

Students Modernizing CSLP: One Piece At A Time

CSA Submission to HRSDC's CSLP Review

debt



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Students Modernizing the Canada Student Loans Program: One Piece at a Time

CSA Submission to HRSDC

Executive Summary

The federal government has stated that Canada's international competitiveness depends on having an educated and skilled labour force. The 2007 Federal Budget recognized that talented, creative people are the most critical asset to a successful national economy. To respond to the educational needs and develop the best educated, most skilled, and most flexible workforce in the rapidly changing world, both the federal and provincial governments are committed to the principle that all qualified students should be access to postsecondary education without the barriers. However, education is expensive and paying for it can be difficult for some students. Given rising educational costs and expected debt loads, students naturally translate them into concerns about funding.

The College Student Alliance (CSA) acknowledges that the Government of Canada, in collaboration with the provinces and territories, has made major changes in Canadian student assistance system. For example, the federal government has expanded eligibility for Canada Student Loans, increased the Canada Student Loan Program (CSLP) lending limits, revised needs assessment procedures, extended the interest relief program, reduced the expected parental contribution, and changed the treatment of student loans in default.

However, the CSLP as a model to help pay for postsecondary education, is still plagued with problems. Concerns include the program's flexibility with respect to repayment arrangements, the varied benefits of the program between provinces, inadequate financial support, funding target, the annual spending, the funding components, and the program's communication and delivery initiatives. Many researchers and stakeholders have addressed that current student financial assistance system is slow, overly complicated, inadequate, under-resourced, and lacking of a sufficient focus on need-based student financial aid.¹

CSA firmly believes that the extraordinary financial burdens faced by students could be alleviated, in part, by an enhanced student aid system and by undertaking various initiatives to support a country-wide open learning system. This paper not only responds to the questions from HRSDC for the CSLP's review, but also expresses CSA's position calling for a more holistic review of the entire student financial assistance realm in Canada to ensure that there is better harmonization across provinces and programs.

¹ Junor, S. & Usher, A. (2006). Student Aid Time-Bomb: the Coming Crisis in Canada's Financial Aid System. Educational Policy Institute.

Instruments

Recently both the federal and provincial governments have responded to the needs of students and our postsecondary education system by introducing new financial and legislative initiatives in the area of student financial assistance. However, many students do not receive enough assistance to meet their needs and others are unable to get any assistance at all.²

To modernize and simplify the Canada Student Loans Program (CSLP), the CSA recommends that the program must ensure all qualified students have access to government student loans.

Government funding is critical for students to pursue postsecondary studies. Research conducted by the Canada Millennium Scholarship Foundation (CMSF) reveals that financial issues are the most important factor when considering postsecondary education (33%).³ Statistics Canada's Youth in Transitions survey also confirmed that financial concerns are the most commonly reported reason for failing to pursue postsecondary studies.⁴

Data collected from students in 2004-05 academic year indicates that 32% of students were receiving government student loans during the school year, while 33% had balances owing on previous government student loans. Combining the two categories, 42% of students are currently borrowing or borrowed before 2003-04 using government student loans.⁵

What are the impacts we would see if students had not received or not received enough government student loans? The Canadian Postsecondary Student Financial Survey⁶ found that a denial of student loans would have caused them to quit school (45%), borrow more from family (30%), and reduce their course load to work (2%) or to work more with the same course load (24%).

Overall, the CSLP has improved substantially for the decade as more students received loans and loan amount was increased significantly. However many stakeholders have argued that the current student loan program is complicated, many students are confused by the assessment process, and the principles affecting students' eligibility and amount for the money borrowed. The College Student Alliance (CSA) recommends that the federal government must make efforts to respond to the changing needs of students and improve the CSLP's effectiveness and efficiency, while ensuring the program is accessible to all qualified students.

² CASA, 2006. CASA. Education: A National Priority – Securing Canada's Place in the Competitive World. September, 2006. <http://www.casa.ca/documents/prebudgreport%20September2006.pdf>

³ Berger, J., Motte, A., & Parkin, A. 2007. The Price of Knowledge 2006-2007. Canada Millennium Scholarship Foundation.

⁴ Bowlby, J. & McMullen, K. (2002). At a crossroads: First results for the 18- to 20-year-old cohort of the Youth in Transition Survey. Statistics Canada Catalogue no. 81-591-XIE.

