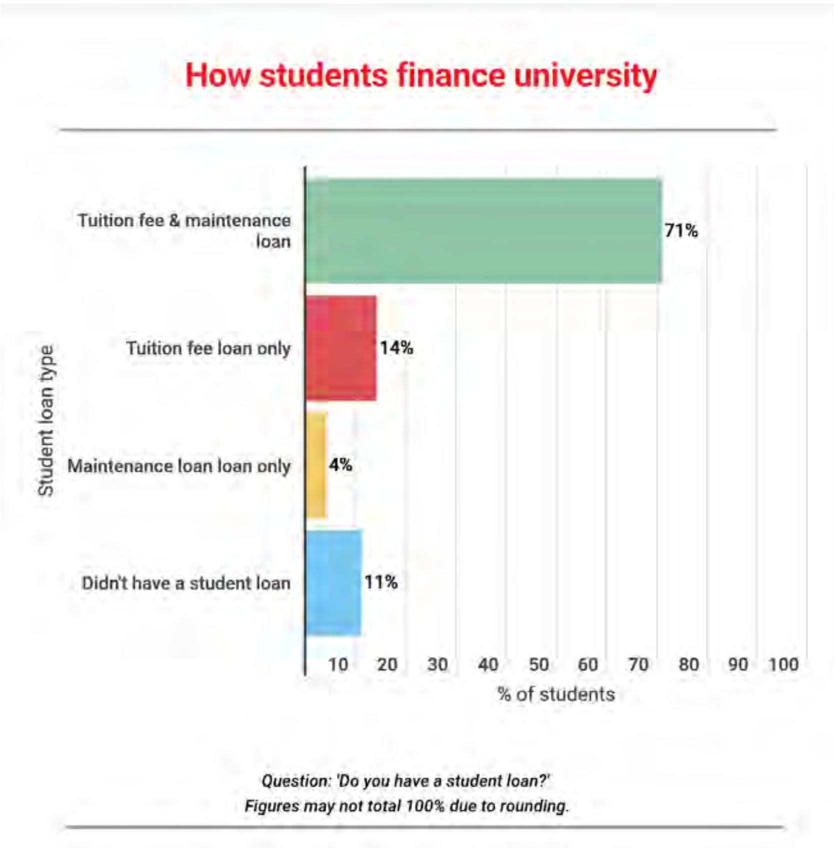
Plus, student loans expire after 30 years, and 60% of students will never pay all of this back.

We go into more detail about repayments further below.

WHAT STUDENT LOANS ARE AVAILABLE?

There are two types of student loan available: the Tuition Fee Loan we mentioned above, and a Maintenance Loan. Both will start to be repaid once your child has graduated, or left their course and started earning over a certain amount.

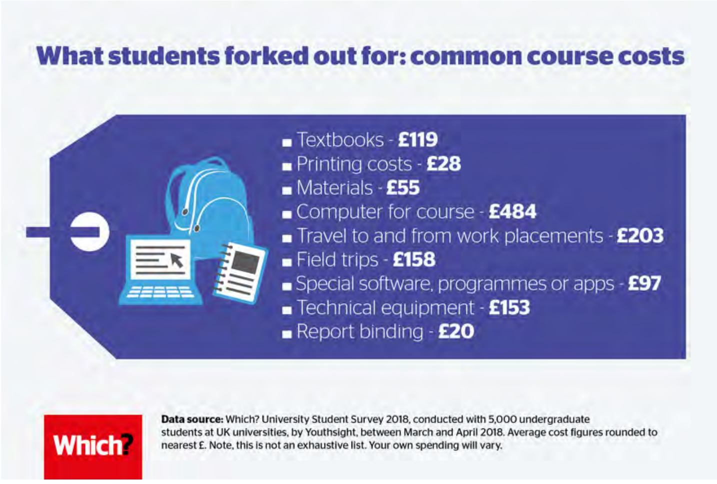
71% of students we spoke to told us they took both out*:



The Tuition Fee Loan is there to cover your child's tuition fees, which will cover things like their lectures and seminars.

The Maintenance Loan is there to help with living costs, such as accommodation, food, travel, going out etc.

