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STUDENT FINANCIAL ASSISTANCE

Report of the Standing Committee on Public Accounts

Kelly Block, Chair

**FEBRUARY 2021
43rd PARLIAMENT, 2nd SESSION**

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

SIXTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g) and the motion adopted by the committee on Thursday, November 5, 2020, the committee has studied Report 2, Student Financial Assistance, of the 2020 Spring Reports of the Auditor General of Canada and has agreed to report the following:



STUDENT FINANCIAL ASSISTANCE

INTRODUCTION

The Government of Canada manages or contributes to a number of programs that provide financial assistance to post-secondary students, including the Canada Student Loan Program (CSLP) and the Canada Education Savings Program.

Established in 1964, the CSLP “is intended to help students from low- and middle-income families afford post-secondary education. The program provides eligible students with non-repayable grants and repayable loans. Since 2000, it has offered loans directly to eligible students.”¹ For the 2016–2017 loan year (which runs from 1 August to 31 July) the federal government provided direct loans worth \$2.6 billion to about 500,000 students;² in 2018, it invested \$1.1 billion in the Canada Education Savings Program.³

Student loan recipients in financial difficulty can apply to the Repayment Assistance Plan, which is governed by the [Canada Student Financial Assistance Regulations](#) under section 15 of the [Canada Student Financial Assistance Act](#) (the Act).⁴ The plan reduces borrowers’ monthly payments so that they can better manage their student debt; that is, “the federal government, on behalf of the borrower, covers at least part of the interest on the student loan, and in some cases, part of the principal as well.”⁵

Three federal organizations play a role in the administration of student financial assistance. Employment and Social Development Canada (ESDC) manages the CSLP and analyzes program features with a view to promoting repayment of loans and ensuring that the program is managed efficiently.⁶ The department also contracted a private sector service provider to manage “the National Student Loans Service Centre, which administers student loan accounts from loan disbursement to repayment. The department is also responsible for encouraging Canadians to save for post-secondary

1 Office of the Auditor General of Canada (OAG), [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.2.

2 Ibid.

3 Ibid., para. 2.17.

4 Ibid., para. 2.3.

5 Ibid.

6 Ibid., para. 2.4.



education and for raising awareness of the Canada Education Savings Program, which encourages families to save for their children’s post-secondary education.”⁷

The Canada Revenue Agency (CRA) is responsible for recovering student loans in default for ESDC; when the agency deems that a student loan is unrecoverable, it recommends that the department write it off.⁸

Lastly, the Financial Consumer Agency of Canada (FCAC) collaborates with stakeholders (such as financial assistance administrators in post-secondary institutions) and supports initiatives to strengthen the financial literacy of Canadians, including students.⁹

In the spring of 2020, the Office of the Auditor General of Canada (OAG) released an audit that focused on whether ESDC and CRA efficiently managed various aspects of financial assistance to post-secondary students and the risks to the public purse, while helping students attend colleges and universities. The audit also focused on whether FCAC collaborated with stakeholders to strengthen students’ financial literacy.¹⁰

On 1 December 2020, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit with the following in attendance:

OAG – Karen Hogan, Auditor General of Canada; Mathieu Lequain, Director; and Philippe Le Goff, Principal.

ESDC – Graham Flack, Deputy Minister; Atiq Rahman, Acting Assistant Deputy Minister, Learning Branch; and Marc Perlman, Chief Financial Officer and Senior Assistant Deputy Minister.

CRA – Bob Hamilton, Commission of Revenue and Chief Executive Officer; and Marc Lemieux, Assistant Commissioner, Collections and Verification Branch.

FCAC – Judith Robertson, Commissioner.¹¹

7 Ibid.

8 Ibid., para. 2.5.

9 Ibid.

10 Ibid., para. 2.7.

11 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#).

The following is a glossary of key terms used in this audit:

Default – A term describing a loan that has been in arrears for at least 270 days or a loan for which the borrower refuses to make any payment.

Default rate – Value of loans that enter repayment in a given loan year and default within 3 years, as a percentage of the value of all loans that entered repayment in that loan year.

Delinquent – Term describing a loan that has been in arrears for fewer than 270 days.

Direct loan – Loan provided by the federal government without involving a financial institution.

