

**TASK FORCE ON FINANCIAL LITERACY:
PUBLIC CONSULTATIONS 2010**

**Submitted by:
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Executive Summary

The Canadian Association of Student Financial Aid Administrators (CASFAA) thanks the Task Force on Financial Literacy for this opportunity to contribute to the public consultation process. CASFAA is the national professional association representing financial aid administrators at Canada's colleges and universities.

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 Loan Program, various provincial student assistance programs, institutional scholarships and bursaries, 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 ensuring the academic success of our students. We also provide budgeting and financial counseling assistance to students. A primary objective of the Association is to advocate on behalf of Canadian students. Because of our roles within our educational institutions, we are uniquely positioned to directly witness not only the success of the Canada Student Loan Program (CSLP), but also the gaps that seriously compromise the academic potential of a great number of students.

In this particular consultation process, CASFAA's presentation will centre on topic #4, borrowing and debt.

BORROWING AND DEBT

Government student loan debt and borrowing is a necessity for a large part of post-secondary participants. However, access to Financial Aid Officers (FAO) and planning consultants rarely occurs before grade 12, or in the case of mature students, until they enter their institution of choice.

Most FAO's will tell you that this process is way too late and detrimental in some cases to the most disadvantaged of society. FAO's are crucial to the development and enhancement of financial literacy at all levels and years of post-secondary education (undergraduate, graduate) for Canadian/Domestic and International students including first year, first-entry, mature, single parent, aboriginal, etc. We see the gaps in financial literacy that hinder academic and career pursuits.

Recommendation#1

Develop a national strategy which includes key points of intervention at elementary, junior high, high school and post-secondary. Build on the success established by such programs as Planning 10 program in BC high schools and the Futures to Discover Program. Begin Financial Literacy early!

Planning 10 is a course required by the BC Ministry of Education for all Grade 10 students. The course starts to prepare students for life after high school. It covers education and career plans, health, personal finances and the graduation program.

WEBSITE: <http://www.bcsc.bc.ca/Planning10/>

Future To Discover (FTD) is a joint project of the Governments of New Brunswick and Manitoba and the Canada Millennium Scholarship Foundation. FTD has two components: **Explore Your Horizons** helps students to understand the range of occupational and post-secondary choices and make meaningful decisions about their futures.

Learning Accounts supports project participants who face financial obstacles to post-secondary education by providing an incentive of \$8,000, deposited to a trust account that can be accessed upon successful completion of high school and enrolment in an accredited post-secondary institution. This second component is being delivered only in New Brunswick and is available to students from families with incomes below the provincial median.

FULL REPORT: <http://www.millenniumscholarships.ca/en/research/ppFTD.asp>

Recommendation#2

Government has spent increasingly on 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#3

There is growing empirical evidence from Canada (Canada Millennium Scholarship Foundation, Educational Policy Institute and private researchers) that qualified students will abandon post-secondary education if their student loan debt-load is too high. Canadian based research also states that it is not just the amount of debt incurred, but, it is also the affordability of education. If the gap between resources and costs of education are too vast, students will discard their educational pursuits.

Financial aid: It appears that receiving need-based student assistance in the form of loans or grants can improve persistence. At the same time, students whose financial aid package is not adequate to cover the actual cost of studying or who accumulate high levels of debt are less likely to complete their studies (Grayson & Grayson, 2003, p. 34.; Hossler et al., 2008; McElroy, 2004, 2005a, 2005b, 2008a). This suggests that within a financial aid package, the non-repayable grant component, which can limit the accumulation of debt by substituting for loans or alternatively provide extra funds not provided through loans, is the key component in encouraging persistence. As Hossler et al. put it, “loans are not as effective as grants in enhancing persistence” (2008, p. 102). This conclusion is consistent with those reached by Lori McElroy in the context of her studies of the impact of the introduction of millennium bursaries in Canada in 2000 (for a summary of McElroy’s studies, see Canada Millennium Scholarship Foundation, 2006). It is interesting to note, however, that according to Hossler and his colleagues, the real effect of financial aid (especially grants) on persistence is an “indirect” one, in that it allows students to work less, worry less and focus more on the various components of student life. They explain: “the most beneficial effect of financial aid may be that it increases students’ freedom to become more engaged in the academic and social environments of the institutions they attend. This may in turn lead to increased student persistence”(Hossler et al., 2008, p. 111; see also p. 103).¹

CONCLUSION

CASFAA is grateful for the opportunity to share our insights with the Task Force on Financial Literacy. Investing in post-secondary education through measures such as those we have recommended will strengthen our country, and will help ensure that all citizens, as individuals, and Canada, as a nation, can compete effectively in the global economy.

Respectfully Submitted,

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¹ Joseph Berger, Anne Motte and Andrew Parkin “The Price of Knowledge Access and Student Finance in Canada Fourth Edition, October 2009, page 74.