⁵ Investing in Their Future: A Survey of Student and Parental Support for Learning. July, 2006. EKOS Research Associates. <http://www.cmec.ca/postsec/invest.en.pdf>.

⁶ The Canadian Post-Secondary Student Financial Survey. July, 2006.

The Government of Canada should make more grants available to low-income students throughout the duration of their studies and expand the Canada Access Grants for up to four years.

The federal and provincial governments support students through a series of programs. Under the CSLP, the Canada Study Grants is the major part of the assistance to help reduce students' debt. In 2003-2004 loan year, the Government of Canada spent \$77 million on the program to support over 53,000 students. The CSGs expenditures accounted for 67% or \$52 million to support nearly 40,000 students with dependents.⁷ While the cost of pursuing postsecondary studies in Canada has risen dramatically over the past 15 years, a number of grants, scholarships, and bursaries offered by both federal and provincial governments to assist eligible students are still not keeping pace with the rapidly rising educational cost. When all expenses such as tuition, books, supplies, food, rent, and tools are included, it can easily cost \$18,000 a year to attend college or university.⁸ As a result, students struggle to afford their postsecondary education and then borrow more for financing the mounting costs of their education.

College and university students require assistance to cover the realistic costs of obtaining an education without giving them an unfair debt load. We should not deflect attention from the fact that college students tend to come from less advantaged backgrounds and are more vulnerable to financial difficulties. For example, in Ontario over 50% of college applicants in 2006 are very concerned about the ability to fund a college education. 44% of applicants expect to incur some amount of debt while attending their first year of college. Only 24% of college applicants expect to incur no debt while completing their intended program of study.⁹ The fact is that the Canada Access Grants is only provided to first-year, first-time postsecondary students. The Canada Access Grants for students from low-income families is 50% of tuition costs to a maximum of \$3,000. Students pursuing high-fee programs like dental hygiene and computer animation or other professional programs with prerequisites of more than two years of postsecondary education will not be entitled to enough grants but pay much higher fees which can accumulate more debt for these students. Similarly, college transfer students who are transferring from college to university are no longer eligible for these grants because they are going beyond first year of postsecondary education.

Changes need to be made to expand grant programs for up to four years to increase the persistence of students, particularly for students from lower-income families. The recent research by Canada Millennium Scholarship Foundation¹⁰ argued that grants which reduce the highest levels of debt have a positive impact on student persistence. Other research also outlines that the best way to improve access to

⁷ Junor, S. & Usher A. (2007). The End of Need-Based Student Financial Aid in Canada? Educational Policy Institute.

⁸ Canada, National Student Loan Service Centre.

⁹ Ontario College Applicant Survey 2006. Acumen Research Group Inc.

¹⁰ The Impact of Bursaries: Debt and Student Persistence in Postsecondary Education. 2006. Canada Millennium Scholarship Foundation.

postsecondary education is through the use of up-front, targeted grants.¹¹ When grants provide students with funding for the costs of education without putting them into debt, students are more focused on their studies. The CSA recommends that the federal government should make more grants available to low-income students throughout the duration of their studies and expand the Canada Access Grant for up to four years and, rather than just in their first year.

As part of a new modernized CSLP, the government must limit the growth of students' debt burden.

The size of debt loads is a significant concern. There is clear empirical evidence that qualified students can be driven to abandon their postsecondary studies due to high debt loads. It is reported that students with annual loans in the range of \$3,000 to \$9,999 have a 51% probability of degree completion. Comparatively, students with annual loans greater than \$10,000 have just 34% probability of graduating.¹² Furthermore, when students end their education with huge debt loads, the debt not only affects their disposable income post-graduation but it also affects their ability to choose their future professions.

In Canada, college studies tend to require a smaller investment by the student. However, college graduate debt levels are growing faster than university debt amounts, which have stabilized in recent years. Today, 33% of college students will graduate with debt levels more often associated with university graduates. Among 57% of college students who reported borrowing some funds during their college studies in 2006, 29% had borrowed more than \$15,000. 44% had accumulated \$10,000 or more in debt, compared to 32% three years ago.¹³

Therefore, the government must make more efforts to limit the growth of students' debt burden.

