



Human Resources and
Skills Development Canada

Ressources humaines et
Développement des compétences Canada

Now and Tomorrow
Excellence in Everything We Do

Annual Report

2008–2009

Canada Student Loans Program



Canada 

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Message from the Minister



As Minister of Human Resources and Skills Development Canada, I am pleased to present the Canada Student Loans Program Annual Report for 2008-2009.

For over forty years the Canada Student Loans Program (CSLP) has been helping Canadians gain access to post-secondary education.

In 2008-2009, the CSLP provided post-secondary students with more than \$2 billion in loans and more than \$147 million in grants; money they don't have to pay back.

In order for Canada to have a strong and prosperous economy, we need to give our students the opportunity to participate and succeed in it. As such, our Government introduced changes in 2009 to make student loans and grants more affordable and accessible.

In the 2009-2010 academic year 290,000 students received over \$500 million in grants under the new Canada Student Grants Program. These grants have benefited 145,000 more students compared to the previous program and are available to full- and part-time students, low- and middle-income students, students with dependents and students with permanent disabilities.

We have also made repaying student loans more flexible to help those having difficulty repaying their loans. Students can now pay back what they can reasonably afford.

I am extremely proud of the CSLP's progress and its support for Canadians in achieving a successful future.

A handwritten signature in black ink, reading "Diane Finley", written over a horizontal line.

The Hon. Diane Finley, P.C., M.P.
Minister of Human Resources and Skills Development

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Vision

The vision of the Canada Student Loans Program (CSLP) is that all Canadians have the opportunity to develop the knowledge and skills they need to participate fully in the economy and in society.

Mission

The CSLP seeks to promote access to post-secondary education for students with demonstrated financial need by:

- **providing loans and grants** to eligible individuals and repayment assistance measures to borrowers having difficulty repaying their loans;
- **enhancing and improving** the delivery of services, resulting in high client satisfaction;
- **providing information** to help students and their families make informed choices; and
- **developing and implementing policies** that balance requirements for accountability, integrity and responsiveness to the changing needs of students and society.



Program Highlights

The Government of Canada helps ensure that Canadians have access to post-secondary education by providing government-funded loans and grants to students with demonstrated financial need.

Approximately 36% of all full-time post-secondary students in participating jurisdictions received a Canada Student Loan in the 2008-2009 loan year.¹

In the 2008-2009 loan year, the Canada Student Loans Program (CSLP) provided 473 000 full-time and part-time students from the participating nine provinces and one territory with loans, grants or interest subsidies.² Other key highlights from 2008-2009 include the following:

- 365 000 full-time students received \$2.1 billion in loans; and
- 84 000 grants were given to students with dependents, students with disabilities, low-income students and female doctoral students, for a total of \$147.6 million.

The CSLP supports student borrowers throughout the life cycles of their student loans. While the vast majority of students repay their loans in full and on time, some require further assistance. Borrowers who experience difficulty repaying their loans can take advantage of CSLP measures such as Interest Relief and Debt Reduction in Repayment. In 2008-2009, for example, the number of borrowers who benefited from Interest Relief increased by almost 13 000, partly as a result of the economic downturn.

The CSLP is also committed to improving the services it offers to Canadian students. In 2008-2009, the CSLP worked closely with its partners to prepare for the implementation of the significant changes to student financial assistance announced in Budget 2008. These changes are designed to increase the financial resources available to Canadian students

and the number of students who will be eligible for financial assistance. These measures include:

- the Canada Student Grants Program to replace the Canada Access Grants and Canada Study Grants programs;
- the Repayment Assistance Plan, which will replace the current Interest Relief and Debt Reduction in Repayment programs; and
- significant improvements to in-study assistance for students with permanent disabilities.

The CSLP will provide students with access to these new initiatives on August 1, 2009, the start of the 2009-2010 loan year. The CSLP will also be working to implement measures announced in Budget 2009 to improve the integrity and accountability of the Canada Student Loans portfolio.

Introduction

This annual report informs Parliament and Canadians of the assistance provided by the Canada Student Loans Program to Canadians accessing post-secondary education in the 2008-2009 loan year (August 1, 2008, to July 31, 2009).

The report also highlights significant upcoming changes to the program that were announced in Budget 2008, and provides detailed financial information for the 2008-2009 fiscal year (April 1, 2008, to March 31, 2009).

The report focuses on the strategic changes and achievements that occurred throughout 2008-2009. Detailed program data can be found on the Human Resources and Skills Development Canada website at: www.hrsdc.gc.ca/eng/learning/canada_student_loan/Publications/annual_report/2008-2009/tables/index.shtml.

1 Office of the Chief Actuary, *Actuarial Report of the Canada Student Loans Program at 31 July 2009*, Ottawa, 2010, www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/oca/cslp_2009_e.pdf.
2 The loan year runs from August 1 to July 31.

Setting the Context

The benefits associated with high rates of post-secondary education are well established. Post-secondary education provides Canadians with access to better job prospects and opportunities for personal growth. Society as a whole also benefits: there is a correlation between post-secondary education and higher levels of community involvement, lower crime rates and reduced use of the health care system.³ Canadians understand the importance of post-secondary education in today's competitive world; in fact, Canada leads all Organisation for Economic Co-operation and Development countries in the proportion of the population with a college or university education.⁴ The Government of Canada is committed to maintaining this position by continuing to invest in post-secondary education.⁵ The provision of loans and grants to qualified students is a key component of this commitment.

Since its introduction in 1964, the Canada Student Loans Program (CSLP) has provided close to \$32 billion in student loans to more than 4.3 million students. In addition, since 1995, the CSLP has provided approximately 730 000 non-repayable grants to students, totalling \$1.1 billion. The Government of Canada's objective in providing this assistance is to ensure that Canadians are able to access post-secondary education. The CSLP's main clients are Canadians with financial need and/or other financial barriers, such as low- and middle-income Canadians, students with disabilities, and students with dependents. Many of these students would be unable to access post-secondary education without government student financial assistance.

The need for student financial assistance was particularly acute in 2008–2009, as many families

experienced financial hardship because of the economic downturn, and youth were less able to find employment to help finance their education. In a recent survey, 38% of student loan borrowers and 31% of federal grant recipients would have delayed their studies or would not have pursued post-secondary education at all had they not received a loan or a federal grant.⁶

What we offer

The CSLP offers a suite of student financial assistance programs and services, including Canada Student Loans for full-time and part-time students, non-repayable grants, and repayment assistance measures for borrowers who experience difficulty repaying their loans.

The Government of Canada offers Canada Student Loans for both full-time and part-time studies. In keeping with the goal of promoting access to post-secondary education, the Government of Canada pays the interest on student loans for full-time study while borrowers are in school, and loan repayment does not begin until six months after studies are complete.⁷

In 1995, the CSLP also introduced non-repayable grants to complement the loans program. Canada Study Grants and Canada Access Grants are offered to eligible students with dependents, students with permanent disabilities, high-need part-time students, female students pursuing doctoral studies in programs in which women are traditionally underrepresented, and students from low-income families.

In addition, the CSLP provides repayment assistance measures for Canada Student Loan borrowers

3 Canada Council on Learning, *Canadian Post-secondary Education: A Positive Record – An Uncertain Future*, Ottawa, 2006, www.ccl-cca.ca/CCL/Reports/PostSecondaryEducation/Archives2006/index.html.

4 Organisation for Economic Co-operation and Development, "Table A1.3a. Population with tertiary education (2008)," *Education at a Glance 2010*, Paris, 2010, www.oecd.org/dataoecd/45/39/45926093.pdf.

5 Department of Finance Canada, *Advantage Canada – Building a Stronger Economy for Canadians*, Ottawa, 2006, www.fin.gc.ca/ec2006/pdf/plane.pdf.

6 EKOS Research Associates, *2009 Survey of Canadian Youth*, September 2009.

7 If a student reaches the maximum number of weeks of study (340, 400 or 520 weeks) before completing studies, the student no longer has interest-free status and repayment begins.

experiencing difficulty repaying their loans. For example, the Government of Canada can temporarily suspend loan payments; if the borrower continues to experience difficulties, the Government can make payments to reduce the balance of the Canada Student Loan.

Delivering our programs to Canadians

The CSLP works in partnership with participating provincial and territorial governments to deliver student financial assistance to Canadian students. Applicants for federal and provincial loans and grants are assessed through a single application process. For students receiving loan funding for full-time study, roughly 60% is funded by the CSLP and 40% by provincial and territorial student loan programs. Quebec, Nunavut and the Northwest Territories do not participate in the CSLP, but receive alternative payments from the Government of Canada to operate their own student financial assistance programs.

To further simplify the loan process for students and to increase efficiency, the CSLP has been working with provinces to integrate the CSLP and provincial loan programs to provide a one-student, one-loan approach. As a result of integration agreements in place with four provinces—Ontario, Saskatchewan, Newfoundland and Labrador, and New Brunswick—approximately two-thirds of Canada Student Loan borrowers can manage and make payments on their federal and provincial loans at the same time, to the same place. Borrowers who hold a loan from a province without an integration agreement are required to make separate loan payments on their provincial and federal loans.

The CSLP contracts a private sector service provider to manage borrower accounts, which operates under the name of the National Student Loans Service Centre (NSLSC).⁸ The service centre is the main point of contact for borrowers in managing their loans, and

it serves them through each phase of the loan cycle, from loan disbursement to repayment and repayment assistance. Borrowers in integrated provinces deal with the NSLSC as a single point of contact for their federal and provincial student loans.⁹

Creating awareness of post-secondary education options

Through various outreach initiatives, the CSLP informs students and families of the costs and benefits associated with post-secondary education and the financing options available to students. The CSLP also works to improve awareness of the Government's targeted grants for students who have traditionally faced barriers in accessing post-secondary education.

The CSLP's main educational tool is the CanLearn website, CanLearn.ca, which is the Government of Canada's online source for information to help Canadians save, plan and pay for post-secondary education. CanLearn.ca also links to the NSLSC website, which allows borrowers to view and monitor details of their loans.

In 2008–2009, CanLearn.ca underwent a major redesign to enhance existing resources and broaden the scope of the information and services offered on the site. The redesign ensures that the CSLP is delivering its messages to clients effectively and is providing access to learning-related government programs and services. In addition, Canada Student Loan repayment rates by designated educational institutions are now available at CanLearn.ca to help students and their families make informed decisions regarding post-secondary education.

In 2008–2009, CSLP raised awareness about its various initiatives across Canada through presentations and training, exhibit activities, campaigns, online resources, and the development of toolkits, publications and reference material. For example, seminars were held to help students plan for repayment, and presentations were made at financial aid conferences to inform

⁸ In 2008–2009, the service provider was Resolve Corporation.

⁹ For loans issued under the risk-shared and guaranteed loan regimes, a borrower's financial institution acts as their point of contact.

educational institutions of upcoming program changes. In addition, a CSLP/CanLearn.ca exhibit was displayed across the country at education fairs, career fairs and stakeholder conferences.

Canada Student Loan regimes

Canada Student Loan borrowers may hold loans issued from one or more of the following three loan regimes, depending on when the loan was disbursed: guaranteed loans, risk-shared loans or direct loans. Currently the CSLP only offers direct loans, which constitute 85% of the Canada Student Loans portfolio. Loans disbursed under the previous risk-shared and guaranteed loans regimes are being phased out as borrowers repay their loans. For borrowers in repayment, payments on guaranteed or risk-shared loans are made to the private financial institution that initially provided the loan; direct loan payments are made to the NSLSC, which disburses and administers direct loans on behalf of the Government of Canada.

