

**The House of Commons Standing Committee on Finance:  
Pre-Budget Consultations**

**Submitted By**

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**November 23, 2004**

The Canadian Association of Student Financial Aid Administrators (CASFAA) welcomes this opportunity to appear before the Standing Committee on Finance.

CASFAA is the national professional association that represents financial aid administrators at Canada's public and private not for profit universities, colleges and technical institutes. Our members oversee the administration of institutional scholarship, bursary, loan, work study programs. We also have direct experience dealing with both provincial and federal government departments delivering student aid programs, as well as with the service providers and lending institutions. It is this 'hands on' experience that members of our Association bring to the policy discussions on student financial assistance in Canada.

As Canada continues its move towards an increasingly knowledge based economy, its governments must be prepared to continue to invest in our post secondary education (PSE) system to ensure its quality and accessibility to all qualified citizens regardless of socio economic status. A highly skilled and knowledgeable workforce is the foundation of the high standard of living that Canadians have come to enjoy.

The Canada Student Loan Program (CSLP) was launched over 40 years ago and has allowed generations of Canadians to achieve their personal and educational goals. Many of us owe a great deal of gratitude for the foresight of earlier generations in assuring us access to a system of education of high quality and ultimately to a better life. While it is true that more individuals are receiving student financial assistance to attend PSE, it is also true that the relative value of the program has undergone a steady decline. In recent years, the CSLP has not kept up with the rising cost of education and the gap between assessed student need and the availability of government student assistance or 'unmet need' continues to grow. Almost half of student borrowers are now at the maximum annual borrowing limit; it is generally agreed that the average 'unmet need' for undergraduate students is in the range of \$3,500. The negative impact of under funding students should not be underestimated. Today, more students are working while studying, reducing their course loads and extending their study periods. Many do not achieve their academic potential, and in the worst case scenario are forced to abandon their studies and educational goals. The impact of financial hardship cannot be fully measured and for those of us who work in financial aid offices across the country, it is a daily reality.

### ***CSLP Weekly Loan Limits***

CASFAA appreciates the Federal Budget announcement to increase the weekly loan maximum from \$165 to \$210; this is the first increase of CSLP limits since 1994. The measure will result in an additional \$1,530 for eligible student borrowers and will assist in making PSE more affordable. It will not, however, cover the average unmet need gap of \$3,500. As well, if ongoing living and tuition costs continue to rise, the benefits of this measure will soon be negated.

**CASFAA recommends that CSLP develops a process to review and adjust the weekly assistance limits on an ongoing basis, at a minimum of every five years.**

CASFAA also wishes to congratulate the federal government on its announcement of the new grant for low income students. This form of non repayable assistance will be a welcomed incentive to many low income Canadian families for whom the prospect of financing PSE is daunting. Although this new grant will cover 50% of a dependent student's tuition fees to a maximum \$3,000 for the first year of study, it will not provide for the on going funding that is essential to support retention and successful timely completion.

**CASFAA recommends that CSLP implements the low income grant in all years of the student's post secondary program, to a maximum of four years. We also recommend that the low income grant not simply replace existing loans, but be in addition to the maximum weekly loan limit and therefore reduce 'unmet need'.**

### ***Education Tax Measures***

Since 1998 the federal government has spent increasingly on student assistance through fiscal measures introduced to the tax system. Such measures are universal benefits and are not targeted to assist those in need. In fact, most Canadians are unaware that federal and provincial governments collectively spend almost 40% of all their student financial aid expenditures in the form of education related tax credits, and that these tax credits are distributed almost entirely without reference to need. Several studies suggest that families from higher income ranges benefit disproportionately from the various fiscal measures including scholarship and bursary exemptions, credits for tuition fees and an allowance for each month of full time enrolment, as well as contributions to Registered Education Saving Plans. (RESP's) CASFAA believes that although these measures are positive for the population as a whole, they do little to assist high need students and underrepresented groups (e.g., students from low income families, students with disabilities, Aboriginal students, adult learners etc...) to enter our PSE system. We believe that means tested student financial assistance that is accessible through a simplified application process, that delivers funds at the time that expenses are to be incurred represents the most effective use of taxpayer dollars.