The loan repayment term and allotted amount for any loan program should be flexible and based on the financial realities of the graduate.

The CSA has been greatly concerned with the lack of consideration for graduates post-study income and their ability to repay their student loans on a strict repayment plan that doesn't take their income into account. Thus, the CSA supports an income contingent loan repayment plan to increase loan repayment flexibility and efficiency.

The CSA firmly believes that the loan repayment term and allotted amount for any loan program should be flexible and based on the financial realities of the graduate. The current loan system has a repayment period of 10 years and certain income thresholds to calculate the period and amount students need to repay their loan. With the realities of employment availability, entry level income and increasing debt loads, the 10-year period is unrealistic. Moreover, for graduates who are trying to

¹¹ Funding Canada's Post-Secondary Education. CASA.
http://www.casa.ca/documents/mediakit_final_ENGLISH.pdf

¹² The impact of bursaries: debt and student persistence in post-secondary education. 2006. Canada Millennium Scholarship Foundation. Research News. 2(2). pp.1-3.

¹³ The Price of Knowledge 2004. Canada Millennium Scholarship Foundation.

begin a family, the added burden will make them face even more financial difficulty. Therefore, the repayment period needs to be flexible and based on individual graduate's debt load and the actual income of a graduate after they enter the workforce.

It should also be noted that the effect of inequities in workplace, wage, different types of employment, and gender causes problems for graduates whose repayments are calculated against a fixed term regardless of their post-graduation income. For graduates, when their income is low or uncertain, their monthly payments may exceed their ability to pay.

The loan repayment policies play an important role in shaping students to manage their loan burdens and repayment processes. The federal government must consider enhancing loan repayment assistance and make it more manageable for students. Additionally, harmonization of CSLP and provincial financial assistance programs has been recommended by many researchers and educational stakeholders. To improve access and allow more students to seek postsecondary education, the federal government should initiate talks with all provinces and territories toward harmonized student loans and loan repayment policies on the shared responsibility for postsecondary education.

The Government of Canada should invest in more non-repayable grants targeted at under-represented students from low-income families, aboriginal communities, first generation and persons with disabilities.

Rising educational costs and the prospect of large student debts have become significant barriers for low-income families. Over the past four years, the changes to student financial assistance have been in favor of non-needs based aid such as tax credits.¹⁴ To ensure equitable postsecondary access for all Canadians, financial aid should be prioritized for students with the greatest financial needs, particularly for low-income students and under-represented student groups.

Research relating income to postsecondary access and success shows that income is a determinant of who will or will not go on to postsecondary education. Students from lower income families are more negatively affected by increased tuition fees.¹⁵ In Canada, the gap between low-income families and well-off families has continued to widen.¹⁶ Students from low-income families are finding it challenging to access education, and to pay for it. With only 19% of children from low-income families going on to university and only 29% to college,¹⁷ income is clearly an important factor to impact this group of students' postsecondary attainment.

¹⁴ Junor, S. & Usher A. (2007). The End of Need-Based Student Financial Aid in Canada? Educational Policy Institute.

¹⁵ Coelli, M. 2004. "Tuition increases and inequality in post-secondary education attendance." Paper presented at the Canadian Economics Association Meetings in Toronto, ON.

¹⁶ Oh Canada! Too Many Children in Poverty for Too Long ...2006 Report Card on Child and Family Poverty in Canada. P.3 http://www.campaign2000.ca/rc/rc06/06_C2000NationalReportCard.pdf

¹⁷ Canadian Post-secondary Education: A Positive Record - An Uncertain Future. www.ccl-cca.ca/pse

Due to the aging population and the already high participation in postsecondary education from high-income students, it is logical to focus on the largest available pool of individuals who are currently not on the pathway to postsecondary education.¹⁸ The rate of participation for students from under-represented groups such as those from low-income families, aboriginal communities and persons with disabilities must be increased. The federal government should continue to develop innovative grant programs that deliver non-repayable financial assistance to low-income and under-represented groups. To meet the 70% of new jobs created requiring a postsecondary education, it is thus imperative to make the financial aid more targeted and deliver an adequate amount of assistance to those student groups.

Changes to the Canada Student Loan Program need to be made in order to better serve part-time students' needs for financial assistance.