This loan will also have to cover any course-related costs not covered by tuition fees:



The amount your child is eligible to borrow depends on several factors, including where they will be studying and your family's household income – check out the section on means-tested finance below.

To give you a rough idea, if your child will be living away from home (and outside of London), a Maintenance Loan of up to £8,944 per year is available for households earning £25,000 per year or less. If you're earning more than this, the amount your child is eligible for will be lower.

How much is available in maintenance loans?

Maintenance Loans for 2019/20 academic year (England, full-time study)

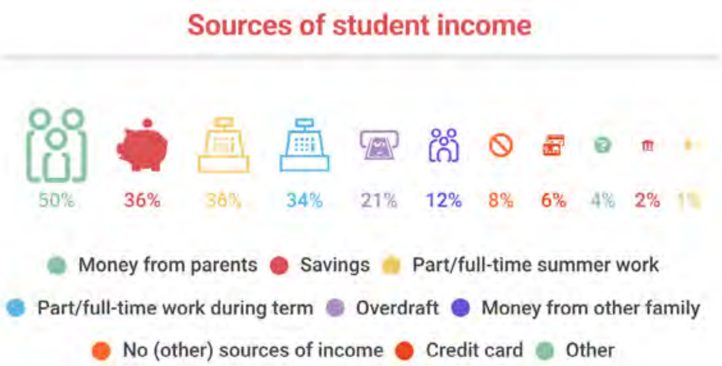
Where you'll be studying	Max. loan available
Living with parents at home	Up to 7,529
Studying away from home, outside of London	Up to £8,944
Studying away from home, in London	Up to £11,672
Studying abroad as part of your UK course	Up to £10,242

Data source: Ucas. Table shows max. support available per year. Actual loan entitlement will depend on household income.

If your child is going to university in London, the maximum loan amount available is slightly higher (£11,672) to account for the higher cost of living in the capital.

Beyond this, it's up to you and your child to make up any financial shortfall to cover their living costs. Half of students we spoke to told us that they relied on their parents for extra money to help with living costs*.

Furthermore, 34% of students told us they worked part-time at university. There are also bursaries and scholarships to help cover these living costs – we go into more detail about these, below.



WHAT DOES 'MEANS-TESTED' STUDENT FINANCE MEAN?

'Means-tested' student finance is when a student submits details of their household income, to help their student finance body assess how much they're eligible to receive in maintenance support.

This works on a sliding scale, with those from lower household income households eligible for more (and vice versa), to ensure those who need the extra help, get it.

'Household income' refers to what you (and where relevant, your partner whom you live with) earn annually. If you're sponsoring a student's application for student finance, you'll be required to submit photocopied evidence of this.

Student Finance England does not share your financial information with any other parties (unless you consent to them sharing this with your university choices, so they can get in touch with any relevant scholarships, bursaries or extra funding they offer). They will securely destroy financial documents once they have been checked.

It can take up to six weeks to process applications; so it's important to provide any evidence you're asked for as quickly as possible to avoid any delays with your child's application. If you provide any evidence late or apply after the deadline, then your child's student finance might not be in place for the start of their course.

You don't have to submit information about your household income ('non-means tested') when applying for finance, though. All students are eligible for a basic rate of maintenance support, regardless of household income; this is based on where students live and study. However, if you do submit this information, your child will probably be eligible for more (which can make a big difference).

Remember that this Maintenance Loan needs to be repaid after graduation, along with the Tuition Fee Loan.

If your household income changes while your child is applying for student finance or once they get to university, it's best to let Student Finance England (or equivalent in your country) know so they can reassess you if necessary. If your household income has dropped by 15% or more since the last tax year you can complete a Current Year Income (CYI) assessment form. By completing this form Student Finance England can reassess a students' application and could mean they are eligible for more funding.

WHAT STEPS DO I NEED TO TAKE TO SUPPORT MY CHILD'S APPLICATION?

Step 1

- Click on the email link that is emailed to you 24 hours after your child submits their application.
- Create your own account or access an existing account if you've applied for student finance in the past.
- You cannot use your child's account to submit income details.

Step 2

- Log in to your online account and update your income details.

- Your income details will then be checked against HMRC records – this can take up to 2 weeks.
- If your income details do not match HMRC records SFE will ask for evidence of your income
- You must provide your own income details only. If you have a partner, we'll ask for their details separately.