Governor in Council – The Governor General, acting on the advice of the Cabinet, as the formal executive body that gives legal effect to those decisions of Cabinet that are to have the force of law.¹²

FINDINGS AND RECOMMENDATIONS

Background

The federal government offers three forms of financial assistance to students:

- direct loans under the CSLP;
- financial incentives for families to save for post-secondary education under the Canada Education Savings Program; and
- grants under the CSLP (which the OAG did not study).¹³

The CSLP “provides loans to post-secondary students based on a number of criteria, including income and family composition. Borrowers must begin repaying the principal and interest 6 months after the end of their full-time studies.”¹⁴ The program also offers the Repayment Assistance Plan (RAP) in which the government covers payments of

12 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, About the Audit, Definitions.

13 Ibid., para. 2.13.

14 Ibid., para. 2.14.



interest and, in some cases, principal for eligible borrowers, for a renewable six-month period.¹⁵ Under the plan, borrowers who claim they cannot meet the full monthly payment of their student loans must report their income and family composition, which is used by the department to calculate a reduced monthly payment.¹⁶

In Stage 1 of the RAP, “the government covers only interest that is not included in the reduced monthly payment. Stage 2 of the plan starts either after a borrower has participated in the plan for 60 months or the borrower has been out of school for 10 years, whichever comes first. In Stage 2, the government also covers principal not included in the reduced monthly payment.”¹⁷ When questioned at the hearing about the proportion of borrowers that use the plan, the department explained that between 1 August 2010 and 31 July 2020, of the 1.8 million Canada Student Loan borrowers who have entered repayment, 1,264,000 (70%) have never used the RAP; and of the 628,000 borrowers who have already paid off their loans, 86% of them have done so without ever using the RAP.¹⁸

The third component of federal student financial assistance is the Canada Education Savings Program, which is comprised of both the Canada Learning Bond and the Canada Education Savings Grant.¹⁹

Verification of Applications

The OAG found that ESDC, through its private sector service provider, did not properly check the accuracy of applications to the RAP. The department asked the service provider to sample applications for income verification; however, the provider did not have income tax information from CRA and assessed income by relying on pay slips submitted by the applicants; additionally, it did not verify family composition. Thus, the provider could not determine the accuracy of the information provided.²⁰

15 Ibid., para. 2.15.

16 Ibid.

17 Ibid., para. 2.16.

18 Employment and Social Development Canada, Letter, “Follow-Up Responses from the Appearance of ESDC Officials before the Standing Committee on Public Accounts (PACP), Report 2, Student Financial Assistance, of the 2020 Spring Reports of the Auditor General of Canada, 1 December 2020,” 25 January 2021.

19 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.17.

20 Ibid., para. 2.22.

Moreover, in 2017, ESDC conducted a verification process that showed that 58% of participants in the RAP had an income higher than what they declared; in fact, 14% of these cases had a difference significant enough to result in a lower RAP benefit.²¹

Consequently, the OAG recommended that in order to “maximize repayment of student loans, [ESDC] should ensure proper, systematic verification of applications to participate in the [RAP].”²²

In its Detailed Action Plan, although ESDC stated its agreement with the recommendation, it also argued that the plan’s “objective is to provide relief to persons with employment difficulty or who face sudden income or family composition changes (such as a lost job or a newborn). This is why eligibility is based on previous month’s income and family composition. The [OAG] refers to provinces’ use of [CRA’s] annual tax data for student financial assistance. However, annual income information would not identify sudden financial hardship affecting plan applicants.”²³

The action plan also states that verification of the RAP has its challenges, specifically regarding applicants who report zero income in the preceding monthly period (approximately 20%) and regarding family composition, and that work is underway to enhance verification using CRA’s data.²⁴ Furthermore, the “department has engaged partners on more robust plan-verification methods. An information-sharing agreement, expected to be in place by spring 2021, will allow verification of income and family composition data against the agency’s tax data during the application process while maintaining current systematic sampling practices.”²⁵

The action plan also provided the following milestones:

- Finalization of the information sharing agreement with CRA - March 2021;
- Completion of Service Provider, CRA and provincial/territorial participating jurisdiction system modifications and testing – December 2021; and

21 Ibid.

22 Ibid., para. 2.26.

23 Employment and Social Development Canada (ESDC), [Detailed Action Plan](#), p. 1.

24 Ibid.

25 Ibid.



- Systematic verification of income on RAP applications - March 2022.²⁶

At the hearing, Bob Hamilton, Commissioner of Revenue, further explained that the information sharing agreement planned for March 2021 “will enable CRA to strengthen verification of borrower marital status, income, spousal income and number of dependents against tax data during the [RAP] application process.”²⁷

Therefore, the Committee recommends:

Recommendation 1 – on the verification of applications

That, by 30 June 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on ensuring the proper, systematic verification of applications to participate in the Repayment Assistance Plan. A final report should be provided by 30 April 2022.