These loan regimes represent different ways of managing the Canada Student Loans portfolio. Loans were initially provided under the **guaranteed loans regime** when the Canada Student Loans Program was established in 1964 through the *Canada Student Loans Act*. Under this regime, financial institutions such as banks provided and administered loans and the loan repayment process. In return, the Government of Canada guaranteed each Canada Student Loan by reimbursing the financial institution the full amount of loans that went into default.

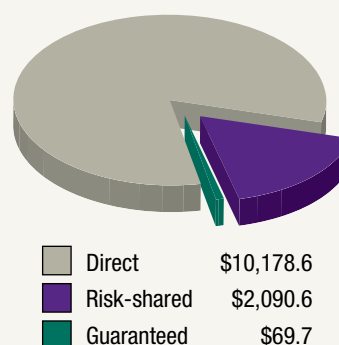
The guaranteed loans regime stayed in place until 1995 when it was replaced with the **risk-shared loans** regime under the *Canada Student Financial Assistance Act*. Under this arrangement, financial institutions assumed responsibility for the possible risk of defaulted loans in return for a fixed payment from the Government. The Government also agreed to buy back a limited amount of debt when borrowers were in default for at least 12 months after they finished their studies.

Since August 1, 2000, Canada Student Loans have been issued under the **direct loans regime**. The *Canada Student Financial Assistance Act* was amended to allow the Government of Canada to finance loans directly through the CSLP. Under direct lending, a private third-party service provider administers both loan disbursements and loans in repayment. The amended Act allows the CSLP to have greater control over the repayment process and to be able to offer targeted non-repayable grants to students with demonstrated financial need.

As no new loans are being provided under the guaranteed and risk-shared loan regimes, all guaranteed loans are expected to be phased out by 2020 and risk-shared loans are expected to be phased out by 2029.¹⁰ Until borrowers finish repaying loans from these previous regimes, a small percentage of borrowers may hold Canada Student Loans from more than one regime and make separate payments for each.

The following graph shows the distribution of loans based on the regime under which they were issued. The percentage breakdown by loan regime is: 0.5% guaranteed, 14.4% risk-shared and 85.1% direct.

Graph 1: Canada Student Loan portfolio by loan regime at March 31, 2009
(in millions of dollars)



¹⁰ Office of the Chief Actuary, *Actuarial Report of the Canada Student Loans Program at 31 July 2009*, Ottawa, 2010, www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/oca/cslp_2009_e.pdf.

Program Results

The Canada Student Loans Program (CSLP) promotes access to post-secondary education by providing financial assistance to qualified students based on financial need. The reach of the CSLP is extensive. In 2008–2009, more than 473 000 students, including almost half of all post-secondary students in the¹⁰ participating jurisdictions, received a loan, grant or interest subsidy from the Government of Canada through the CSLP.

This chapter highlights the 2008–2009 results for the three main forms of student financial assistance provided by the CSLP: loans, grants and repayment assistance measures. It reports the amount of financial assistance provided to students in the form of loans and grants, as well as who received these funds and where they attended school. It also provides information on the use of repayment assistance measures by those borrowers having difficulty repaying their loans. In addition, this chapter provides an overview of those who began repaying their loans in 2008–2009.

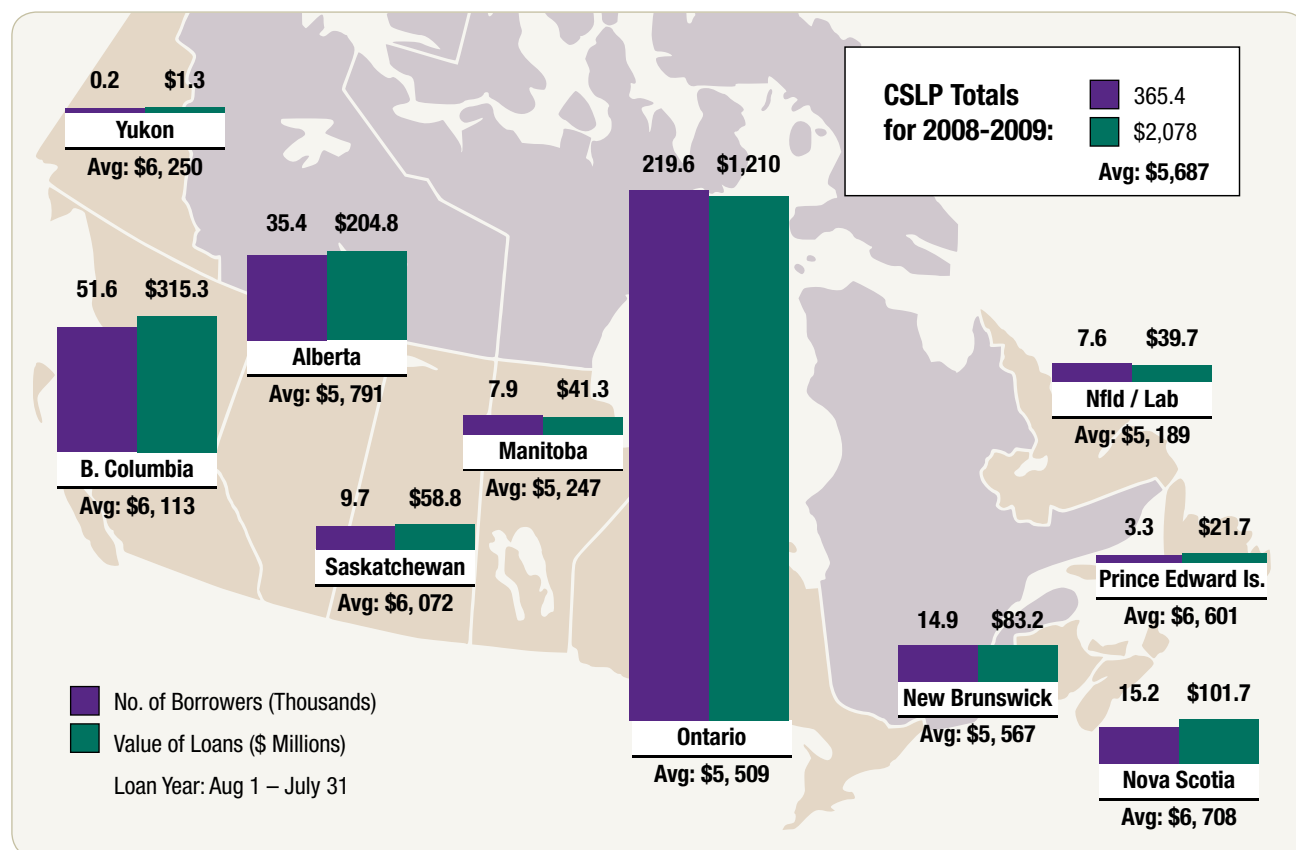
Canada Student Loans

Canada Student Loans are available to eligible Canadian students enrolled in a degree, diploma or certificate program at any designated post-secondary educational institution. To be eligible, a student must be a permanent resident of a province or territory that issues Canada Student Loans.

In 2008–2009, the CSLP provided \$2.1 billion in loans for full-time studies to 365 363 students, for an average of \$5,698 per recipient. These loans also include interest subsidies, through which the Government of Canada pays the interest on loans while a student is enrolled in school full-time. A further \$2.8 million in Canada Student Loans for part-time study was provided to 1 425 students in 2008–2009.

As the following image shows, in 2008–2009, over half of full-time Canada Student Loans were disbursed to students from Ontario (60%), while 14% went to students from British Columbia, the next largest participating province. The number of students receiving Canada Student Loans for full-time study increased by 4% over the previous year, driven primarily by an increase of 6% among students from Ontario. In 2008–2009, students from Nova Scotia had the highest average loan amount (\$6,708), while those in Newfoundland and Labrador borrowed the least (\$5,189).

Full-time loans disbursement, 2008-2009

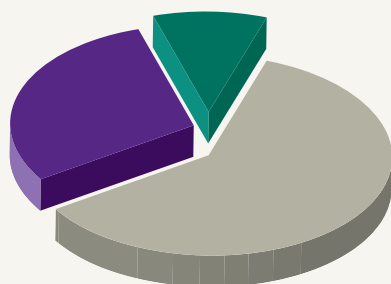


Where do borrowers go to school?

The Government of Canada provides Canada Student Loans to eligible students for study at any designated post-secondary educational institution. While most students remain in their home province or territory, some choose to study elsewhere. In 2008–2009, 11% of students receiving Canada Student Loans chose to study outside their home province or territory, in keeping with results from previous years. Students from large provinces were less likely to study outside their home province; for example, only 6% of Canada Student Loan recipients from Ontario studied outside the province. On the other hand, students from smaller jurisdictions were more likely to use their Canada Student Loan at an institution outside their home province: 88% of students from Yukon and 40% of students from Prince Edward Island studied outside their home jurisdiction in 2008–2009.

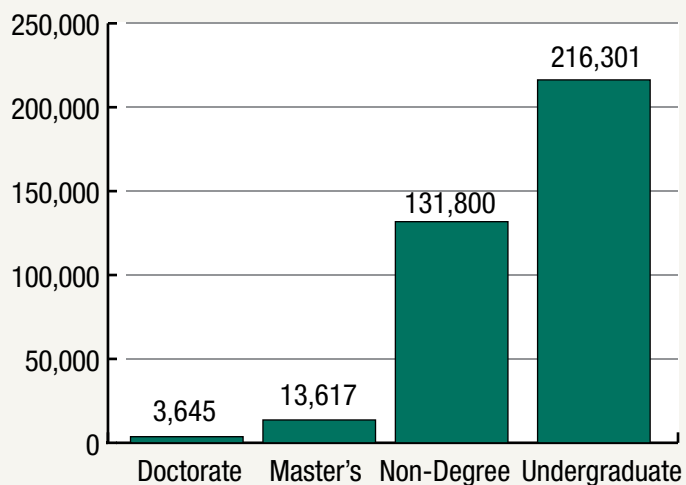
Regionally, borrowers in Atlantic Canada who left their home province to study tended to remain in Atlantic Canada, while those in Western Canada tended to either stay in their region or attend post-secondary institutions in Ontario.

Borrowers attending private institutions were the most likely to study outside their home province or territory (14%), while those attending public colleges were the least likely to study outside their home province or territory (4%).