Step 3

- Post photocopies of evidence of your income as soon as possible, it can take up to six weeks for SFE to process applications.
- Acceptable income evidence includes a P60, payslip/s or tax returns.
- SFE will check these documents and then issue an entitlement letter to your child.
- SFE will need financial evidence from the parent that the child is financially dependent on which is usually the parent the child lives with permanently.

Step 4

If you're separated or divorced, SFE may ask for evidence. Acceptable evidence includes:

- Decree Absolute
- Decree Nisi
- Solicitor letter
- Council Tax Bill showing single person discount

Check out this video from Student Finance England on supporting your child's finance application:

Watch Now: Parents - what you need to do to support your child's student finance application

ARE BURSARIES OR SCHOLARSHIPS AVAILABLE?

Most universities offer various forms of financial support too, particularly (though not exclusively) to students from lower income families. The most common examples are bursaries and scholarships to help with some or all of a student's tuition fees or living costs.

It's definitely worth looking into - a quarter of students we surveyed said they applied for a bursary or scholarship and got it.

In fact, research from The Scholarship Hub has found that one in five parents subsidise their child at university by over £400 per month (over half give £200 per month); so this extra funding can make a huge difference to your child (and take some of the pressure off you to support them).

Watch Now: How to find university scholarships – students' tips

Your child's eligibility for bursaries and scholarships can also be based on academic ability, extracurricular interests and even individual circumstances (eg a disability). And the best thing about these? Unlike the loans above, these don't need to be paid back!

Your child should enquire directly to their university of choice to find out what extra support they offer, as it varies from institution to institution. In fact, this could be something to ask at an open day, and might even be a factor when choosing a university.

They can also look further afield, to companies, organisations and charities.

Watch Now: How to boost your student budget

HOW MUCH WILL MY CHILD HAVE TO REPAY?

It depends...

The Tuition Fee Loan and the Maintenance Loan are added together to give the total amount they will have to repay (plus interest). Interest is charged on these loans from the day they receive their first payment until both are repaid in full (or until they're wiped out).

However the variations mean it's difficult to calculate the exact level of debt your child will graduate with.

The Institute of Fiscal Studies has estimated that the average student in England will graduate with approximately £50,000 of student debt (after interest).

WHEN WILL MY CHILD START PAYING BACK THEIR LOAN?

There are some misconceptions among the parents we surveyed about the way student loans work.

For example, three-quarters (74%) said it is true that students earning over the repayment threshold need to start repaying the loan as soon as they graduate – this is actually false and only 13% responded correctly.**

Your child only starts paying their loan back the April after they leave their course, if they're earning above a certain amount. Loan repayments aren't based on how much your child borrowed, but rather on how much they earn later.

For full-time students in England, their repayments will only begin once they have left university and are earning over £25,725 a year (this has gone up slightly from £25,000, as of 6 April 2019).

If after leaving university, they're not working at any point, or they're earning less than this, their repayments will stop until they are earning above this again. And if they are earning above this threshold, they'll only repay an amount based on what they're earning over this.

Repayments in Wales are the same, but a little different in Scotland and Northern Ireland where the threshold is £18,935 (as of 6 April 2019).

HOW DO REPAYMENTS WORK?

Repayments depend on how much your child is earning, but are calculated at 9% per year of whatever they earn above the threshold in their country.

To keep things simple, this is repaid directly to the Student Loans Company by their employer as part of their monthly salary deductions (a bit like a form of tax).

If they are self-employed after graduating, they'll repay their student loan through their self assessment.

[Watch now: Repaying student loans 2019/20 - Student Finance England]

Below are a few examples of how repayments would work out for a student earning different salaries, where the repayment threshold is £25,725.

WHEN WILL I START REPAYING MY STUDENT LOAN?

So when will those loan repayments start to kick in? Take a look at our table below:

Repayment thresholds for Plan 2 student loans

Annual income	Amount of income that repayments (9%) will be deducted from ie threshold (£25,725) minus annual income	Annual repayment
Up to £25,725	£0	£0
£30,000	£4,275	£385
£35,000	£9,275	£835
£45,000	£19,275	£1,735
£55,000	£29,275	£2,635

These payment rates remain the same regardless of how much was borrowed.