Both levels of government have indicated that lifelong learning is important. Part-time students are making up a significant portion of the student body. However, the assistance for part-time students (the Canada Part-time Student Loans) funded by the Government of Canada may not be enough to ensure affordable, accessible postsecondary education in Canada and encourage lifelong learning.

While assuming that part-time students earn sufficient income to support themselves, dependents, and pay for their educational costs, the policy creates particular financial difficulty for students with low-incomes. Part-time students may bring in money to their education cost from their employment earnings, but on the expenditure side, part-time students pay significantly more for most things other than education. Part-time students pay twice as much in debt payments and other expenses.¹⁹ In addition, part-time students' loan interest is not subsidized by the government and students need to make interest payment for the loan while they are in studies. To meet their financial needs, some part-time students have to turn to private loans to fund their education at a higher rate than full-time students. Therefore changes need to be made to better serve part-time students.

To assist in alleviating the increasing burden of debt that students are assuming, changes to the Canada Student Loans Program in terms of the loan repayment policy, the interest relief, and debt reduction components should be considered.

Reducing unfavorable interest rates for federal portion of the loan, and, at least, lowering the interest rate to prime

The Government of Canada provides the Canada portion of student loan (Canada Student Loan) to help students gain access to postsecondary education. However, the Canada Student Loan provides higher unfavorable interest rates for students. For example, in Ontario, compared to prime plus 1% interest rate for the Ontario portion of the student loan (Ontario Student Loan), prime plus 2.5% interest rate for the

¹⁸ Berger, J., Motte, A., & Parkin, A. 2007. The Price of Knowledge 2006-2007. Canada Millennium Scholarship Foundation.

¹⁹ Investing in Their Future: A Survey of Student and Parental Support for Learning. July, 2006. EKOS Research Associates. <http://www.cmec.ca/postsec/invest.en.pdf>.

federal portion is unfavorable for the students. As the federal government funds 60% of a student's loan and the government of Ontario funds the remaining 40%, this results in higher interest paid by the student for the federal portion of the loan. Assuming students completed their studies with about \$24,000 in student debt and the prime rate is 6%, based on a 10-year repayment term and a floating rate, the graduate will pay \$10,215 interest including \$7,025 for the federal portion of the loan and \$3,190 for the provincial portion.²⁰

The financial aid system is a public system for the public goodwill, not for a profit. High interest rates result in more costly loans for students who have more loan load and take them longer time to repay. It is unfair for graduates to pay a higher interest rate, especially for students who have lower post-graduation income and larger debts. The CSA believes that no graduate should pay higher interest rate than prime on their entire loan. The Government of Canada must, at least, lower the interest rate to prime in order to make loan burdens reasonable and manageable.

Extending the interest-free period on students' loans until repayment begins and allowing more borrowers to become eligible for interest relief

In light of the absence of an interest free period for students after they graduate, high debt loads and interest lead to long-term financial difficulties for the borrower. After graduation, student earning differs due to the varied types of employment and wage differentials within many occupational fields. As students have to pay higher interest costs, especially on their Canada Student Loan, borrowers might take a longer time to repay their loans and in more difficult financial situations.

According to research, students with debt loads of \$27,000 or higher faced a 3% increased probability of default for every extra \$1,000 in debt.²¹ Loan repayment policies should not lead graduates to struggle to make ends meet or into loan default. The financial aid system must respond to individual circumstances and provide additional protections and relief to individuals who face difficulties in loan repayment.

While interest relief programs allow graduates with low or no incomes to delay repayment without accruing additional interest, for graduates who are on part-time, casual or temporary employment, who might not qualify for interest relief but are still having difficulty meeting their loan obligations, there are no measures in place to help them make loan payments manageable.

Although Budget 2004 increased the income thresholds used for determining eligibility for interest relief by 5%, policies still need to be reviewed to allow more borrowers to become eligible for interest relief and debt reduction.

²⁰ Canadian Millennium Scholarship Foundation, 2006. National Student Loan Service Centre, Loan Repayment Calculator.

²¹ Canada Student loans Program Annual Report 2003-2004. (2006). Human Resources and Social Development Canada. P.33-35.
http://www.hrsdc.gc.ca/en/hip/cslp/publications/07_pu_AnnualReport20032004.pdf.