Graph 2: Full-time student borrowers by type of institution, 2008-2009

Universities	221 558
Colleges	107 737
Private	36 068

Loan Year: Aug 1 – July 31

Graph 3: Full-time student borrowers by study level, 2008-2009

Loan Year: Aug 1 – July 31

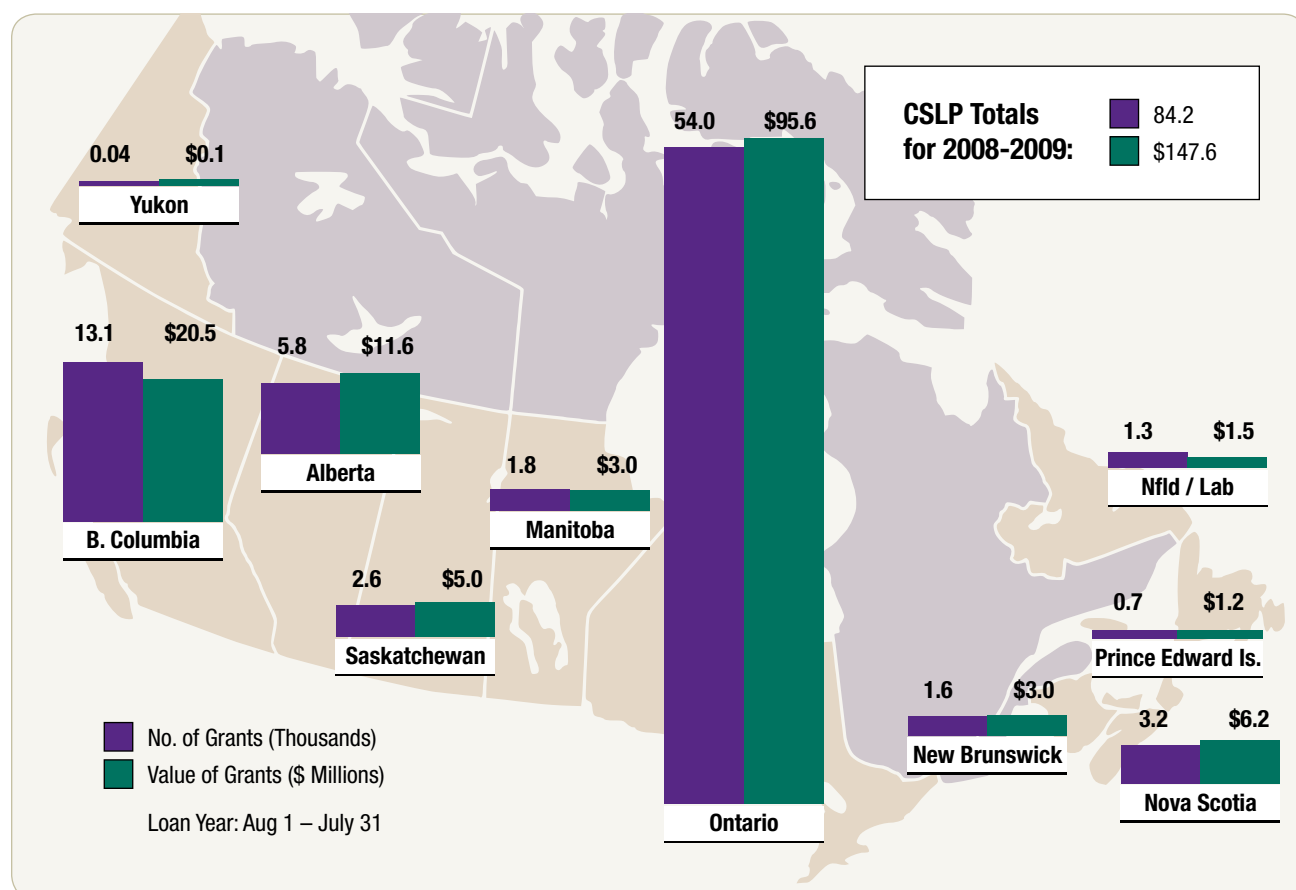
What types of institutions do borrowers attend?

In 2008–2009, 61% of full-time student borrowers attended university, 29% attended college and 10% attended a private institution. These numbers were virtually unchanged from 2007–2008. The size of the average loan disbursed in 2008–2009 continued to be highest among borrowers attending a private institution (\$7,230) and lowest among college attendees (\$5,102).

What level of study do borrowers take?

Most full-time student borrowers (59%) were enrolled in undergraduate programs, while 36% were enrolled in non-degree-granting programs at private institutions, colleges or universities. Five percent of full-time student borrowers were master's or doctoral students. These proportions were similar to those from 2007–2008.

Grants disbursement, 2008–2009



Canada Study Grants and Canada Access Grants

Some students face additional barriers in accessing post-secondary education. In response to this need, the CSLP also provides grants to eligible students. Like loans, grants are provided to eligible students who demonstrate financial need. Unlike loans, grants do not have to be paid back. Many grant recipients also receive Canada Student Loans, and students may be eligible to receive more than one type of grant. Specific grants are available for students with dependents, students

with permanent disabilities, high-need part-time students, and female doctoral students in certain fields. In 2008–2009, the CSLP disbursed 84 246 grants worth \$147.6 million. The map above shows the distribution of Canada Study Grants and Canada Access Grants across Canada in 2008–2009.

The CSLP provides several different targeted grants. The following table describes each type of grant offered by the CSLP in 2008–2009.

Table 1: CSLP Grants

Type of Grant	2008–2009 Disbursements
Canada Study Grant for Students with Dependents <ul style="list-style-type: none"> • Provided to eligible full-time and part-time students with dependents. • Eligible full-time students may qualify for a grant of up to \$3,120; part-time students may qualify for a grant of up to \$1,920. 	\$47.8 million distributed to 31 293 students
Canada Study Grant for the Accommodation of Students with Permanent Disabilities <ul style="list-style-type: none"> • Offsets exceptional education-related costs associated with permanent disability. • Provided to full-time and part-time students with permanent disabilities who are eligible to receive Canada Student Loans. • Eligible students may qualify for a grant of up to \$8,000 per year for as long as they are eligible for loans. 	\$21.5 million distributed to 8 166 students
Canada Study Grant for High-Need Part-Time Students <ul style="list-style-type: none"> • Covers allowable education expenses such as tuition, books and child care. • Provided to part-time students whose income falls below a prescribed threshold. • Eligible students may qualify for up to \$1,200 per year. 	\$2.8 million distributed to 2 721 students
Canada Study Grant for Females Pursuing Doctoral Studies <ul style="list-style-type: none"> • Assists female students in certain doctoral programs in which women are traditionally underrepresented, including certain areas of engineering and applied sciences, agriculture and biological sciences, mathematics and physical sciences, arts, social sciences and related fields. • Qualifying students are eligible for up to \$3,000 a year for up to three years of study. 	\$887,274 distributed to 309 students
Canada Access Grant for Students with Permanent Disabilities <ul style="list-style-type: none"> • Helps cover the costs of accommodation, tuition, books and other education-related expenses. • Provided to eligible full-time and part-time students with permanent disabilities. • Eligible students may receive up to \$2,000 per year. 	\$29.9 million distributed to 16 247 students
Canada Access Grant for Students from Low-Income Families <ul style="list-style-type: none"> • Provided to eligible first-time borrowers enrolled in their first year of a program that lasts at least two years and leads to a certificate, diploma or degree. • Covers half of a student's tuition costs, up to a maximum of \$3,000. 	\$44.7 million distributed to 25 510 students

For the most part, grant disbursement patterns in 2008–2009 were similar to those in 2007–2008. There was, however, a substantial increase in support provided to students with permanent disabilities. In 2008–2009, 2 717 more grants for students with permanent disabilities were issued compared with the previous year (12.4% increase). This growth was due in part to the extension of benefits under the Canada Access Grant for Students with Permanent Disabilities to students who were not at the loan limit.

Loan repayment and repayment assistance

A Canada Student Loan, like any loan, must be repaid by the borrower. However, unlike a traditional bank loan, interest only begins to accumulate on a Canada Student Loan for full-time study after the student's studies have been completed, and no payments are required in the first six months. These features are designed to make post-secondary education as affordable as possible for students and their families.

In 2008–2009, 59% (\$7.2 billion) of the CSLP's total loan portfolio of \$12.3 billion was held by borrowers "in repayment" (the remainder was held by students who were still in school, or "in study"). Of the loans in repayment, 72% were direct loans issued by the Government of Canada since 2000, 27% were risk-shared loans, and 1% were guaranteed loans. Students who began repaying their Canada Student Loans in 2008–2009 had an average loan balance of \$13,222.

The CSLP is committed to helping students throughout the life cycles of their loans. It offers students several repayment options once they have completed their studies. For example, loans are typically scheduled to be repaid through monthly payments over a 114-month (9.5-year) period, but borrowers may choose to pay more quickly or to extend the payment period, up to a maximum of 14.5 years.

The majority of students repay their loans fully and on time. In 2008–2009, the three-year default rate on Canada Student Loans declined to 14% (forecasted).

For those who experience difficulty in repaying their loans, the CSLP has several repayment assistance measures available.

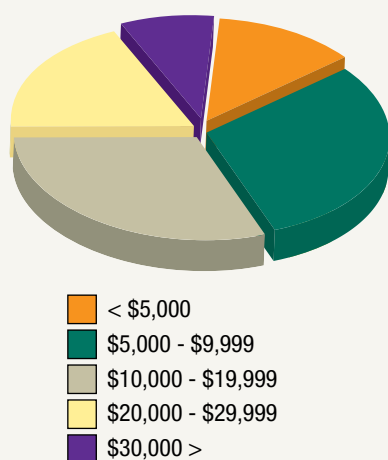
This section offers a profile of Canada Student Loan borrowers in 2008–2009 and discusses the decrease in the default rate. It also outlines the various measures the CSLP employs to assist students in repaying their Canada Student Loans, and how borrowers benefited from these measures.

2008–2009 Canada Student Loan balance profile

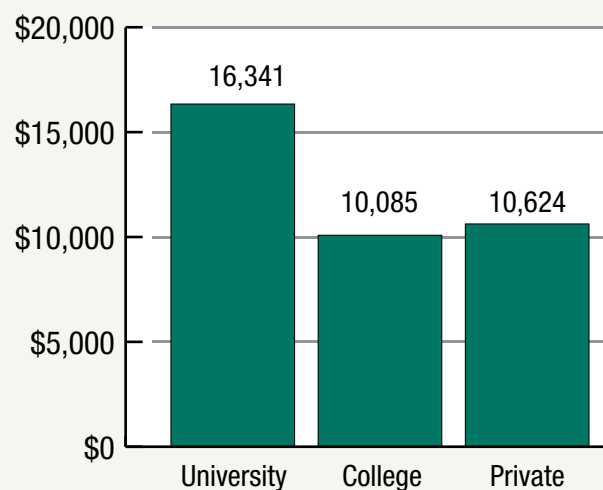
"Loan balance" refers to the amount borrowers owe once they begin repaying their loans. This includes any interest that may have accrued in the six months between the time borrowers complete their studies and the time they consolidate their loans. It is important to note that the loan balances described here reflect only the federal portion of a student loan. Borrowers may also have student loans from a province or territory.

Overall, in 2008–2009, 51% of borrowers held a Canada Student Loan balance over \$10,000; 29% had a balance between \$10,000 and \$20,000, while 22% owed over \$20,000 (see graph 4). The loan balance accrued by a student varies according to a number of factors related to the student's particular needs. These include choice of institution and program of study. Choice of post-secondary educational institution plays a large role in influencing students' loan balances.

In 2008–2009, the average loan balance of university students (\$16,341) was higher than that of college students (\$10,085) and of borrowers attending private institutions (\$10,624). This difference is partly because university programs tend to take longer to complete than college or private educational institution programs. Although borrowers attending private educational institutions on average receive more in loans per year (\$7,230 in 2008–2009) than their university and college counterparts, they typically accumulate less overall debt because they are in school for shorter periods of time.

