

Summary of CASFAA Positions

CASFAA represents financial aid administrators at universities, colleges and technical institutions across Canada. Our members oversee the administration of both need-based and merit-based financial aid programs at public and private post-secondary institutions. We have direct experience dealing with students, with both provincial and federal government departments delivering student aid programs, with financial institutions that have been involved for many years with the 'guaranteed' and 'risk shared' loan programs, and more recently with the National Student Loan Service Centres.

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.

Canada Student Loan Program Weekly Assistance Maximums

The weekly assistance limit of \$165/week has not been increased since 1994, while the cost of post-secondary education has risen significantly. According to an Actuarial Report of the Canada Student Loan Program (July 2001) 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. As well, the report 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 1

It is recommended that the weekly assistance limit of the Canada Student Loan Program be increased, and reviewed every 5 years thereafter.

Increased Student In-Study Income 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 \$600 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, e.g. computers and other study-related costs. 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 Loans 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 debtload 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).

Bankruptcy Policy

In 1998, Bill C-36 amended the Bankruptcy and Insolvency Act to disallow Canada Student Loans (and provincial student loans) from being discharged in a bankruptcy for a period of 10 years after a borrower ceases to be a student. The Canada Student Loan Program provides assistance to borrowers in repayment experiencing financial hardship through a number of measures, including Interest Relief, Extended Interest Relief and Debt Reduction in Repayment. Such measures are available for a maximum period of 7 years following the end of studies. CASFAA believes that students who have availed themselves of such measures should be permitted to discharge government student loans through bankruptcy at the end of this period. Since no other measures are in place to assist those who continue to be unable to meet their obligations, it would seem appropriate that the bankruptcy option should become available when other measures expire.

Recommendation 9

It is recommended that the Bankruptcy and Insolvency Act be amended to permit federal/provincial student loans to be discharged in bankruptcies and proposals after a period of 7 years following the cessation of studies.