The Government of Canada should review its tax credit policy and re-direct the funds towards up-front financial aid measures.

While the tax credit policy as a means of public subsidy for students plays a large role in student financial assistance in Canada, it is also controversial. This is because what contribution credits make to affordable postsecondary education counteracts the advocacy for a need-based student financial support. And there is some skepticism in the student financial aid community that tax credits have the same effectiveness as grants because they are not always given directly to the student.²²

In the Federal Budget 2007, the federal government committed \$1.7 billion to help students and families save for their education and deal with tuition and other costs via the tax system, including the tuition, education, and textbook tax credits and carry-forward of unused credits. In Canada, Nova Scotia, Quebec, Manitoba, and Ontario, have high reliance on tax credits as their largest source of financial assistance.

However, many researchers suggest that the policy implication of tax credits is not the most intelligent or effective way to meet students' financial need because tax credits do not equally benefit individuals across income brackets. On average, high income earners claim more through tax credits than do people from low- or middle-income families, due to the fact that lower-income students lack tax obligations. In 2004, the average tuition and education amount claimed by families in the bottom income quartile, with an average income of \$28,800, was \$520. In contrast, parents in the highest income quartile, with average incomes of \$200,100 claimed an average tuition and education tax credit of \$2,000. Middle-income parents in the second and third quartiles claimed \$1,300 and \$1,600 respectively.²³ In fact, 60% of all education and tuition tax credits go to families with incomes above the national median.²⁴

Tax credits do little to help students. Students need money to pay their tuition, living expenses, and related educational fees while they are studying. This form of financial assistance is not available when money is needed the most, but only becomes available several months later at income tax filing time. Additionally, tax credits are expensive. Both levels of government—federal and provincial—now spend over \$2.5 billion on student financial assistance programs through the tax system and saving instruments. Almost 40% of funds allocated to student financial assistance are spent through education-related tax credits.²⁵ The fact is that the Government of Canada

²² Neill, C. (2007). Canada's Tuition and Education Tax Credits. The Canada Millennium Scholarship Foundation. http://www.millenniumscholarships.ca/en/newsletter/31/070529_Tax_Credit_En.pdf

²³ Neill, C. September 16, 2006. Tuition and education tax credits. Presentation to the CASFAA/Millennium Conference on Enhancing Access to Post-Secondary Education, Ottawa, Canada.

²⁴ Finnie, R., Usher, A., and Vossensteyn, H. August, 2004. *Meeting the Need: A New Architecture for Canada's Student Financial Aid System*. Vol. 5, no. 7. <http://www.irpp.org/pm/archive/pmvol5no7.pdf>

²⁵ Chan, J. (2006). Building the third pillar: Reforming Ontario's student financial aid system. Ontario Undergraduate Student Alliance.

spends more through the tax system than it does through the Canada Student Loans program for all loans and grants.²⁶

While taxpayers expect and demand that spending is focused, transparent, and accountable, students also expect that those funds have the same effectiveness as grants while they are studying. The CSA therefore supports that the funds being spent on tax credits should be directed towards up-front financial assistance in the form of non-repayable aid; this would help to meet students' greatest need while they are studying.

The Canada Millennium Scholarship Foundation must be given a renewed mandate beyond 2009 of an additional 10 years with bi-annual reviews, public audits and increased funding to allow for an expanded scholarship and bursary program.

As the country's only system of national needs-based grants, the CMSF has been responsible for a high percent of all non-repayable aid in many provinces and territories. Since the creation of the Canada Millennium Scholarship Foundation in 1998 with \$2.5 billion, more than 500,000 scholarships and bursaries disbursed by the Foundation have helped students cover the costs of postsecondary education while offsetting over one billion dollars in student debt. Currently, the Foundation provides over \$350 million to over 100,000 students annually in needs-based grants. When the Foundation completes its mandate in 2009, provinces and territories will not have the resources to replace the federal program and provide additional resources for coping with the loss of Foundation money. As low-income families are the prime benefactors of this grant process, the CSA firmly recommends that the federal government continue the Foundation's vital importance for students to give the Foundation a renewed mandate of an additional 10 years with bi-annual reviews, public audits and increased funding to extend CMSF eligibility for more students.

