

CASFAA Positions for 2007 - 2008

CASFAA has identified three major issues that relate directly to ensuring Canadians, particularly those facing financial challenges, can take advantage of educational and lifelong learning opportunities.

The first is the widening 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 information regarding current and past loans. The third issue involves the challenges facing students in repayment, including inappropriately high interest rates and the restriction on including student loans in bankruptcy proceedings even when other relief measures have been exhausted.

CASFAA believes that the following recommendations will improve the Canada Student Loan Program, and ensure that all Canadians have the option of contributing to national prosperity by completing a post-secondary education.

Comprehensive Weekly Assistance Maximums

According to the July 2001 Actuarial Report of the Canada Student Loan Program, 43% of student loan recipients received maximum CSL's in 2001; it is estimated that in 2025, 77% of students will have need beyond the maximum limits if the same funding ceilings are maintained. This report also estimates that average tuition will rise from \$4,100 to \$13,200 during the same period. It is thus clear that accessibility to post-secondary education will be compromised in the years ahead if measures are not taken to increase funding to students and to prevent further erosion of the CSLP.

Recommendation 1A

It is recommended that the weekly assistance limit of the Canada Student Loan Program be increased according to annual indexing or at minimum that assistance limit maximums be reviewed on a 3 year basis.

Recommendation 1B

That the weekly lifetime limits be increased to allow for the completion of graduate and doctoral programs.

Increased Student In-Study Resource Exemptions

Part of the CSL need assessment calculation takes into account the student's income during their 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. Many experts agree that 15 hours of part time work per week is appropriate and should not adversely affect academic performance. Students working 15 hours per week, paid at minimum wage, would earn approximately \$100.

Recommendation 2

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

Institutional Need-Based Awards

Many institutions award need-based bursaries to assist students with expenses that are not covered in government programs. Such aid can offset expected parental contributions which students are frequently unable to fully obtain. Institutional assistance is often vital to the academic success of students.

Recommendation 3

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

Income Tax Change

In the 2000 Federal Budget, the Income Tax Act was changed to increase the annual exemption for scholarships, bursaries and fellowships from \$500 to \$3,000. This was a very welcome change, one that was long overdue. As an alternative to ad hoc changes in this exemption level, it would appear far more effective to establish an indexing formula that results in automatic increases based on some objective external standard.

Recommendation 4

It is recommended that an indexing formula be established such that future increases in the annual exemption level for scholarships, bursaries and fellowships are tied to the average tuition increases in public universities and colleges in Canada.

Federal Work Study Program

Some provinces and many institutions have created Work Study programs to increase on-campus employment opportunities for students with need. Such programs are highly beneficial in that they provide students with an important source of income, often through jobs that are related to future career interests and 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 in the need assessment analysis. Many have not accumulated the savings required to sustain support of their child throughout the program of study. To assist parents in this situation, an alternate means to provide 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 Loan Database

In the past 10 years, Canada Student Loan Program and provincial loan programs have undergone major policy shifts, resulting 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 may also 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 is often very confusing, and students and financial aid staff at post-secondary institutions have difficulty accessing information about total debt load with each lender, especially when students transfer between educational institutions. Students often go into technical default with one or more lenders when these lenders have not been informed about their full-time student status, resulting in unnecessary interest charges and endangering future funding.

Recommendation 7

It is recommended that a national student loan database be established, and that this database include information regarding lenders, amounts, and status of all government student assistance awarded to each student at both the federal and the provincial levels. It is further recommended that this database be accessible both to students and to financial aid staff at post-secondary institutions.

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). 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. Now that the Canada Student Loan Program involves direct loans from the federal government to students, there should be lower administrative costs than was the case during the first thirty-five years of the previous 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. 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%.

Recommendation 8

It is recommended that the federal government 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.

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 an 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.

Recommendation 10

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.

Bankruptcy and Insolvency Act (Student Loans)

Extensive work has been completed by the Personal Insolvency Taskforce in 2002 and the Senate Standing Committee on Banking Trade and Commerce (report released in 2003). During this time period, CASFAA was approached for support of Bill C-55 reducing the discharge from 10 (ten) to 7 (seven) years and a hardship provision which made it possible to discharge after a five year period. As an association, we support the revision proposed by the tabled Bill C-55 (and the pending Bill C-62). We

wholeheartedly agree that more compassion has to be built into the Bankruptcy and Insolvency Act (student loans) in order to assist students facing extreme hardship.

Recommendation 11

CASFAA recommends that the federal government reduce the Bankruptcy discharge from 10 (ten) to 7 (seven) year with a hardship provision making it possible to appeal for discharge after a 5 (five) year period.

Reinstatement of Interest-free Standing 6 (six) months after graduation on the federal loan program

An issue bearing further investigation is the reinstatement of interest-free standing 6 (six) months after graduation on the federal loan program. The reinstatement of federal interest-free (as opposed to grace period) would provide students with the opportunity to establish their career and personal life before they begin the regime of student loan repayment.

Recommendation 12

CASFAA recommends that the federal government reinstate Interest-free Standing 6 (six) months after graduation on the federal loan program.

Education Tax Measures

Government has increasingly contributed to student assistance through fiscal measures introduced to the tax system, such as 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 Savings Plans (RESPs). These tax credits are distributed almost entirely without regard to financial need, disproportionately benefiting families with higher incomes. 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) to enter our post-secondary education system. CASFAA believes that means-tested student financial assistance that is accessible through a simplified application process and that delivers funds at the time that expenses are to be incurred represents the most effective use of taxpayer dollars.

Recommendation 13

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 under-represented groups.

Non-Repayable Assistance

The recently-implemented grant for low-income families is a building block for the academic success of many students who might otherwise not have undertaken post-secondary studies. This grant currently covers up to 50% of tuition for **first year** students only. CASFAA feels that providing non-repayable funding for low income upper-year students is crucial, and will do much to support their retention and to

encourage timely completion of their programs. Many research studies have emphasized that grants targeted to low-income students are more effective in promoting access and academic success than are loans.

Recommendation 14:

CASFAA recommends that the Canada Access Grant for Low Income Families be extended to students in subsequent years of their programs, up to a maximum of four years.

Part-time Student Loans

Financial assistance programs for part-time students have not been updated in any substantial manner since its inception over 25 years ago. Of particular concern are the \$1200 grant limit and \$4000 loan limit; and that the part-time loan program is not integrated well with the full-time student loan program. Because the requirements for repayment differ from the full-time loan program, many students inadvertently jeopardize their eligibility for future full-time assistance by defaulting on their part-time loan. The complexity of these programs, their lack of integration with the full-time loan program in addition to grant and loan limits which have not kept pace with the cost of tuition nor living expenses in regions with a high cost of living, the programs themselves are a barrier to some students who choose simply not to attend as a result.

Recommendation 15:

CASFAA recommends that the Part-Time Canada Student Loan Program resources be reviewed in reference to current costs of attendance at post-secondary institutions with a possibility of integrating part-time student loan repayment policy and interest subsidization to achieve consistency with the full-time student loan program.

Married Student Assessment

Expected spousal contributions for married students are more restrictive than expected parental contributions for dependent students.

Recommendation 16:

CASFAA recommends that the expected spousal contribution formula mirror that of expected parental contributions for dependent students.