Graph 4: Canada Student Loan borrowers' loan balances, 2008-2009

Loan Year: Aug 1 – July 31

Graph 5: Average loan balance by institution type, 2008-2009

Loan Year: Aug 1 – July 31

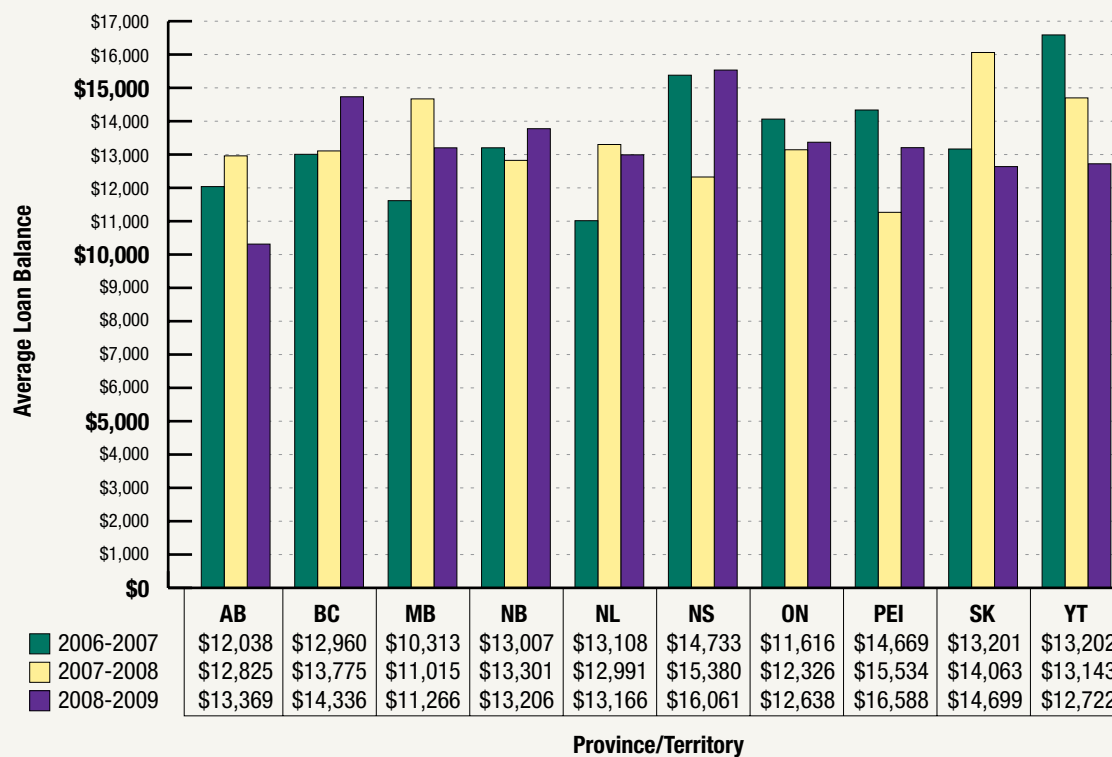
Loan balances also differ by province or territory of residence. In 2008–2009, the average student loan balance varied from a low of \$11,266 for students from Manitoba to a high of \$16,588 for students from Prince Edward Island. On a year-over-year basis, the average student loan balance increased the most for borrowers from Prince Edward Island (\$1,054 increase) and Nova Scotia (\$681 increase); it declined somewhat for Yukon (\$421 decline) and Newfoundland and Labrador (\$95 decline).

Default rate declined in 2008–2009

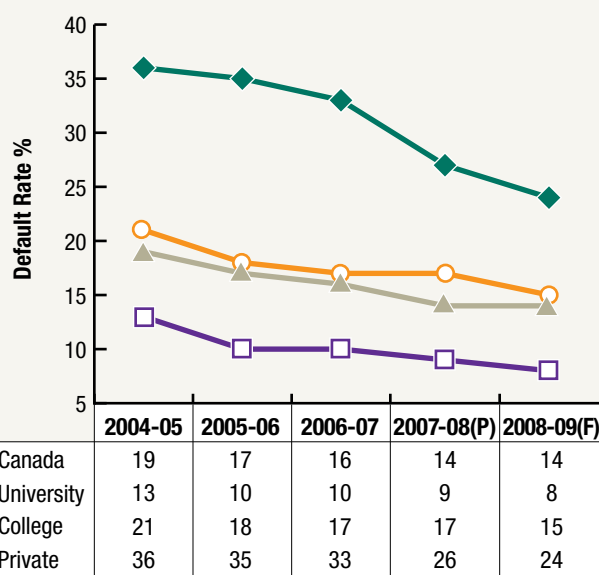
The majority of defaults on Canada Student Loans occur within three years of entering repayment. The CSLP uses the three-year cohort of default rates as a main indicator of the performance of the Canada Student Loans portfolio. This rate compares the value of the loans that enter repayment in a given loan year (cohort) and default within three years to the value of all the loans that entered repayment in that cohort.

Between 2004–2005 and 2008–2009, the default rate fell from 19% to 14% (forecast). This decline was observed across all institution types, and was most significant for students of private institutions (decline of 12 percentage points).

The CSLP's service provider's performance-based contract provides an incentive for default reduction, allowing the service provider to earn additional payments if it meets certain targets related to the default rate. Among other actions, the service provider will contact borrowers who are statistically more likely to default to offer them loan counselling before their first scheduled payment.

Graph 6: Average loan balance at consolidation by province/territory

Loan Year: Aug 1 – July 31

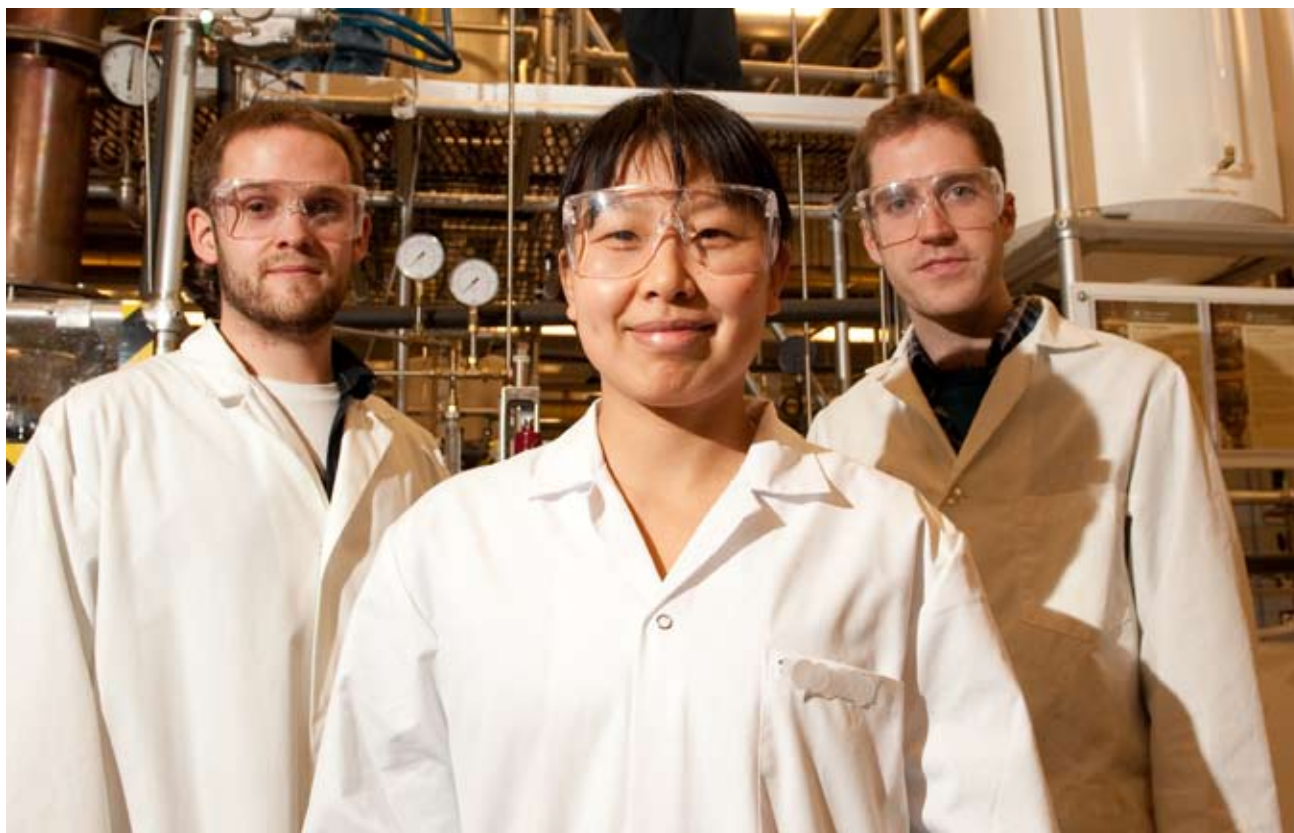
Graph 7: Three-year cohort default rate for direct loans

Loan year: August 1–July 31

Notes: P, preliminary; F, forecast.

A loan is deemed in default when it is in arrears for greater than 270 days under the direct-lending regime (roughly equivalent to missing nine monthly payments).

The three-year default rate is defined as the ratio of cumulative amount of all loans deemed in default for the period covering the year of consolidation and the subsequent two years, to the total amount of all loans consolidated in that year.



Repayment assistance

Since the CSLP is committed to supporting students throughout the life cycles of their Canada Student Loans, it offers a series of measures to address students' particular needs related to the repayment of their loans.

While most students repay their loans in full and on time, some students may require assistance in repaying their Canada Student Loans.¹¹ The CSLP provides several ways to help students manage their loan repayment:

- Revision of terms;
- Interest Relief;
- Debt Reduction in Repayment; and
- Permanent Disability Benefit.

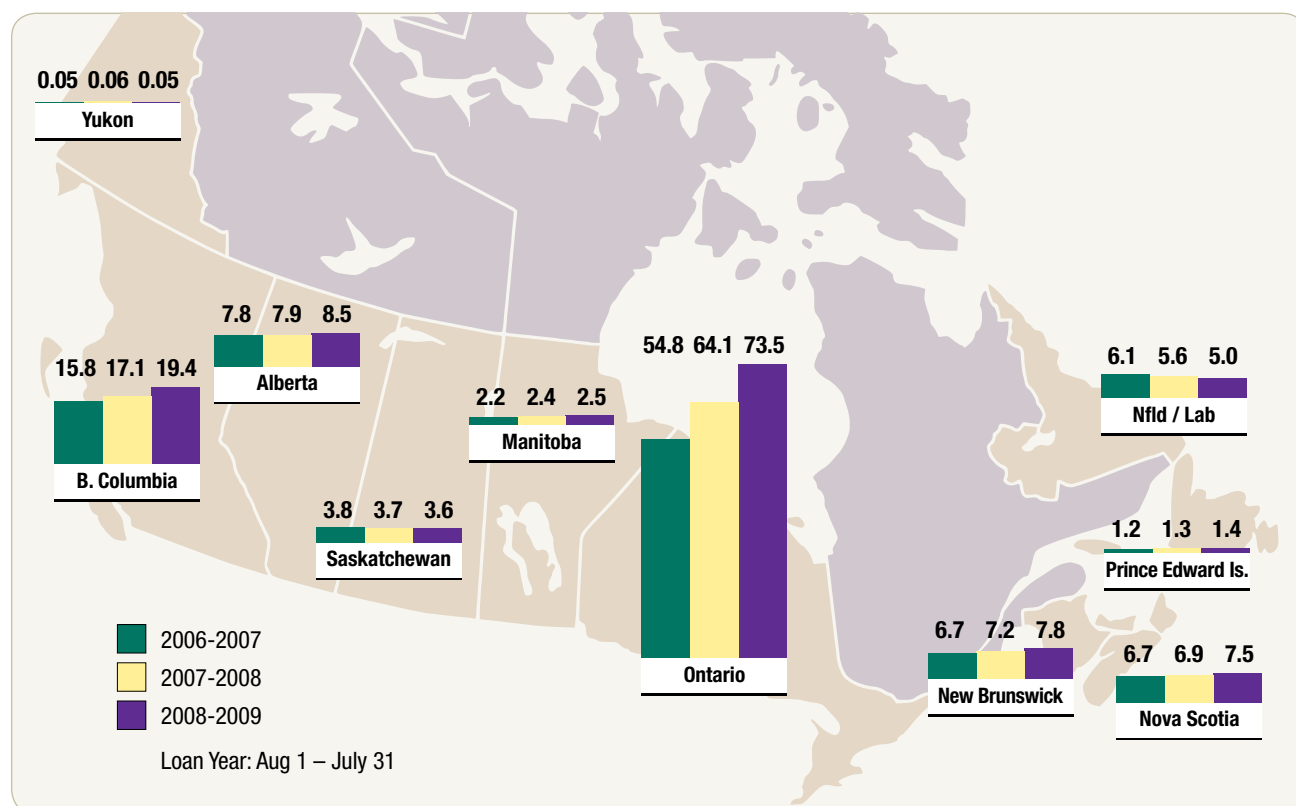
Revision of terms

A revision of terms offers borrowers the flexibility to manage their loan repayment in a way that is best suited to their financial situation. The term of the loan can be reduced and payments increased should they wish to pay off their loan at an accelerated rate. Similarly, a revision of terms can be used to decrease monthly payment amounts if borrowers are unable to repay their government student loan according to the terms of their repayment arrangement. Borrowers can extend the term of their loan to a maximum of 14.5 years after consolidation.