Administration

The Canada Student Loan Program (CSLP) must review and improve the criteria for needs assessment to properly recognize students' financial needs.

The amount of funding students are entitled to receive is determined by a set of rules in costs of studying and financial resources. Thus, to accurately assess a student's financial need and provide an appropriate amount of assistance, it is critical to adopt reasonable criteria to assess a students 'realistic' unmet need.

Needs assessment must accurately assess the financial needs of students in order to cover the real-total-cost of education for the student

The Student Assistance Program (SAP) is jointly administrated and funded by the Government of Canada and the participating province and territory. Over the past decade, both levels of governments have enhanced their student loan programs and

²⁶ Junor, S. , & Usher, A. (2006). Student Aid Time-Bomb: The Coming Crisis in Canada's Financial Aid System. Educational Policy Institute. P.18.

significantly increased the loan amount. However, the financial assistance system has still struggled to keep pace with rapidly rising educational costs.

Many researchers and key stakeholders in the postsecondary sector have addressed the fact that the needs assessment under-estimates the amount of money required by students to cover their real-total-cost of education. This results in students turning to private loans or working part-time jobs during their academic years to meet their financial needs. The stress of high debt, high interest from private loans, and working too many hours while trying to concentrate on their studies can be overwhelming for many students.

In Ontario, for example, the needs assessment formula does not recognize the significant price variation for the similar goods and services since it relies on a fixed figure to assess living costs across the province. Research examining students' cost of living in several cities in Ontario found that students' cost of living exceeded the assessment levels, which resulted in most students receiving less funding than required to meet their basic costs.²⁷ According to this research, for single students living in rental apartments, the assessment under-estimated costs by 40%. Single student parents with a child in unsubsidized daycare would face a gap of over \$10,000 between their assessed need and their actual costs. Although the provincial government has made some adjustments to the needs assessment, there is still a funding shortfall.

The CSA therefore calls for to review and improve the needs assessment criteria to reflect the real-total-cost of education for students.

Parental income and contribution should not be considered when assessing student needs.

We do understand that the purpose of student financial assistance is to supplement, not to replace the financial resources including students and their family's contribution. However, without the ability to ensure parents are making their contributions expected to their children's education, it is unfair and unreasonable to base a student's needs assessment on their parents' ability to pay for their children's education.

Statistics Canada research found that 29% of parents with 13- to 18-year old children expected their child to receive need-based grants, but only 15% of 18- to 24-year old students actually received funds from outside the family.²⁸

Accordingly, the CSA believes all applicants for financial assistance for postsecondary education must be assessed on an individual basis, and not taking into account parental contributions. However, the government can develop and implement more effective policies or programs to motivate students and their families to contribute to their postsecondary education.

²⁷ Student Cost of Living Study. (2003). Runzheimer Canada.
<http://www.abrightfuture.ca/docs/Cost%20of%20living%20-%20UofT.pdf>

²⁸ Lefebvre, S. (2004). Saving for post-secondary education. Perspectives on Labour and Income. 5(7). Statistics Canada. <http://www.statcan.ca/english/freepub/75-001-XIE/10704/art-1.htm>.

The governments and partners must ensure that information on the financial assistance program is easy to find and understand and that services are accessible and convenient for different individuals.

According to the 2007 Report of the Auditor General of Canada²⁹, communication to students and their families has improved in terms of financial assistance and measures available to help them manage their debt. For example, the CanLearn Web Site (www.canlearn.ca) helps students and their families make more informed postsecondary financing decisions.

However many students and their families still do not know about the financial assistance available to them. Communication strategies should be improved to make students and their families more aware of the opportunity to continue to their postsecondary education through enhanced financial aid. The governments and partners must ensure that information on the financial assistance program is easy to find and understand and that services are accessible and convenient for different individuals.

The Government of Canada, in collaboration with the provinces and territories, should continue the process of integrating student loan programs toward a pan-Canadian vision for postsecondary education.

Since the creation of the Canada Student Loan Program in 1964, the federal and provincial student financial aid programs had developed different sets of criteria over time, for example, student financial needs met by provincial programs, but not met by the federal government. This has created a two-tier system that is complex.³⁰ In order to simplify student financial assistance, the Government of Ontario and the Government of Saskatchewan agreed to integrate their student financial assistance programs with the CSLP in 2001. Subsequently in 2004, Newfoundland and Labrador signed a similar Integration Agreement with the CSLP to amalgamate provincial and federal student loan programs. In 2005, New Brunswick signed an Integration Agreement with the CSLP.