**CASFAA recommends that the federal government review its education related tax credits and give serious consideration to redirecting a portion of the funding towards means tested programs that support high need and underrepresented groups.**

### ***Canada Student Loan Interest Rates***

Canadians commencing their repayment of Canada Student Loans, currently have the choice of two interest rates: prime + 2 ½% (variable) and prime + 5% (fixed). We believe that students who are required to take out loans to complete their education should be

treated as 'preferential' customers - their loans are not for consumer purposes, but rather for 'human capital' that reflects both an individual investment and one that is a necessary key to Canada's future economic development. The interest rates charged on many provincial student loans are significantly lower than the CSL rates. Ontario and Manitoba, for example, charge 1% above prime for the floating rate, and Quebec charges prime + ½%.

**CASFAA recommends that the federal government reduce the interest rates charged to students repaying Canada Student Loans to prime + ½% (floating) and prime + 3% (fixed).**

### ***Modernization***

The 21<sup>st</sup> century provides limitless opportunities to utilize new information technology in all aspects of the student assistance system. Already, most jurisdictions use on line / web applications and provide students with comprehensive information on student aid through a variety of websites. There remains, however, much to be done in order to develop the infrastructure to improve interfaces between governments, service providers and educational institutions, each of whom plays a unique and distinctive role in the delivery of student assistance.

**The federal government should invest in the development of a comprehensive information system that would support all facets of the administration of student assistance in Canada. The data base should include information regarding lenders, amounts and status of all government student assistance awarded to each student at both the federal and the provincial levels and be accessible both to students and to financial aid staff at post-secondary institutions.**

### ***Future Considerations***

Since its creation by the federal government in 1999, the Canada Millennium Scholarship Foundation has distributed over \$ 1 billion in bursaries and \$ 21 million in scholarships to Canadian students. In spite of the issues surrounding the role of the Foundation in student financial assistance, the fact remains that students would be facing considerably higher debt levels than if the government had not opted to establish the Foundation. The Foundation's mandate is scheduled to conclude in 2010, leaving an annual shortfall of over \$250 million in scholarship and bursary funding. Moreover, for Canadian students it will mean the end to the ambitious research agenda that has contributed in a unique and significant manner to increasing our evidence based knowledge about the funding of PSE in Canada.

**We, therefore, urge the federal government to plan for either the continuation of the Foundation's mandate beyond 2010 or alternatively develop another program to replace the non repayable student assistance that is currently provided by the Foundation's bursary program.**

## ***Conclusion***

On behalf of the Canada Association of Student Financial Aid Administrators, I would like to thank the members of the Standing Committee for this opportunity to highlight some of our priorities for the upcoming Budget process.

## ***Summary of Recommendations***

1. That CSLP develops a process to review and adjust the weekly assistance limits on an ongoing basis, not greater than five years.
2. That CSLP implements the low income grant in all years of the student's post secondary credential, to a maximum of four years. That the low income grant not simply replace existing loans, but be in addition to the maximum weekly loan limit.
3. That the federal government reviews its education related tax credits and give serious consideration to redirecting a portion of the funding towards means tested programs that support targeted high need and underrepresented groups.
4. That the federal government reduce the interest rates charged to students repaying Canada Student Loans to prime + ½% (floating) and prime + 3% (fixed).
5. That the federal government invests in the development of a comprehensive information system that would support all facets of the administration of student assistance in Canada.
6. That the federal government plans for either the continuation of the Canadian Millennium Scholarship Foundation's mandate beyond 2010 or alternatively develops another program to replace the non repayable student assistance to high need students currently provided by the Foundation's bursary program.