

Canadian Association of Student Financial Aid Administrators

CASF AA Positions

CASF AA has identified three major issues associated with ensuring that Canadians, particularly those facing financial challenges, can take advantage of educational and lifelong learning opportunities.

The first is the gap between student need and the availability of government student assistance, which is commonly referred to as 'unmet need'. The second is the complex nature of the current student loan delivery infrastructure, and the resulting lack of student clarity regarding current and past loans. The third involves the challenges facing students in repayment, including inappropriately high interest rates. CASF AA believes that the following recommendations will improve the Canada Student Loan Program, and will ensure that all Canadians have the opportunity to contribute to our national prosperity through participation in and completion of post-secondary studies.

Canada Student Loan Program Weekly Assistance Maximums

According to the July 2004 Actuarial Report of the Canada Student Loan Program (CSLP), 51% of student loan recipients received the maximum available Canada Student Loan Assistance in 2003; it is estimated that by 2028, 77% of students will have financial need which is beyond the Program's maximum limits if funding ceilings are maintained at their current levels. This report also estimates that average tuition will rise from \$4,100 to \$13,200 during the same period. It is clear, then, that accessibility to post-secondary education will be compromised in the years ahead if measures are not taken on a regular basis to increase the levels of funding available to students, and to prevent further erosion of the CSLP.

Recommendation 1

It is recommended that the weekly assistance limit of the Canada Student Loans Program be increased according to an annual indexing formula, or that assistance limit maximums be reviewed, at minimum, every 3 years.

Increased Student In-Study Resource Exemptions

Part of the CSLP needs assessment calculation takes into account a student's income during a school year or term. Most students who have more than \$1700 (\$50.00 per week) in income face a reduction in the amount of student assistance available to them. Researchers in the area of retention and student success agree that 15 hours of part-time work per week is appropriate, and does not adversely affect academic performance. Students who work 15 hours per week and who are paid at minimum wage, earn approximately \$100.

Recommendation 2

It is recommended that the in-study work exemption be raised to \$100/week.

Institutional Need-Based Awards

Many educational institutions award need-based bursaries to assist students with off-setting resources expected and assumed to exist by the CSLP needs assessment process, but which a student may not have been able to obtain, such as contributions from parents, and student contributions from employment income during the "pre-study"

period. Institutional bursaries also can assist with program-related expenses that either are not covered or are unrecognized through the government program's needs assessment process, e.g. required specialized equipment. Institutional assistance thus, is, often vital to student retention and student success.

Recommendation 3

It is recommended that all institutionally administered, need-based awards be exempt from the CSLP need assessment calculation.

Student Financial Assistance Lifetime Maximums

CSLP regulations provide maximum limits to the amount of time during which students may receive financial assistance or, having previously received assistance, continue post-secondary studies on interest-free status. The limits exist to ensure that students complete their post-secondary programs at a reasonable rate. Such limits contradict the ideal of lifelong learning and may inhibit access to certain programs for students with family or other responsibilities.

Recommendation 4

It is recommended that the number of weeks of study during which students would be eligible to receive government financial assistance and to continue studies on interest-free status be increased to 638 weeks. This number represents the number of weeks required to complete each of a college-level program, an undergraduate degree, and professional and graduate degrees, including Ph.D. programs, plus one year.

Federal Work Study Program

Some provinces and many institutions have created Work Study programs to increase campus employment opportunities for students with financial need. Such programs are highly beneficial in that they provide students with an important source of income, and often through jobs that are related to future career interests in a convenient environment dedicated to student success.

Recommendation 5

It is recommended that the federal government establish the Canada Student Work Study program.

Unsubsidized Parental Loan Program

Parents are often unable, not unwilling, to provide the level of financial contribution that is calculated and assumed in the needs assessment analysis. Many have not accumulated the savings required to sustain support of their child throughout a program of post-secondary study. To assist parents in this situation, an alternate means of providing the expected parental contribution would be useful.

Recommendation 6

It is recommended that the federal government consider the establishment of an unsubsidized parental loan program for post-secondary study.