Integration of student loans programs benefits students greatly as the integration agreement leads to a more streamlined and simplified loan process for student borrowers. It provides students with the benefit of one application, one need assessment, one student loan, one loan agreement form, and a common repayment assistance measure. It also reduces complexity, minimizes administration, and provides better service and online information. On the contrary, the students holding a Canada Student Loan from a non-integrated province or territory are required to make separate loan payments from their provincial/territorial loan and their Canada Student Loan. This means the process is confusing for students and has complicated the loan repayment process. Therefore, the CSA urges the federal government to continue the process of integration agreements which will act as a step toward a pan-Canada vision for postsecondary education.

²⁹ Federal Loans and Grants for Post-Secondary Education. (May, 2007). Office of the Auditor General of Canada.

³⁰ CASA.

A harmonized Credit Screening agreement should be considered to improve and streamline the process of nation-wide student loan system.

As student financial assistance is jointly administrated by the federal and provincial governments, there is a separate credit screening process for a new applicant to ensure that funding is not issued to individuals with a history of serious credit abuse. For example, the Ontario Student Assistance Program (OSAP) is jointly administered and funded by the Government of Canada and the Government of Ontario. All new OSAP applicants are subject to a credit history check. For the Ontario credit history check, new applicants are ineligible for OSAP assistance if they have been delinquent for more than ninety days within the past three years on three or more credit accounts or loans with a combined value of \$1,000 or more. Compared to Ontario's more stringent policy, the federal credit history check allows a value of \$1,000 or more based on any of situations. The separate policy measures are not only complex, but also lead to some students being deemed ineligible for funding. Students with history of credit abuse should have recourse to a second chance. Ontario's policy should be more flexible in adopting the federal definition to lessen the confusion. The CSA believes that a harmonized agreement will improve and streamline the process of nation-wide student loan system. A more flexible policy should be developed to assist students whose previous loans have gone into default.

Delivery

The Government of Canada must work collaboratively with a range of public and private sector partners to better fulfill their responsibilities of delivering the CSLP.

Delivering loans and grants is the major activity of the CSLP. For most students, it is their first experience with a loan and therefore they require assistance in applying for the loan, understanding the process, and planning for repayment. Since the creation of the CSLP, the federal government continuously works with partners to improve the loan experience for students.

Between 1964 and 1994, the Canadian Student Loan Program was provided to students through banks and credit unions in the form of 100% government-guaranteed loans. In 1995, the Canada Student Financial Assistance Act (CSFAA) was enacted to allow for a risk-sharing arrangement between the federal government and participating financial institutions. Participating financial institutions were paid 5% of the value of the loans that went into repayment to compensate for defaults. Recovery of loans became the full responsibility of financial institutions. Since August 2000, the Government of Canada has directly financed federal student loans to borrowers. Thus the total portfolio for the CSLP includes all three methods of administering loans to students - the guaranteed, risk-shared and direct loans regimes.

As new loans are no longer being disbursed under the guaranteed and risk-shared loan regimes, the number of direct loans will continue to increase, while guaranteed and risk-shared loans will continue to decrease. As a result, the guaranteed and risk-shared loan regimes will be phased out within the next 15 years. It should be noticed that in moving to a direct loan delivery system in 2000, the system is available to advocate and intervene on behalf of students who experiencing difficulty with a service provider or a collection agency.

As numerous partners including participating provinces/ territories, service providers, HRSDC, Service Canada, and the Canada Revenue Agency get involved in delivering loans and grants to students, each organization should ensure compliance with federal requirements in processing loans and grants. Thus, an improved collaboration is imperative for the federal and provincial governments and the partners to make student financial assistance fully effective and to meet the ongoing financial support needs of students.

The Government of Canada, in conjunction with stakeholders, should implement electronic financial aid transactions rather than paper documents in order to deliver student aids in a more efficient and cost effective manner.

