

## **CASFAA Positions for 2009/10**

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 2007 Actuarial Report of the Canada Student Loan Program, 43% of student loan recipients received maximum CSL's in 2001; it is estimated that in 2031, 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 \$19,000 during the same period. It is 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 520 weeks to allow for the completion of graduate and doctoral programs. The proposed increase in lifetime limits should not cause undue financial hardship for students.**

### **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 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 from \$50 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. Institutions are often better able to recognize the student's unique and individual circumstances and that 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.**

### **Merit Based Awards**

Merit based awards are used as a resource in the CSLP needs assessment. This may significantly reduce the amount of assistance students are entitled to receive. Similar to need-based awards, these financial resources are often used to offset exceptional costs or expected contributions.

#### **Recommendation 4**

**CASFAA recommends that consideration be given to raising the merit based exemption in parallel with other provinces such as the \$3,500 in Ontario and/or \$5000 in Quebec and BC, and Alberta where there is no limit.**

### **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 financial need assessment. 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, the 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**

**We commend the great work being completed in this area by Human Resources Skills Development Canada (HRSDC). We trust that this work will continue to be a priority. This database should continue to 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, Quebec charges prime + ½%, Alberta charges either a floating prime rate or fixed at prime +2% and Newfoundland and Labrador provincial loans are interest-free.

#### **Recommendation 8**

**It is recommended that the federal government reduce the interest rates charged to students repaying Canada Student Loans to a maximum of prime.**

#### **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. Despite any controversy 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. With the scheduled completion of the Foundation's mandate in December, 2009, it will mean the end to both an important national scholarship program and 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**

**While we are extremely pleased to see the creation of the new Canada Student Grant Program in the absence of the Foundation's bursary programs, we recommend that serious consideration be given to the continuation of the Excellence Scholarship Program and the national research performed by the Canada Millennium Scholarship Foundation.**

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

An issue bearing further investigation is the reinstatement of interest-free status 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 11**

**CASFAA recommends that the federal government reinstate Interest-free status 6 (six) months after the completion of studies 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 12**

**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 low income and underrepresented groups. We further recommend that the federal government provide assistance to parents and students which ensures that RESP contributions are not unfairly targeted by industry practices.**

#### **Part-time Student Loans**

We applaud the increase in part-time student loan assistance from \$4,000 to \$10,000 in 2009/10. The grant portion is expected to remain stable at \$1,200. CASFAA is concerned about two issues: the lack of increase to the grant portion and; the fact that part-time loans are 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 is an area for review and consideration for program harmonization.

#### **Recommendation 13:**

**CASFAA recommends that the Part-Time Canada Student Loan Program resources be reviewed in reference to current costs of attendance at postsecondary 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. Additionally, we recommend an increase to the grant portion of this program in direct relation to the increase of loan assistance. Hence as the loan portion has increased by 40%, we recommend an equal increase in grant assistance.**

#### **Married Student Assessment**

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

#### **Recommendation 14:**

**We recognize the positive changes implemented for the 2009/10 program year, but continue to recommend parallel policy with parental contribution.**

#### **Student Dependents**

For the 2009/10 program year, additional costs for dependent children was limited to children aged 12 and under only. Previously, the needs assessment formula calculated funding for dependent children up-to the age of 18.

#### **Recommendation 15:**

**Recognizing that the costs associated with caring for dependent children do not cease to exist at the age where they are legally able to look after themselves in the home, we recommend that this policy change be reversed.**