During 2008–2009, 84 627 borrowers revised the terms of their loan, up 15% from 2007–2008.

¹¹ Borrowers are considered to be in delinquency if they fail to make scheduled loan payments. Borrowers who continue to miss payments for a period longer than 270 days are considered to be in default; defaulted loans are transferred to the Canada Revenue Agency for collection. The CSLP strongly encourages borrowers to discuss repayment assistance with the National Student Loans Service Centre if they have difficulty making payments or if they are behind in their payments.

Interest Relief recipients ('000s)



Interest Relief

Interest Relief provides short-term help to borrowers who experience temporary financial difficulty in repaying their Canada Student Loans. Under this measure, borrowers are not required to make payments on their Canada Student Loans for up to six months at a time. During this time, the Government of Canada pays the interest on behalf of the borrower. Eligible borrowers receive assistance for six months at a time, and can reapply for a total of 54 months.

In 2008–2009, 129 521 borrowers benefited from Interest Relief, at a cost of \$76.3 million.¹² Between 2007–2008 and 2008–2009, the number of borrowers who used Interest Relief increased by 4.7%, while the cost of Interest Relief decreased by 20%. This was partly a result of borrowers with smaller monthly loan payments qualifying for Interest Relief.

The majority of those who received Interest Relief are in low-income situations. In 2008–2009, 45% of all Interest Relief recipients had attended university, while 36% and 18% of all recipients attended college and private institutions, respectively. Since 2006, the number of borrowers receiving Interest Relief has increased in all provinces and territory except Saskatchewan, Newfoundland and Labrador, and the Yukon. Ontario and British Columbia experienced the largest increases in Interest Relief uptake, at 13% and 12%, respectively. The following image outlines the number of Interest Relief recipients by jurisdiction from 2006–2007 to 2008–2009.

¹² Note that some borrowers may have received more than one term of Interest Relief in a loan year.



Debt Reduction in Repayment

The Debt Reduction in Repayment measure assists borrowers who have exhausted Interest Relief and continue to experience exceptional financial difficulty in repaying their Canada Student Loans. It reduces the principal of a borrower’s Canada Student Loan (by a maximum of \$26,000) and reduces monthly loan payments to an affordable level that is based on income.

In 2008–2009, 3 053 Canada Student Loan borrowers benefited from Debt Reduction in Repayment (245 more than in 2007–2008), for a total cost of \$21 million. The amount of debt reduction varies considerably from year to year, depending on the number of borrowers who are eligible for it.

Permanent Disability Benefit

In very particular cases, some borrowers may be eligible for loan forgiveness. The Permanent Disability Benefit makes it possible to cancel the repayment obligations of borrowers who have a permanent disability and are experiencing financial difficulty in meeting their repayment obligations.

In 2008–2009, 1 136 borrowers had \$15.5 million worth of loans forgiven. This represented a 58% increase in the number of borrowers, and an increase to more than double the value of loans forgiven from 2007–2008. This increase was partly the result of changes in the adjudication process for Permanent Disability Benefit applications. As with Debt Reduction in Repayment, the number of loans forgiven varies from year to year, depending on the number of borrowers who are eligible for the benefit.

Table 2: Loans forgiven under the Permanent Disability Benefit

Loan year	Number of borrowers	Total value of loans forgiven (\$ Millions)
2005–2006	482	5.2
2006–2007	396	4.5
2007–2008	655	7.1
2008–2009	1 136	15.5

Loan Year: August 1–July 31



Upcoming Program Enhancements

The Canada Student Loans Program (CSLP) continued important work throughout 2008–2009, in collaboration with its various partners, to ensure the implementation of wide-ranging measures announced in Budget 2008. This chapter discusses the following new initiatives that will be offered to students as of August 1, 2009:

- Canada Student Grants Program;
- Repayment Assistance Plan;
- Repayment Assistance Plan for Borrowers with a Permanent Disability; and
- new measures to support full-time and part-time students.

These reforms are designed to increase the financial resources available to Canadian students, and to increase the number of students that will be eligible to receive this assistance.

In addition, this chapter discusses initiatives to modernize the delivery of the CSLP's various services.

Canada Student Grants Program

The new Canada Student Grants will provide low- and middle-income students with consistent and up-front funding to help pay for post-secondary education. These grants consolidate existing federal grants for students, such as the Canada Study Grants and Canada Access Grants. It is anticipated that in 2009–2010 this program will provide assistance to 245 000 full-time and part-time students from low- and middle-income families.

Canada Student Grants provide money that students do not pay back, and students may be eligible to receive more than one type of grant. Students who apply and qualify for a Canada Student Loan in their province or territory of permanent residence will automatically be assessed for Canada Student Grants.¹³ Information on each type of Canada Student Grant is provided in the following table.

¹³ Students who wish to apply for the Grant for Students with Permanent Disabilities or the Grant for Services and Equipment for Students with Permanent Disabilities need to provide additional documentation when they apply for a Canada Student Loan in order to be assessed for these grants.

Table 3: Canada Student Grants

Type of Grant	Description
Grant for Students from Low-Income Families	<ul style="list-style-type: none"> Students from low-income families who qualify for a federal student loan and are pursuing full-time undergraduate studies will receive \$250 per month of study, up to \$3,000 per academic year. To be eligible, students must be enrolled in full-time post-secondary studies leading to an undergraduate degree, certificate, or diploma in a program that is at least two years long.
Grant for Students with Dependents	<ul style="list-style-type: none"> This grant will provide financial assistance to students from low-income families with dependent children who are under 12 years of age at the start of the period of study for which they are applying for assistance. Students will receive \$200 per month of study for each dependent child, with no limit to the number of dependent children that qualify.
Grant for Students from Middle-Income Families	<ul style="list-style-type: none"> Students from middle-income families who qualify for a federal student loan will receive \$100 per month of study, up to \$1,200 per academic year. To be eligible, students must be enrolled in full-time post-secondary studies leading to an undergraduate degree, certificate, or diploma in a program that is at least two years long.
Grant for Students with Permanent Disabilities	<ul style="list-style-type: none"> Eligible full-time and part-time students with permanent disabilities may receive \$2,000 per year to help cover the costs of accommodation, tuition, and books.
Grant for Services and Equipment for Students with Permanent Disabilities	<ul style="list-style-type: none"> This grant will provide up to \$8,000 per academic year to eligible full-time and part-time students with permanent disabilities who need exceptional education-related services or equipment, such as tutors, note-takers, interpreters, brailers, or technical aids.
Grant for Part-Time Studies	<ul style="list-style-type: none"> Part-time students from low-income families will receive up to \$1,200 per academic year. To be eligible, students must be enrolled part-time in a program (minimum 32 weeks) at a designated post-secondary educational institution.
Grant for Part-Time Students with Dependents	<ul style="list-style-type: none"> Part-time students with up to two children under 12 years of age may be eligible for \$40 per week of study, and part-time students with three or more children may be eligible for \$60 per week of study. To be eligible, students must be enrolled part-time in a program (minimum 32 weeks) at a designated post-secondary educational institution.
Transition Grant	<ul style="list-style-type: none"> This grant will replace the Millennium Bursary following the sunset of the Canada Millennium Scholarship Foundation in 2009. It will operate until 2013, ensuring that 2008–2009 Millennium Bursary recipients continue to receive the same level of funding for the remainder of their current post-secondary education program.

Repayment Assistance Plan

The Repayment Assistance Plan (RAP) will be available to borrowers who are having difficulty paying back their student loans. This plan makes it easier for student borrowers to manage their debt by paying back what they can reasonably afford. RAP will replace the current Interest Relief and Debt Reduction in Repayment programs, and under this new plan, thousands of additional borrowers will qualify for assistance each year. Borrowers who were approved for Interest Relief and Debt Reduction in Repayment before August 1, 2009, will remain on these programs until the end of their approved periods; however, these borrowers also have the option of applying for RAP starting August 1, 2009.

Student loan borrowers will have to apply for RAP, and eligibility will be based on family income, family size and the size of the borrower's loan balance. Each period of enrolment is for six months, and borrowers will have to apply for each six-month period in which they wish to enrol. RAP will consist of two stages, which are designed to help students fully repay their student loans within 15 years.

Stage 1 provides up to 60 months of RAP assistance during the first 5–10 years of loan repayment.

During Stage 1:

- Student loan borrowers who qualify will make affordable payments (or no payment) toward their loan principal. Paying the loan principal first reduces the total debt.
- The Government of Canada will pay the interest amount owing that the borrower's calculated affordable payment does not cover.
- Borrowers will not make payments exceeding 20% of their income toward loans covered by RAP.

After having received 60 months of RAP assistance during Stage 1, or after being in repayment for 10 years, borrowers may qualify for Stage 2 of RAP.

During Stage 2:

- The Government of Canada will continue to cover interest payments and will begin to cover the principal of the loan not met by the borrower's payment.
- The balance of the loan is to be gradually paid off so that no student loan debt remains after 15 years (or 10 years for people with permanent disabilities).
- Borrowers will need to meet the same eligibility criteria, complete the same application process, and make the same affordable payments as in Stage 1.

Repayment Assistance Plan for Borrowers with a Permanent Disability

The Repayment Assistance Plan for Borrowers with a Permanent Disability (RAP-PD) will be available to borrowers with a permanent disability who are having difficulty paying their student loans. Like RAP, RAP-PD makes it easier for student loan borrowers to manage their debt by paying back what they can reasonably afford.

Student loan borrowers will have to apply for RAP-PD in order to enrol, and eligibility will be based on family income, family size, permanent disability, disability-related expenses, and the size of the borrower's loan balance. Although permanent disability will only need to be demonstrated once, to qualify for RAP-PD, borrowers will have to apply for each six-month period of enrolment and must continue to meet the other eligibility requirements.

