

The Benefit of HECS/Fee-Help Reduction

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Photo by Andrea Piacquadio: <https://www.pexels.com/photo/woman-in-red-coat-holding-notebooks-and-coffee-cup-3755760/>

The Australian Government's recent legislation reducing all HECS/Fee-Help debts by 20% is an enormous benefit for those seeking to reduce and eventually pay their study loans. A 20% reduction is significant as it eases both the new principal figure (all loans are adjusted yearly to the inflation rate) and the eventual time in which the loan will be paid in full.

A New paradigm for Study Loans

Building a balance between the domestic and international student markets is critical for the health and productivity of the nation. An educated and skilled populace enables more complex industry and manufacturing to take place. Part of this equation is the use of HECS and Fee-Help loans by domestic students. These loans allow students to defer the cost of their qualification whilst they focus on study, skills, and knowledge acquisition.

Building domestic skills that enhance the localised economies of Australia. More knowledge allows complex manufacturing operations focussing beyond the traditional and manoeuvring us towards advanced goods and services. A prime example of this is the purchase of Nuclear-powered submarines through the AUKUS treaty. Ideally, a nation's defence capabilities should where possible be manufactured inhouse. Pertinent given Australia's relative geographical isolation from our allies.

Further to the argument of study loan reduction is the local economic increase in both the purchase of houses/properties and local goods and services. Study loans are considered a debt liability when applying for a housing loan and may affect borrowing amounts when viewed through debt-to-income ratios. A considerable sized debt of six figures can therefore increase the difficulties of finding a rung of the property ladder. Additionally, automatic study loan deductions from wages decrease the purchasing power of individuals as there is simply less money in the account for daily expenses and discretionary spending.

The ultimate goal of governments should not be to completely wipe study loan balances. Universities and Higher Education Private Providers are underpinned on sound fiduciary policies. However, the careful examination of study loan indexation and the implementation of occasional study loan reductions are an important first step in making Australian society more equitable for those who can least afford it. Australia has always sought to be the country of a fair go for its working classes. Giving young people and young families half a chance is the first step in building a sustainable cultural and political legacy for the coming century.

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