

**Written Submission  
for the Pre-Budget Consultations  
in Advance of the 2019 Budget**

Submitted by:



**canadian association of student financial aid administrators  
association canadienne des responsables de l'aide financière aux étudiants**

## Summary of Recommendations

- **Recommendation 1:** That the government reinstate the **Canada Student Loans interest subsidy** to cover a borrower's interest for the 6 months following the completion of studies. This provision will give students adequate time to establish stability in earnings before beginning the regime of student loan repayment.
- **Recommendation 2:** That the government require **mandatory entrance and exit counseling** and related financial literacy instruction for all post-secondary education students who acquire loans through the Canada Student Loans Program. This will reduce borrower regrets which impede financial stability for both individuals and the economy.
- **Recommendation 3:** That the government develop a **Canada Student Grant Program for Indigenous students**, with unique expenses such as relocation and community visits included in the cost of attendance used in need assessment. This Grant will help to provide additional non-repayable financial support to address access, retention and successful completion of Indigenous students in post-secondary studies and reduce the educational gaps between Indigenous and non-Indigenous Canadians. As a growing segment of the country's labour force, educational attainment of Indigenous youth is critical for Canada's economic prosperity.

## Introduction

The Canadian Association of Student Financial Aid Administrators (CASFAA) thanks the House Standing Committee on Finance for this opportunity to contribute to the pre-budget consultation process. CASFAA is the national professional association representing financial aid administrators at Canada's post-secondary institutions.

Our members administer a large spectrum of student financial aid programs at all levels. This includes government sponsored student aid programs such as the Canada Student Loans Program (CSLP), various provincial student assistance programs, as well as institutional scholarship, bursary, and work study programs. Students, governments, student loan service agencies, and our respective institutions count on our members' expertise to deliver these complex programs efficiently, effectively and ensuring the academic success of our students. We also provide budgeting and financial counseling assistance to students to strengthen financial literacy skills. A primary objective of the Association is to advocate on behalf of Canadian students who require financial support to access and successfully complete post-secondary education (PSE).

The Federal Government has developed many successful programs to improve conditions for students in Canada. The recent changes to the Canada Student Grant Program and the Federal Repayment Assistance Plan have set aside more than a billion dollars in funding to improve the accessibility of post-secondary education. CASFAA applauds these achievements and urges the government to build upon this momentum.

Because of our roles within our educational institutions, we are uniquely positioned to directly witness not only the success of the CSLP, but also the gaps that seriously compromise the academic potential and post-graduation employability of a great number of students. **Manageable debt levels, time to secure post-graduation work and financial literacy will strengthen the opportunity and ability for under-represented students and those from lower income backgrounds to be future contributors to the Canadian economy.**

CASFAA is grateful for the opportunity to share our insights with the Standing Committee on Finance. Investing in post-secondary education and removing the barriers to youth employment will strengthen our nation's economy and ensure that all citizens can equitably contribute and benefit.

Respectfully Submitted,



Stephanie Williams  
CASFAA President



Cara Piperni  
CASFAA Past-President

## Reinstatement of Interest Subsidy Period following Graduation

The provision of an “interest subsidy” for six months following graduation, during which time the federal government covers interest, was terminated within the Canada Student Loans Program in 1993/94. It was replaced by legislation and regulations which introduced a “non-repayment period” whereby students have six months of non-repayment after they complete their studies before they must make their first loan repayment. However, during this period, interest continues to accrue and is added to a borrower’s loan payment.

In the two decades since this change, the context has also changed with respect to debt levels and a challenging job market. According to Statistics Canada<sup>1</sup>, the average duration of unemployment for job seekers in 2017 was 19.6 weeks. Students should be given adequate time to establish stability in earnings during career infancy before beginning the regime of student loan repayment.

For graduates of post-secondary education to contribute their skills and flourish in their respective economic sectors, they must not be pressured into “quick-fix” lower paying jobs simply to address the accumulating interest attached to their debt. Taking the time to situate themselves, possibly relocate, will allow graduates to give back to their communities faster. Student debt doesn’t just impact individuals, but resonates in families and their ability to fully participate in the wider economy. Starting a business or a family, becoming a homeowner, consumer capacity, taking jobs for non-monetary benefits such as gaining valuable experience are all decisions impacted by accumulating interest attached to their student debt.

### **Recommendation 1:**

That the government reinstate the Canada Student Loans Program interest subsidy to cover a borrower interest for the 6 months following completion of studies.