Under RAP-PD:

- Loan payments are based on income, ability to pay and disability accommodation costs (uninsured medical expenses, special care and other expenses).

- Borrowers will not make payments exceeding 20% of their income toward loans covered by RAP-PD.
- In certain cases, borrowers may not have to make any loan payments until their income increases.
- Students with a permanent disability skip directly to Stage 2 of RAP and fully repay their student loans within 10 years after leaving school.

New measures to support full-time and part-time students

Support for part-time students

Changes are being made to increase the support available to part-time students. Part-time students will no longer have to start repaying interest accumulating on their student loans while they are in study, and will be able to defer payment on their loan principal and accumulated interest until six months after their studies are complete.

In addition, the maximum total amount of loans for part-time students will increase from \$4,000 to \$10,000, reflecting increasing educational costs and the reality that most part-time studies require more time for completion.

Support for full-time students

Changes are also being made to increase support to full-time students in certain circumstances. Under the current regulations, most full-time student loan borrowers receive interest subsidies as long as they are in school and are able to defer payments on their loans until six months after they complete their studies. However, in cases where students exceed the maximum allowable number of weeks of student financial assistance (i.e. 340, 400 or 520 weeks), the student is required to start making payments on their loans before they have finished their studies.



Under the new regulations, full-time student borrowers that reach their maximum weeks of assistance will be able to continue their studies without having to begin repaying their loans until six months after they finish school.¹⁴

Modernizing service delivery

Budget 2008 also committed to streamlining and modernizing the CSLP. Measures will include improved online services, simplified application and repayment processes, and improved communication with students. The CSLP is working with its provincial and territorial partners to implement this service delivery vision, which will provide students with simple, easy-to-manage access to financial assistance.

¹⁴ Upon reaching this maximum, interest will begin to accrue on their loans, and borrowers will not be entitled to additional assistance in the form of new loans, grants or interest-free periods.

Measuring Program Performance

The Canada Student Loans Program (CSLP) is a statutory program offering loans, grants, and repayment assistance measures to post-secondary students. The CSLP is responsible for ensuring that these measures are assisting Canadian students effectively, and that taxpayers' investment in the Program is properly managed. The CSLP regularly measures and reports on:

- awareness of student financial assistance;
- client satisfaction;
- portfolio performance;
- program integrity; and
- program evaluation.

Awareness of student financial assistance

- The CSLP aims to promote awareness of post-secondary education and student financial assistance options to students and their families, mainly through the CanLearn.ca website. A survey of Canada Student Loan borrowers who have searched for information on student financial assistance showed that 90% used a Web-based source of information in 2009, up from 83% the previous year.¹⁵ Thirty percent specifically used CanLearn.ca and/or the National Student Loans Service Centre (NSLSC) website (which is managed by a third-party service provider on behalf of the CSLP), up from 24% in 2008. Others used a provincial website, Google, or an unspecified Internet source for information.

- The CSLP also strives to ensure borrowers are aware of the details of their loans and the options available to them when they have to begin repayment. In 2008–2009, 84% of borrowers found their repayment options to be clear.¹⁶ Ninety-one percent of borrowers knew the total amount owed on their loan, up from 78% in 2007–2008, while 62% knew the current interest rate.

Client satisfaction

- The Client Satisfaction Survey is used to assess borrowers' satisfaction with the services related to their Canada Student Loan, including services provided by the CSLP directly and those provided by the NSLSC.
- In 2008–2009, 74% of borrowers said they were satisfied with the overall quality of CSLP services. This was the same proportion as in the last three years.
- Some 76% of borrowers were satisfied with the service provided by the NSLSC. As client satisfaction is an important objective for the CSLP, the contract with the service provider that runs the NSLSC is performance-based and contains an incentive for increasing borrower satisfaction. For detailed findings on satisfaction with the NSLSC, see **Appendix B**.
- The service provider contract also contains an incentive for meeting a number of service standards for the delivery of Canada Student Loans. Some of the key standards are listed in **Table 4**.

Table 4: NSLSC service standards

Aspect of Service Delivery	Service Standard	Target	Results (2008–2009)
Ease of access	Answer inbound telephone inquiries within 20 seconds	80%	83%
Timeliness	Disburse funds to students and educational institutions within two days (for federal funds) or four days (for provincial funds) of receiving complete and accurate documentation	95%	100%
Accuracy	Error-free disbursement based on the top five pre-identified reasons for disbursement errors (e.g. incorrect amount of loans or grants, and missing signatures)	99%	100%

¹⁵ 2009 Client Satisfaction Survey.

¹⁶ 2009 Client Satisfaction Survey.

Portfolio performance

The CSLP constantly monitors the Canada Student Loans portfolio to ensure that loans are being repaid, and not entering default. The CSLP uses the three-year cohort default rate as a main indicator of the portfolio's performance.¹⁷ The three-year cohort default rate has decreased significantly from 28% in 2003–2004, to a forecast 14% in 2008–2009 (Table 5).

- The CSLP has a number of measures in place to help prevent loan defaults, including the provision of non-repayable grants, which reduce overall debt balances, and the repayment assistance measures discussed earlier in this report. Significant enhancements to both grants and repayment assistance measures will be implemented August 1, 2009.
- The CSLP service provider's performance-based contract also provides an incentive for default reduction. This means that the service provider can earn additional payments if it meets certain targets related to the default rate. The service provider undertakes various actions to meet these targets, such as contacting borrowers who are most likely to default to offer them loan counselling before their first scheduled payment.

Program integrity

Since it is funded by Canadian taxpayers, the CSLP strives to safeguard the integrity of the Program and protect the investments borrowers make in their post-secondary education. Safeguarding integrity means ensuring that all aspects of the Program are operating within the legal framework of the *Canada Student Financial Assistance Act* and the *Canada Student Loans Act*.

To ensure it conforms to this legal framework, the CSLP undertakes a number of activities:

- The Designation Policy Framework establishes pan-Canadian criteria for designation—the process whereby post-secondary educational institutions are deemed eligible for student financial assistance programs (i.e. students can apply for student loans if they will be attending a designated school). The Framework ensures that federal, provincial and territorial student financial assistance portfolios operate within the principles and practice of reasonable financial stewardship.
- As a part of the Framework, the CSLP tracks the repayment rates for Canada Student Loans. In 2008–2009 Canada Student Loan repayment rates continued to improve, increasing from 83.8% in 2007–2008 to 84.8% in 2008–2009.

Table 5: Three-year cohort default rates* for direct loans

	2006–2007	2007–2008 (P)	2008–2009 (F)
Canada	15.8%	13.9%	14.0%
AB	11.9%	10.7%	10.2%
BC	16.2%	13.9%	13.7%
MB	16.5%	16.2%	33.1%
NB	21.0%	16.7%	14.9%
NL	17.9%	16.8%	20.9%
NS	20.7%	18.9%	22.3%
ON	15.0%	14.1%	13.1%
PE	14.6%	15.7%	16.2%
SK	17.6%	14.3%	12.4%
YT	18.0%	N/A	N/A
Loan Year: August 1–July 31 Note: P, preliminary; F, forecast (three years of data are needed to calculate the default rate). * A loan is deemed in default when it is in arrears for greater than 270 days under the direct lending regime. The three-year default rate is defined as the ratio of the cumulative amount of all loans deemed in default for the period covering the year of consolidation and the subsequent two years—to the total amount of all loans consolidated in that year.			

¹⁷ This rate compares the value of the loans that enter repayment in a given loan year (cohort) and those that default within three years to the value of all the loans that entered repayment in that cohort.



- The CSLP conducts investigations into possible abuses of student loan or grant funding. In 2008–2009 the CSLP completed over 55 investigations into allegations of abuse involving over \$750,000.
- The CSLP collaborates with provincial and territorial partners, for example, facilitating annual workshops that explore issues of audit, integrity and default management to identify best practices, share information and develop strategies.

The Budget Implementation Act, 2009, which came into force on March 12, 2009, introduced several measures through legislative amendments to improve the accountability and integrity of the CSLP, and to strengthen the stewardship of public funds.

- It introduced a new legal requirement that the Office of the Chief Actuary prepare a report for the CSLP on the costs and revenues of federal student financial assistance at least once every three years. This measure will ensure that financial reporting is completed on a regular basis and that Program stakeholders receive this information in a timely manner.
- To improve the CSLP's ability to respond to changing program needs more rapidly, amendments to the terms and conditions of

student loan agreements will require Governor in Council approval only when there is a financial impact on the federal government.

- Amendments were made to ensure borrowers are treated in the same manner regardless of which regime their loans fall under. In the unfortunate event of a death of a borrower, Canada Student Loans from all loan regimes are forgiven.
- To protect Canada Student Loans borrowers in cases where designated educational institutions present a significant financial risk, a new discretionary power is being introduced, allowing the Minister, in exceptional circumstances, to suspend or deny funding to students attending such an institution.
- New authority was granted, requiring a person to provide, at the Minister's discretion, documents or information related to student financial assistance to verify compliance with federal student financial assistance legislation.
- As of August 2010, individuals may be denied all forms of federal student financial assistance for up to five years and/or be required immediately to repay any loans and grants they received if they knowingly make false statements, misrepresentations, or omissions to acquire student financial assistance under the CSLP.

Program evaluation

A five-year evaluation of the Canada Student Loans Program began in 2006–2007, focusing on whether or not the CSLP is meeting its objectives, and identifying potential areas for improvement. This evaluation will be completed in 2010–2011, after which a comprehensive report will be produced.

A supplementary evaluation plan has also been developed to address program changes announced in Budget 2008. The 2009–2010 Supplementary Evaluation Plan will provide significant focus on evaluating the impact of the new consolidated Canada Student Grants Program on access to post-secondary education.

Financial Data

All data in this section represent the fiscal year April 1, 2008, to March 31, 2009.

Consolidated report on the Canada Student Loans Program¹⁸

In August 2000, the Canada Student Loans Program (CSLP) was shifted from the risk-shared financing arrangements that had been in place with financial institutions between 1995 and July 2000 to a direct loan financing plan. The Government of Canada provides the necessary funding to students, and a private sector service provider administers the loans.

Reporting entity

The entity detailed in this report is the CSLP only and does not include departmental operations related to the delivery of the CSLP. Expenditure figures are primarily statutory in nature, made under the authority of the *Canada Student Loans Act* and the *Canada Student Financial Assistance Act*.

Basis of accounting

The financial figures are prepared in accordance with generally accepted accounting principles and as reflected in the *Public Sector Accounting Handbook* of the Canadian Institute of Chartered Accountants.

Specific accounting policies

Revenues

Two sources of revenue are reported: interest revenue on direct loans and recoveries on guaranteed and put-back loans. Government accounting practices require that recoveries from both sources be credited to the Government of Canada's Consolidated Revenue Fund. They do not appear along with the expenditures in the CSLP accounts, but are reported

separately in the financial statements of Human Resources and Skills Development Canada and the Government of Canada.

A. Interest revenue on direct loans

Borrowers are required to pay simple interest on their student loans once they leave full-time studies. At the time they leave school, students have the option of selecting a variable (prime + 2.5%) or fixed (prime + 5%) interest rate. The figures represent the interest accrued on the outstanding balance of the government-owned direct loans. Borrowers continue to pay the interest accruing on the guaranteed and risk-shared loans directly to the financial institution holding these loans. Effective August 1, 2005, the weekly loan limit increased from \$165 to \$210 per week of study. As more funds will be available to students, total loan disbursements will grow, and as a result, the interest revenue generated will likely increase.

