

Student Loans

Here are the rules for the old and the new student loans:

Old Rules:

Students borrow £6000 a year for 3 years. Assume a total of £18,000.

Interest rate on loan is an average of 4%.

You pay back 9% of any money you earn above £15,000. (So if you are earning £35,000 you pay 9% of £20,000)

After 30 years you stop paying back.

New Rules:

Students borrow £12000 a year for 3 years.

Assume a total of £36,000.

Interest rate on loan is an average of 7%.

You pay back 9% of any money you earn above £21,000. (So if you are earning £31,000 you pay 9% of £10,000.)

After 30 years you stop paying back.

Consider these scenarios:

- 1) You are in a job paying £28,000 a year. How much gets paid off your loan every year under the old rules and under the new rules?
- 2) You are in a job paying £40,000 a year. How much gets paid off your loan every year under the old rules and under the new rules?
- 3) If you work in a job paying £40,000 for 30 years, how much will you pay in total under the old rules and how much under the new rules?
- 4) Experiment with some other amounts.
- 5) Write a conclusion: are the new rules fairer than the old rules?