WHAT IS THE INTEREST RATE ON STUDENT LOANS?

Another misconception among parents around interest - almost half of respondents (45%) incorrectly think interest starts accruing once students have graduated (29% responded correctly).

Interest is charged from the day Student Finance England make their first payment to the student or university until their loan is repaid in full.

The interest rate charged is based on the UK Retail Price Index (RPI).

See quickly how interest will accumulate from the day you receive your first loan:

Interest rates for Plan 2 student loans

Circumstances	Interest rate
While studying, until 6 April after leaving your course	RPI plus 3%
Earning £25,725 or less	RPI
Earning £25,726-£46,305	RPI plus UP TO 3% depending on income
Earning over £46,305	RPI plus 3%

Data source: Student Loans Company. Retail Price Index (RPI) is 2.4% as of September 2019. Repayment threshold is £25,725 as of 6 April 2019.

HOW LONG UNTIL A STUDENT LOAN IS WRITTEN OFF?

After 30 years of being eligible to repay, any outstanding student debt your child still owes is written off. This timeframe depending on where you live.

This is true even if there have been periods in that time where they haven't repaid anything, due to not working or because they were earning below the threshold.

IS IT WORTH PAYING BACK A STUDENT LOAN SOONER RATHER THAN LATER?

Because your son or daughter might not end up paying their total loan back in the 30 years before the debt is wiped out, it may not make financial sense to try and repay their loan as quickly as possible. Furthermore, student loans don't affect credit ratings.

On the other hand, paying a loan back sooner rather than later could be practical for graduates entering a top-earning profession, and if they're particularly keen to rid themselves of any extra debt.

DO STUDENT LOANS COUNT AGAINST A MORTGAGE?

The Council of Mortgage Lenders (CML) has said: 'A student loan is very unlikely to impact materially on an individual's ability to get a mortgage, but the amount of mortgage available may depend on net income (i.e. your "take home" pay after tax and expenses).'

DOES IT MAKE FINANCIAL SENSE FOR MY CHILD TO LIVE AT HOME WHILE AT UNI?

This isn't just an excuse to convince your child to stay at home. It might actually make better financial sense for them to live at home and go to a local university:

- They would take out a smaller Maintenance Loan than if they lived away from home.
- Having them under your own roof could make it more manageable if you wanted to assist them financially.
- Does it make sense for them to be paying rent elsewhere if they're not far from the family home and could commute instead?

Don't encourage your child to remain at home if the sole reason is to save money, however. While day-to-day living costs will probably be cheaper for them, remember: any student loan they take out will only be repaid based on how much they earn later, not on how much they borrowed.

This means that a graduate who lived away from home, earning the same salary as a student who lived at home, would repay the same amount each month. A stay-at-home graduate might pay their loan back faster, but only if they're earning enough to pay the whole loan back.

AM I RESPONSIBLE FOR MY CHILD'S LOAN?

Once your child graduates and is earning above the threshold in their country, their loan will be automatically collected through PAYE (a bit like income tax). No cheques and no direct debits needed, meaning it's therefore virtually impossible for them to fall behind on repayments – one less thing for you to worry about.

But it's really important they keep their details up to date with the Student Loans Company.

SO THAT'S WHAT YOU NEED TO KNOW ABOUT YOUR CHILD'S STUDENT FINANCE...

However, we can't promise that the Bank of Mum and Dad won't be called upon for some other reason.

A solid first step is getting a rough idea of what your child's living costs will come to as soon as you can, so you can make any necessary plans (whether searching for extra funding, putting a little money aside, factoring this into your child's university choice etc).

** Data source: The Which? University Student Survey, conducted by YouthSight on behalf of Which? University, surveying 3,874 undergraduate students at UK universities between 20 March and 12 April 2019.*

*** Data source: The Which? University Parent Survey, conducted by YouGov on behalf of Which? University, surveying 846 parents of current undergraduate students or students considering applying in the next 12 months/ have applied to university in the past 12 months between 28 February and 7 March 2019.*

FIND MORE FROM THE THE UNI GUIDE HERE