B. Recoveries on guaranteed loans

The federal government reimburses financial institutions for any guaranteed loans issued prior to August 1, 1995, that go into default (i.e. financial institutions claim any amount of principal and interest not repaid in full). The figures represent the recovery of principal and interest on these defaulted loans.

C. Recoveries on put-back loans

Under the risk-shared agreements, the federal government will purchase from participating financial institutions any loans issued between August 1, 1995, and July 31, 2000, that are in default of payment for at least 12 months after the period of study, that, in aggregate, do not exceed 3% of the average monthly balance of the financial institution's outstanding student loans in repayment. The amount paid is set at 5% of

¹⁸ Human Resources and Social Development Canada, 2008–2009 *Departmental Performance Report*, www.tbs-sct.gc.ca/dpr-rmr/2008-2009/inst/csd/csd00-eng.asp.

the value of the loans in question. The figures represent the recovery of principal and interest on these loans.

Canada Study Grants and Canada Access Grants

Canada Study Grants and Canada Access Grants improve access to post-secondary education by providing non-repayable financial assistance to post-secondary students.

Four types of Canada Study Grants are available to assist:

- students with permanent disabilities meet disability-related educational expenses (up to \$8,000 annually);
- students with dependants (up to \$3,120 for full-time students and up to \$1,920 for part-time students, annually);
- high-need part-time students (up to \$1,200 annually); and
- women in certain fields of doctoral studies (up to \$3,000 annually for up to three years).

Two Canada Access Grants have been available since August 1, 2005, to assist:

- students from low-income families entering their first year of post-secondary studies (50% of tuition, up to \$3,000); and
- students with permanent disabilities in order to assist with education and living expenses (up to \$2,000 annually).¹⁹

Collection costs

These amounts represent the cost of using private collection agencies to collect defaulted Canada Student Loans. The loans being collected include risk-shared and guaranteed loans that have gone

into default and that the Government has bought back from the financial institution, as well as direct loans issued after July 31, 2000, that are returned to HRSDC by the third-party service provider as having defaulted. As of August 1, 2005, the Canada Revenue Agency Non-Tax Collections Directorate undertook the responsibility for the administration of the collection activities of the guaranteed, risk-shared and direct student loans.

Service provider costs

CSLP uses a third-party service provider to administer loan origination, in-study loan management, post-studies repayment activities and repayment assistance. This item represents the cost associated with these contracted services.

Risk premium

Risk premium represents part of the remuneration offered to financial institutions participating in the risk-shared program from August 1, 1995, to July 31, 2000. The risk premium represents 5% of the value of loans being consolidated, which is calculated and paid at the time students leave studies and go into repayment. In return, the financial institution assumes the risk associated with non-repayment of these loans.

Put-back

Subject to the provisions of the contracts with financial institutions, the Government will purchase from a financial institution the student loans that are in default of payment for at least 12 months and that, in aggregate, do not exceed 3% of the average monthly balance of the financial institution's outstanding student loans in repayment. The amount paid is set at 5% of the value of the loans in question. The figures also include any refund made to participating financial institutions on the recoveries.

¹⁹ The Canada Access Grant for Student with Permanent Disabilities replaced the Canada Study Grant for High-Need Students with Permanent Disabilities.



Administrative fees to provinces and territories

Pursuant to the *Canada Student Financial Assistance Act*, the Government has entered into arrangements with most provinces and territories except Quebec, the Northwest Territories and Nunavut, to facilitate the administration of the CSLP. They administer the application and needs assessment activities associated with federal student financial assistance, and in return, they are paid an administrative fee. As of August 1, 2005, administrative fees paid to jurisdictions were increased to improve the compensation for their part in the administration of the CSLP.

In-study interest borrowing expense

The capital needed to issue direct loans is raised through the Department of Finance's general financing activities. The cost of borrowing this capital is recorded in the Department of Finance's overall financing operations. The figures represent the cost attributed to CSLP in support of direct loans while

students are considered to have in-study status. Weekly loan limits increased effective August 1, 2005.

In-repayment interest borrowing expense

The capital needed to issue direct loans is raised through the Department of Finance's general financing activities. The cost of borrowing this capital is recorded in the Department of Finance's overall financing operations. The figures represent the cost attributed to CSLP in support of direct loans while students are in repayment of their Canada Student Loans.

In-study interest subsidy

A central feature of federal student assistance is that student borrowers are not required to pay the interest on their student loans as long as they are in full-time study and, in the case of loans negotiated prior to August 1, 1993, for six months after they complete

their studies. Under the guaranteed and risk-shared programs, the Government pays the interest to the financial institutions on behalf of the student.

Interest Relief

Assistance may be provided to cover loan interest and suspend payments on the principal of loans in repayment for up to 54 months for borrowers experiencing temporary difficulties repaying their loans. The shift from guaranteed and risk-shared loans to direct loans did not alter Interest Relief for loans in distress from the borrower's perspective; however, the method of recording associated costs changed. For loans issued prior to August 1, 2000, the CSLP compensates lending institutions for lost interest equal to the accrued interest amount on loans under Interest Relief. For loans issued after August 1, 2000, an Interest Relief expense is recorded to offset the accrued interest on direct loans. Effective August 1, 2005, income thresholds used to determine Interest Relief eligibility increased in order to make Interest Relief accessible to more borrowers.

Debt Reduction in Repayment

Debt Reduction in Repayment assists borrowers experiencing long-term difficulties repaying their loans. Debt Reduction in Repayment is a federal repayment assistance program through which the Government of Canada reduces a qualifying borrower's outstanding Canada Student Loan principal to an affordable amount after Interest Relief has been exhausted and only after five years have passed since the borrower ceased to be a student. As of August 1, 2005, the maximum amount of Debt Reduction in Repayment assistance is \$26,000, which is available to eligible borrowers in an initial reduction of up to \$10,000, a second reduction of up to \$10,000 and a final reduction of up to \$6,000. For loans issued prior to August 1, 2000, CSLP pays the lending institutions the amount of student debt principal reduced by the Government of Canada under Debt Reduction in Repayment. For loans issued after August 1, 2000, the Government of Canada forgives a portion of the loan principal.

Claims paid and loans forgiven

From the beginning of the Program in 1964 until July 31, 1995, the Government fully guaranteed all loans issued to students by financial institutions. The federal government reimburses financial institutions for any of these loans that go into default (i.e. subject to specific criteria, financial institutions may claim any amount of principal and interest not repaid in full, after which the Canada Revenue Agency's Collection Services will attempt to recover these amounts). The risk-shared arrangements also permitted loans issued from August 1, 1995, to July 31, 2000, to be guaranteed under specific circumstances. This item represents the costs associated with loan guarantees.

Pursuant to the *Canada Student Loans Act* and the *Canada Student Financial Assistance Act*, the Government incurs the full amount of the unpaid principal plus accrued interest in the event of the death of the borrower or if the borrower becomes permanently disabled and cannot repay the loan without undue hardship.

Bad debt expense

Under direct loans, the Government owns the loans issued to students and must record them as assets. As a result, generally accepted accounting principles require that a provision be made for potential future losses associated with these loans. The provision must be made in the year the loans are issued even though the losses may occur many years later. The figures represent the annual expense against the provisions for bad debt and Debt Reduction in Repayment on direct loans.

Alternative payments to non-participating provinces and territories

Provinces and territories may choose not to participate in the CSLP. These provinces and territories receive an alternative payment to assist in the cost of delivering a similar student financial assistance program.

Table 6: Consolidated Canada Student Loans Program operating costs (\$ Millions)

	Actual		2008–2009	
	2006–2007	2007–2008 ^a	Forecast	Actual
Revenues				
Interest revenue on direct loans	453.3	537.1	551.5	472.8
Recoveries on guaranteed loans	55.3	46.6	52.6	38.5
Recoveries on put-back loans (RS)	14.5	13.5	15.2	13.1
Total loan revenue	523.1	597.3	619.3	524.4
Expenses				
<i>Transfer payment</i>				
Canada Study Grants and Canada Access Grants	146.4	161.5	142.9	143.2
<i>Loan administration</i>				
Collection costs (all regimes) ^b	12.4	14.4	12.5	8.5
Program delivery costs (DL)	65.6	70.8	84.2	76.0
Risk premium to financial institutions (RS)	1.8	1.3	1.3	0.7
Put-back to financial institutions (RS)	4.7	3.8	5.2	3.8
Administrative fees to provinces and territories (DL)	14.7	13.7	14.4	14.7
Total loan administration expenses	99.2	104.0	117.6	103.7
<i>Cost of government benefits to students</i>				
In-study interest borrowing expense (Class A - DL) ^c	185.7	196.4	195.7	166.9
In-repayment interest borrowing expense (Class B - DL) ^c	145.0	173.6	227.6	160.7
In-study interest subsidy (RS & GL)	11.5	8.0	2.0	4.0
Interest Relief (All)	84.2	93.2	101.3	82.6
Claims paid and loans forgiven (All)	24.2	17.0	17.3	23.2
Total cost of government benefits to students	470.7	502.5	550.7	448.0
<i>Bad debt expense^d</i>				
Debt Reduction in Repayment expense (DL)	9.6	12.4	14.3	53.2
Bad debt expense (DL)	260.4	293.5	363.8	293.6
Total bad debt expense	270.0	305.9	378.1	346.8
Total loan expenses	986.3	1 073.9	1 189.3	1 041.7
Net operating results	463.2	476.6	570.0	517.3
Alternative payments to non-participating provinces (DL) ^e	91.3	113.9	117.9	111.0
Final net operating results	554.5	590.5	687.9	628.3

Note: RS, risk-shared loans; DL, direct loans; GL, guaranteed loans; All, all loan regimes.

^a Actuals for 2007–2008 for interest revenue on direct loans, in-study interest borrowing expense (Class A), in-repayment interest borrowing expense (Class B) and bad debt expense have been adjusted following a revision of financial data.

^b These costs are related to collection activities performed by the Canada Revenue Agency.

^c These costs are related to direct loans but reported by the Department of Finance.

^d This represents the annual expense against the provisions for bad debt and Debt Reduction in Repayment as required under accrual accounting.

^e The figures represent the annual expense recorded under accrual accounting as opposed to the actual amount disbursed to the non-participating provinces. For 2007–2008, the total amount disbursed as alternative payments was \$115.8 million.

Appendix A – Other Government Funding

Government funding

Although the Canada Student Loans Program (CSLP) is the largest program offering student financial assistance to Canadians, other funding sources exist at the federal, provincial and territorial levels.

The Canada Social Transfer is a federal block transfer of funds to provinces and territories in support of post-secondary education, social assistance and social services.

Measures offered by the Department of Human Resources and Skills Development include the following:

- The Canada Education Savings Grant encourages Canadians to save for their children's post-secondary education by awarding grants to beneficiaries of Registered Education Savings Plans (RESPs).
- The Canada Learning Bond provides a grant to low-income families to begin an RESP and encourages parents to save for their children's post-secondary education.
- Individuals who receive Employment Insurance benefits can be eligible for courses, training programs or other employment activities to make it easier for them to return to the labour market, while still receiving income support during that period. This service is either co-managed with the provinces and territories, or provided by the provinces and territories through federal transfer payments.

