

1 on very detailed
check back
scheme.

MS 4
1 conveyed to
Prime Ministers to
have Secretary, Sec 56
Education +
Cabinet
Office

STUDENT LOANS

Attached is an H paper by Sir Keith Joseph which makes a number of proposals for student loans. The proposals are not for a full loan system but for a mixed system in which the maintenance element of the present grant would come from a loan and the fee element as at present from a Government grant. There would be a number of sweeteners.

- (i) the parental contribution would apply only to the grant element and, therefore, would help the 20% of parents who pay the largest contributions and just as important would help with the non-payment problem;
- (ii) the mandatory support system would be extended to all full-time and sandwich courses at the appropriate level;
- (iii) students will be treated as independent for grant purposes from the age of 21 not 25 as at present.

All these elements will encourage students to enter higher education not as the Opposition to loans will claim discourage them.

The financial details of the scheme are as follows:

The extensions of the support system proposed by Sir Keith would involve net additions to the PSBR of £14 million in the first year rising to £30 in the 3rd - 5th years. Break-even point would be reached in the 8th year. Savings of £116 million in year 15 and a stable level of savings of £241 million after about 30 years. Sir Keith has accepted the Chancellor's argument that students should repay loans at the market rate of interest with a low-start pattern of repayments. Provision would be made for deferment of payment in certain circumstances but debts would not be written off until death or retirement. Typical payments might amount to about £200 a year. Much work remains to be done on the administration of the scheme, for example, American experience with schemes administered through the banks is not encouraging.

/Sir Keith

Sir Keith is proposing that a scheme along these lines should be included in the manifesto and has asked H Committee to authorise the detailed preparatory work.

JK.

2 March, 1983