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<sup>1</sup> Statistics Canada. Table 14-10-0057-01 Duration of unemployment, annual

## Enhancing financial literacy of Canada Student Loan Borrowers

Complexity of the student loan ecosystem in Canada, given the varying federal and provincial components, puts borrowers at risk. All too often, we encounter students with significant regrets relating to their loans. They misunderstand the impact of becoming ineligible for loans mid-degree which could lead to “technical” default or obliged repayment. They consolidate their government loans with other forms of consumer debt, and lose all the protections and benefits linked to student loans such as continuation of interest-free status while in full-time study and access to repayment assistance programs (RAP).

Lack of information to make sound financial decisions impacts student retention and credit rating. It also impedes a graduate’s ability to reach their full potential as a consumer and contributing member of the Canadian economy. Financial literacy efforts directed at PSE-aged youth by the Financial Consumer Agency of Canada, as well as local efforts at educational institutions, will never have sufficient impact without being a mandatory measure within the student loan life cycle. With formal yet consumable guidance, students can be more secure in the knowledge that student loans need not be an investment that they come to regret. Borrower regret impedes financial stability for both individuals and the economy.

With the system transformation currently underway by the National Student Loan Service Center (NSLSC), we urge the implementation of online Entrance and Exit Counseling to be seamlessly embedded within the loan disbursement and repayment interactions, such that:

All first-time borrowers of Canada Student Loans, and borrowers with new loans after a prolonged period of non-borrowing, must complete **loan entrance counseling** before their disbursement. This ensures students have a good understanding of borrower responsibilities, as well as the loan terms and conditions.

All borrowers of Canada Student Loans must complete **loan exit counseling** during their final semester or if they withdraw from school. This ensures a solid understanding of prepayment and repayment options, grace periods, repayment assistance programs, etc. An explanation around contacting loan servicers and the consequences of default are also imperative.

Many of our member institutions also administer Federal Student Aid for our American students. With mandatory loan entrance/exit counseling for the U.S. Direct Loan Program in place for over a decade, we are witness to the positive impact on levels of borrowing, default rates and withdrawal rates.

### **Recommendation 2:**

That the government require mandatory online entrance and exit counseling and related financial literacy instruction for all post-secondary education students who acquire loans through the Canada Student Loans Program.

## Indigenous Student Financial Assistance

CASFAA recognizes that First Nations and Inuit students are supported through Aboriginal Affairs and Northern Development Canada's Post-secondary Student Support Program (PSSSP). However, there is ample literature and the evidence of waitlists which indicate that PSSSP does not provide eligible students with equitable access to PSE funding. The Assembly of First Nations have determined the Program outcomes do not "adequately support access, retention and successful completion."<sup>2</sup> At their recently held annual meeting, it was concluded that funding rates need to provide enough resources to fund all categories of expenditures: tuition, living allowance, books and travel.

The Canada Student Loans Program (CSLP) is an option to supplement PSSSP funding but has too few measures which specifically encourage Indigenous learners. We acknowledge the recent improvements to CSLP with the introduction of the Fixed Student Contribution exempting Indigenous learners and their band funding as a good first step. Yet concerns related to successful completion of PSE and, later, employment are seen as deterrents to taking out a student loan (EKOS Research Associates Inc. 2005a<sup>3</sup>). Barriers such as past credit history, unfamiliarity with or distrust of student loan systems also affect the ability to obtain student loans.

Providing educational support via non-repayable Canada Student Grants would appropriately supplement PSSSP band funding based on financial need, and enable Indigenous learners to succeed with their chosen PSE program. These grants should consider the unique costs facing Indigenous learners, such as the remoteness of their community and its distance from location of studies, as well as the need to travel home frequently linked to dependent care. Higher attainment rates and sustainable employment is more easily achieved with multiple and additive funding options that are responsive to the distinct characteristics of Indigenous learners.

Supporting the Truth and Reconciliation Commission of Canada: Calls to Action (specifically numbers 7, 10i and 10ii), there needs to be a commitment to raising the educational attainment rates of First Nations, Inuit, and Métis people to national averages. For Canada, the Indigenous population represents a growing segment of the country's labour force and a key part of its future social development and economic prosperity.<sup>4</sup>

### **Recommendation 3:**

That the government develop a Canada Student Grant Program tailored for Indigenous students, with unique expenses such as relocation and community visits included in the cost of attendance for need assessment. This Grant will help to provide additional non-repayable financial support to address access, retention and successful completion of Indigenous students in post-secondary studies and reduce the educational gaps between Indigenous and non-Indigenous Canadians.

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<sup>2</sup> First Nations Post-Secondary Education Review 2018 Interim Report published July 2, 2018.

<sup>3</sup> "A Literature Review of Factors that support Successful Transitions by Aboriginal People from K-12 to Postsecondary Education" by Statistics Canada and the Council of Ministers of Education Canada <https://www.cmec.ca/Publications/Lists/Publications/Attachments/255/transitions-aboriginal-2010.pdf>, p. 46.

<sup>4</sup> *ibid.*, p. 9.