Other federal programs and initiatives related to post-secondary education include the following:

- The Canada Millennium Scholarship Foundation (CMSF) was established in 1999

with an endowment of \$2.5 billion and a 10-year mandate to promote access to post-secondary education. The CMSF provides non-repayable bursaries and excellence awards to eligible students. In Budget 2008, it was announced that the CMSF's mandate would not be renewed and that measures would be taken to ensure that students would not be impacted negatively by the CMSF's closure.

- Indian and Northern Affairs Canada assists First Nation and Inuit students with the costs of tuition, books and travel, and provides living allowances through the Post-Secondary Student Support Program and the University College Entrance Preparation Program. Post-secondary institutions also receive support through the Indian Studies Support Program to develop and deliver special programs for Aboriginal people.

The Canada Revenue Agency assists students through a number of tax relief measures including:

- Tax relief is available to all individuals with federal and provincial or territorial loans through a federal tax credit on the annual interest paid on their student loans.
- The tuition tax credit provides tax relief for students' expenditures toward tuition fees.
- The education tax credit provides up to \$400 per month for full-time students and \$120 per month for part-time students to help offset education expenses. The credit provides tax relief to more than 65 000 Canadians who are upgrading their skills.
- The textbook tax credit recognizes the rising cost of educational materials. This credit is \$65 per month for full-time post-secondary students and \$20 per month for part-time students.



- The Official Languages in Education Program, offered by Canadian Heritage, helps provinces and territories fund minority-language education and second-language instruction.
- Industry Canada offers scholarships and fellowships under the Natural Sciences and Engineering Research Council of Canada and the Social Sciences and Humanities Research Council of Canada.

Provincial, territorial and other funding include the following:

- Provincial and territorial governments also offer loans, grants, scholarships, tax credits and repayment assistance measures.
- Students may also apply for scholarships and bursaries from their educational institutions, financial institutions and community groups.

Appendix B – Client Satisfaction with the National Student Loans Service Centre

Satisfaction ratings of the National Student Loans Service Centre (NSLSC) (% satisfied)

Survey Question	2006–2007	2007–2008	2008–2009
The amount of time you had to wait to speak with a customer service representative	56	60	51
The competence of staff	77	77	74
The courteousness of staff	84	85	79
The extent to which the service was provided in a fair manner	81	81	79
The extent to which you were informed about the NSLSC	64	66	71
Your ease of access to the service	69	69	67
Your access to service in the official language of your choice, either English or French	93	97	95
In the end, you got what you needed from the staff*	N/A	82	80
Overall level of satisfaction (with the quality of service received from the NSLSC)	75	78	76

Source: Canada Student Loans Program Client Satisfaction Survey.

* This question was not asked in 2006–2007.

Borrowers' views on the quality of the service they received with regard to their federal or provincial student loan over the past two years (% in agreement)

Answer	2006–2007	2007–2008	2008–2009
Improved	16	17	12
Worsened	6	5	6
Stayed more or less the same	77	77	72

Source: Canada Student Loans Program Client Satisfaction Survey.

Note: Columns do not add to 100% because respondents could pick "N/A."

Glossary

Visit CanLearn.ca for a more thorough glossary of terms related to the Canada Student Loans Program (CSLP) and student financial assistance.

Canada Access Grants: Financial assistance to post-secondary students that does not need to be repaid. Two types of Canada Access Grants are available:

- Grants to students from low-income families at any **designated** post-secondary educational institution, in at least a two-year program that leads to a certificate, diploma or degree. The Grant covers one half of tuition costs, up to a maximum of \$3,000.
- Grants to students with permanent disabilities to help cover the costs of accommodation, tuition, books, and other education-related expenses. The Grant covers up to \$2,000 of expenses per year and is available for full-time or part-time students.

As of August 1, 2009, Canada Access Grants will be replaced by the **Canada Student Grants Program**.

Canada Student Grants: As of August 1, 2009, Canada Student Grants will replace the existing **Canada Access Grants**, **Canada Study Grants**, and grants offered by the Canada Millennium Scholarship Foundation. The following types of grants will be available:

- Grants for Students from Low-Income Families: \$250 per month, to a maximum of \$3,000 per year for full-time students in a multi-year program.
- Grants for Students from Middle-Income Families: \$100 per month, to a maximum of \$1,200 per year for full-time students in a multi-year program.
- Grants for Students with Dependants: for full-time students, \$200 per month of study, per child under 12 years of age; for part-time students with up to two children under 12 years of age, \$40 per

week of study; for part-time students with three or more children under 12 years of age, \$60 per week of study.

- Grants for Part-Time Studies: for students from low-income families, up to \$1,200 per school, depending on assessed need.
- Grants for Students with Permanent Disabilities: \$2,000 per loan year for full-time or part-time students with permanent disabilities.
- Grants for Services and Equipment for Students with Permanent Disabilities: up to \$8,000 per loan year to cover exceptional education-related costs such as tutors, note-takers, sign interpreters, brailers, or technical aids.
- Transition Grant: this grant, which will operate until 2013, replaces the Millennium Bursary following the wind-down of the Canada Millennium Scholarship Foundation in 2009. It will ensure that 2008–2009 Millennium Bursary recipients will continue to receive the same level of funding for the remainder of their current post-secondary education program.

Canada Study Grants: Financial assistance to post-secondary students that does not need to be repaid. Four types of Canada Study Grants are available:

- Grants for the Accommodation of Students with Permanent Disabilities: up to \$8,000 per loan year to cover exceptional education-related costs such as tutors, note-takers, sign interpreters, brailers or technical aids.
- Grants for Students with Dependants: up to \$3,120 for full-time students and up to \$1,920 for part-time students whose financial need exceeds the established amounts for combined federal and provincial loans.
- Grants for High-Need Part-Time Students: up to \$1,200 for part-time students whose financial need exceeds the established amounts for combined federal and provincial loans.

- **Grants for Females Pursuing Doctoral Studies:** up to \$3,000 annually (for up to three years) for women in certain fields of study at the doctoral level where they are traditionally under-represented.

As of August 1, 2009, Canada Study Grants will be replaced by the **Canada Student Grants Program**.

Consolidation: Borrowers consolidate their student loan(s) six months after completing their post-secondary studies (or ending full-time studies). Repayment begins once they have consolidated their loans.

Debt Reduction in Repayment: A federal repayment assistance program to reduce a borrower's outstanding Canada Student Loans principal to an affordable amount. Borrowers are eligible for Debt Reduction in Repayment after **Interest Relief** has been exhausted and after the borrower has been out of school for at least five years. The maximum amount of assistance is \$26,000, which is available to eligible borrowers in an initial reduction of up to \$10,000, a second reduction of up to \$10,000, and a final reduction of up to \$6,000.

As of August 1, 2009, Debt Reduction in Repayment will be replaced by the **Repayment Assistance Plan**.

Default: A Canada Student Loan issued under the **direct loans** regime enters into default once a borrower has missed payments for 270 days. Loans issued under the **guaranteed** and **risk-shared** loan regimes enter into default when payments are in arrears for 90 days or more.

Default rate: The CSLP measures default using the "three-year cohort default rate." This rate shows the proportion of loan dollars that enter repayment in a given loan year (cohort) and default within three years. For example, the 2006–2007 default rate represents the proportion of loans that entered repayment in 2006–2007 and defaulted before August 1, 2009.

Designated: A designated post-secondary educational institution meets provincial and federal eligibility criteria, and students attending these schools can apply for government-sponsored student financial assistance, such as Canada Student Loans.

Direct loans: As of August 2000, the federal government issues Canada Student Loans under the direct loans regime. Loans are directly financed by the Government and a third-party service provider administers the loan process.

Full-time: A full-time student is a student enrolled in at least 60% of a full course load (or 40% for students with permanent disabilities), for a period of at least 12 consecutive weeks at a **designated** post-secondary educational institution.

Guaranteed loans: Between 1964 and 1994, Canada Student Loans were provided by financial institutions (such as banks) under the guaranteed loans regime. If a student defaulted on a guaranteed loan, the Government paid out the bank and the student's debt was then owed directly to the government.

Integrated: The federal and provincial governments work together to make applying, managing and repaying loans easier. The CSLP has integration agreements with Ontario, New Brunswick, Newfoundland and Labrador, and Saskatchewan, such that federal and provincial loans are combined so borrowers receive and pay back one federal-provincial integrated loan.

In-study: The status of borrowers who are still attending full-time or part-time studies at a post-secondary institution or who have finished school less than six months ago.

In-Study Interest Subsidy: This exempts Canada Student Loan borrowers from paying interest on their loans as long as they are in full-time study (and, in the case of loans negotiated before August 1, 1993, for six months after the completion of studies). The Government covers the interest for borrowers receiving the subsidy.

Interest Relief: A repayment assistance measure, based on a borrower's family income and family size. Eligible borrowers do not have to make monthly payments, and the Government covers monthly interest. Eligible borrowers receive assistance for up to six months at a time, and can reapply for a total of 54 months.

As of August 1, 2009, Interest Relief will be replaced by the **Repayment Assistance Plan**.

Loan year: August 1 to July 31.

National Student Loans Service Centre: The main point of contact for borrowers in managing their loans, from loan disbursement, to repayment and repayment assistance. The National Student Loans Service Centre (NSLSC) is run by a third-party service provider. The NSLSC manages all Canada Student Loans issued on or after August 1, 2000, as well as integrated student loans for New Brunswick and Newfoundland and Labrador, issued on or after August 1, 2000. It also manages all integrated student loans for Ontario and Saskatchewan issued on or after August 1, 2001.

Part-time: A part-time student is a student taking between 20% and 60% of a full course load (or 20% to 40% of a full course load for a student with a permanent disability).

Participating provinces and territories: The provinces and territories that choose to deliver financial assistance to students within the framework of the CSLP. At the moment, they include Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia and the Yukon.

Province and territory: A student's province or territory of residence is the province or territory where they have most recently lived for at least 12 consecutive months (not including time spent in a province or territory as full-time student at a post-secondary institution). For example, a student from Alberta studying in Quebec would be considered an Alberta student.

Post-secondary education: Levels of education following secondary school (high school). This can include public and private educational institutions such as universities, colleges, community colleges, trade schools, technical institutions, vocational institutions, or CEGEPs (Collège d'enseignement général et professionnel).

Repayment: The status of borrowers who have begun repaying their Canada Student Loans. Repayment for full-time loans begins six months after a borrower completes their post-secondary studies, or stops studying full-time.

Repayment Assistance Plan: As of August 1, 2009, the Repayment Assistance Plan (RAP) will replace the **Interest Relief** and **Debt Reduction in Repayment** measures. RAP is a temporary repayment assistance measure where a borrower pays an affordable monthly loan payment based on their family income and family size. RAP also ensures that no borrower will have a repayment period of more than 15 years (or 10 years if they have a permanent disability).

- Eligible borrowers can receive assistance for six months, and can reapply as long as they are eligible.
- Loan payments are based on the borrower's income, level of debt and ability to pay.

Repayment rate: The repayment rate is the percentage of the total principal amount of Canada Student Loans consolidated in a given loan year that is repaid or in good standing at the end of the subsequent loan year.

Revision of terms: A means of allowing borrowers to manage their loan repayment in a way that is responsive to their situation. It can be used to decrease monthly payments (extending the loan term to a maximum of 14.5 years), or it can be used to increase loan payments to allow the borrower to pay off the loan sooner.

Risk-shared loans: Between 1995 and 2000, Canada Student Loans were provided by financial institutions (such as banks) under the risk-shared loans regime. Under this regime, financial institutions assumed responsibility for a portion of the possible risk of defaulted loans in return for a payment from the Government.