Student Assistance Data Clearinghouse

In the past 10 years, the Canada Student Loan Program together with the provincial student assistance programs have undergone major policy and regulatory changes, which have resulted in many students holding multiple types of loans with different

lenders. In addition to loans from the previous guaranteed and risk-shared programs held at one or more banking institutions, students also may have direct loans and harmonized loans at a National Student Loan Service Centre, and provincial loans with various direct lenders or banking institutions. This complex history of loans can be very confusing, and students and financial aid staff at post-secondary institutions have difficulty obtaining information regarding which lenders hold parts of a student's loan portfolio and how much is held by each lender. This problem becomes exacerbated when students transfer educational institutions. Students can easily go into technical default with one or more lenders because these lenders are not informed about their full-time student status, resulting in unnecessary interest charges and endangering future funding. Further, additional types of financial assistance which are now available have increased the complexity of the student assistance package.

Recommendation 7

It is recommended that a national student assistance data clearinghouse be established, and that this data clearinghouse include information with respect to all government assistance awarded to each student at both the federal and provincial levels, all lenders who hold any part of a student's loan portfolio, and amounts and status of each loan. It is further recommended that this data clearinghouse be accessible to both students and to financial aid staff at post-secondary institutions.

Canada Student Loan Interest Rates

Borrowers commencing repayment of their Canada Student Loans currently have the choice of two interest rates: prime + 2 ½% (variable) and prime + 5% (fixed). Student loans are not consumer loans, and student loan recipients do not have the collateral required of regular consumer borrowers. Student loans exemplify investment in 'human capital,' something which benefits not only the individual who borrows but also, significantly, the country as whole. Now that the Canada Student Loans Program involves direct loans from the Government of Canada to students, administrative costs should be lower than was the case during the first 35 years of the CSL program, when 'guaranteed' or 'risk-shared' loans were funded by and delivered through banks and other types of financial institutions. Such savings should be passed on to students in the form of favourable interest rates. The interest rates charged on many provincial student loans are significantly lower than CSLP rates. Ontario and Manitoba, for example, charge 1% above prime for the floating rate, and Quebec charges prime + ½%.

Recommendation 8

It is recommended that the Government of Canada reduce the interest rates charged to students repaying Canada Student Loans to prime + ½% (floating) and prime + 3% (fixed).

Institutional Designation and Default

The Council of Ministers of Education of Canada (CMEC) approved a pan-Canadian Designation Policy Framework in April, 2003, designed to "support provincial and territorial governments as well as the Government of Canada in working with educational institutions to improve the performance of the student loan portfolio and to improve accountability to students and taxpayers through stewardship of the portfolio".

The Framework identifies educational institutions as the key stakeholder of the student loan process, and attaches to institutions rates of loan default on the part of some former

students. The Framework also implies sanctions in the event that these “institutional” default rates exceed specified maximums.

Educational institutions in Canada are not in control of the funding which affects the fees they charge, student loan criteria, the methodology according to which student financial need is assessed, the amount a student may borrow, or the relative proportions of loans to grants. They also have no involvement in the actual negotiation of loans, terms of repayment, access to debt relief or debt repayment, or the ultimate decision to place a student loan in default.

Recommendation 9

It is recommended that public and not-for-profit educational institutions, through their student financial aid offices, be expected to comply with all their legislated requirements with respect to the administration of government student loans, but that they not be held responsible for the failure or inability of former students to repay their student loans.

Canada Millennium Scholarship Foundation

Since its creation by the Government of Canada in 1999, the Canada Millennium Scholarship Foundation has distributed over \$1.7 billion in bursaries and \$ 128 million in scholarships to Canadian students. If the Foundation had not been established, the debt levels of Canadian students would be considerably higher than they are at present. The Foundation’s mandate is scheduled to conclude in 2010, leaving an annual shortfall of over \$300 million in scholarship and bursary funding. Moreover, for Canadian students it also will mean an end to a research program that has contributed in a unique and significant manner to increasing our evidence-based knowledge about the funding of post-secondary education in Canada.

Recommendation 10

It is recommended that either the Canada Millennium Scholarship Foundation’s mandate be continued beyond 2010 or that another program be developed replace the non-repayable student assistance that is currently provided by the Foundation’s bursary program.

Recommendation 11

It is recommended that the Government of Canada ensure the continuation of focused public research in the area of student financial assistance and access to post-secondary education as it is currently carried out by the Foundation.

(Last revised, September 2006)