To get entitled loans and/or grants, students need to work with their postsecondary institutions to complete some documents, which is a complex process and generally taking 4 weeks for qualified students to receive their funding. To streamline the loan transaction process, the financial aid certification can directly be sent to students via e-mail. Students may complete all financial aid transactions documents on the Internet. As a result, the improved process will facilitate efficiency and provide a better experience for CSLP's borrowers. Therefore, the CSA calls for the federal government, in conjunction with stakeholders, to integrate initiatives and deliver student aid in a more efficient and cost effective manner.

In Conclusion

Participation in postsecondary education in Canada continues to increase. The main objective of student financial assistance is to assist qualified students to meet the costs of postsecondary education and improve access to higher education. In line with this objective, the Government of Canada, in collaboration with the provinces and territories, should continue to strengthen their efforts in postsecondary education and make longer term financial commitment to Canadian higher education in the 21st century. The commitment for reviewing and improving Canadian Students Loan Programs has started to lay the foundation which will re-build and enhance our postsecondary education and build a strong economy for Canadians.

Canadians value postsecondary education. The Government of Canada recognizes that its future prosperity depends on a highly educated workforce to be competitive in an increasingly global and knowledge-based economy. Postsecondary education is our greatest national asset and its contribution to the economic and social wellbeing of the nation is of vital importance. The CSA acknowledges the Government of Canada has taken important steps forward in restoring health to the postsecondary education. It is our hope that the Government of Canada will examine all the issues presented above. We strongly believe that a more effective financial aid will not only encourage and provide students with access to postsecondary education, but enable students to manage their financial burdens to increase participation, retention, and success.

About the College Student Alliance

The College Student Alliance (CSA) is an advocacy and services organization which has been proudly serving Ontario's college and college/university students since 1967. The CSA currently represents 16 colleges and 23 student councils with over 109,000 full-time student members throughout the province. Over the last two years, the CSA has expanded its advocacy efforts to the federal level to ensure that the voices of Ontario's college and college/university students are being heard.

Overview of Recommendations

Instruments

1. To modernize and simplify the Canada Student Loans Program (CSLP), the CSA recommends that the program must ensure all qualified students have access to government student loans.
2. The Government of Canada should make more grants available to low-income students throughout the duration of their studies and expand the Canada Access Grants for up to four years.
3. As part of a new modernized CSLP, the government must limit the growth of students' debt burden.
4. The loan repayment term and allotted amount for any loan program should be flexible and based on the financial realities of the graduate.
5. The Government of Canada should invest in more non-repayable grants targeted at under-represented students from low-income families, aboriginal communities, first generation and persons with disabilities.
6. Changes to the Canada Student Loan Program need to be made in order to better serve part-time students' needs for financial assistance.
7. To assist in alleviating the increasing burden of debt that students are assuming, changes to the Canada Student Loans Program in terms of the loan repayment policy, the interest relief, and debt reduction components should be considered.
 - *Reducing unfavorable interest rates for federal portion of the loan, and, at least, lowering the interest rate to prime*
 - *Extending the interest-free period on students' loans until repayment begins and allowing more borrowers to become eligible for interest relief*
8. The Government of Canada should review its tax credit policy and re-direct the funds towards up-front financial aid measures.
9. The Canada Millennium Scholarship Foundation must be given a renewed mandate beyond 2009 of an additional 10 years with bi-annual reviews, public audits and increased funding to allow for an expanded scholarship and bursary program.

Administration

10. The Canada Student Loan Program (CSLP) must review and improve the criteria for needs assessment to properly recognize students' financial needs.
 - *Needs assessment must accurately assess the financial needs of students in order to cover the real-total-cost of education for the student*
 - *Parental income and contribution should not be considered when assessing student needs.*
11. The governments and partners must ensure that information on the financial assistance program is easy to find and understand and that services are accessible and convenient for different individuals.
12. The Government of Canada, in collaboration with the provinces and territories, should continue the process of integrating student loan programs toward a pan-Canadian vision for postsecondary education.
13. A harmonized Credit Screening agreement should be considered to improve and streamline the process of nation-wide student loan system.

Delivery

14. The Government of Canada must work collaboratively with a range of public and private sector partners to better fulfill their responsibilities of delivering the CSLP.
15. The Government of Canada, in conjunction with stakeholders, should implement electronic financial aid transactions rather than paper documents in order to deliver student aids in an more efficient and cost effective manner.

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