NOTABLE FINDING

As of 31 July 2018, more than 200,000 borrowers who had declared that they faced difficulties repaying their student loans were participating in the Repayment Assistance Plan. The total amount of these loans was nearly \$3.6 billion. Given that 40,492 borrowers in the plan declared that they had ended their full-time post-secondary studies, had no job or income, and did not receive any form of government assistance, the OAG concluded that this number should have prompted the department to take appropriate measures to safeguard the integrity of the plan, given the integrity problem the department had identified.

Source: Office of the Auditor General of Canada, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.24.

Performance Indicators

The OAG also found that in addition to the default rate, other indicators would also be useful to help Canadians and Parliament better understand the performance of the

26 Ibid.

27 House of House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#), 1115.

CSLP.²⁸ Table 1 shows Government of Canada student loan non-repayment data over a five-year period, the value of which grew to almost \$2.3 billion.

Table 1—Total amount of non-repayment of direct student loans, 2014-2015 to 2018-2019, millions of dollars

Types of non-repayment	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	Five-year total
Write-offs of student debt in default	286	171	173	199	160	989
Interest waived under the Repayment Assistance Plan	148	159	176	210	244	937
Principal forgiven under the Repayment Assistance Plan	41	33	67	86	100	327
Total non-repayment amount	475	363	416	495	504	2,253

Source: Table prepared by the authors using data obtained from the Office of the Auditor General of Canada, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, Exhibit 2.3. This amount does not include the amounts for the Canada Student Loan Forgiveness for Family Doctors and Nurses program, which offers loan forgiveness to eligible family doctors and nurses who work in designated rural or remote communities, or amounts forgiven because of a death or a permanent disability.

CRA is responsible for recovering loans in default on behalf of ESDC; thus, when “the agency exhausts all reasonable avenues to collect a debt, the department sets in motion a formal process to write it off. A senior management committee examines the list of student debts proposed for write-off and recommends writing off debt valued at more than \$25,000.”²⁹ All write-offs of debt related to direct student loans require the

28 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.27.

29 *Ibid.*, para. 2.29.



approval of the Treasury Board; also, Parliament approves the amount of these write-offs each year.³⁰

The Act limits the actions that may be taken against borrowers after they fail to acknowledge their student debts for six years (e.g., by not making any payments); then, the government can write off these debts.³¹ However, the six-year “period is usually calculated starting from the date on which loans become due,” and each time borrowers acknowledge their debt, the six-year period restarts.³²

In contrast to writing off student debt, the interest waived and the principal forgiven under the RAP is not submitted for approval to a senior management committee, the Treasury Board, or Parliament each year. This is because although write-offs represent an unintentional loss for the government, the RAP’s costs (waived interest and principal forgiven) are authorized by the Governor in Council under the Act.³³

Consequently, the OAG recommended that ESDC “should develop performance indicators that take into account the full impact of the [RAP] on the non-repayment of student loans.”³⁴

In its Detailed Action Plan, ESDC stated its agreement with this recommendation and provided the following:

- “The department believes the three-year default rate reported to Parliament is an appropriate performance indicator to demonstrate and track this loss. However, the RAP is a program benefit to Canadians, and program expenditures are based on the parameters approved by Parliament.
- Given the diverging program objectives of decreasing the write-off losses and increasing the use of the plan by eligible Canadians, a combined performance indicator would not provide an accurate picture of the repayment cost. However, in fall 2020, the department

30 *Ibid.*

31 *Ibid.*, para. 2.30.

32 *Ibid.*

33 *Ibid.*, para. 2.31.

34 *Ibid.*, para. 2.32.

will work with the Office of the Chief Actuary on the development of an appropriate, but separate, indicator for the plan.”³⁵

At the hearing, Graham Flack, Deputy Minister, ESDC, further explained that although the department has already started working to improve how it reports data about federal student assistance to Parliament, it intends “to continue reporting program spending such as the RAP and write-off loss separately.”³⁶

Therefore, the Committee recommends:

Recommendation 2 – on performance indicators

That, by 31 May 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on the development of a new performance indicator that takes into account the full impact of the Repayment Assistance Plan on the non-repayment of student loans.

Informing Credit Bureaus

According to the OAG, CRA is responsible for recovering student loans in default, while ESDC retains ownership of the debt; as of 31 March 2019, this amounted to \$2.4 billion. And although the it recovered \$200 million (on average) per year between the 2013–2014 and 2018–2019 fiscal years, the specific methods available for recovering student loans are more limited than those available to the agency for other types of debt under the *Income Tax Act*.³⁷

The OAG found that ESDC “did not disclose student debts in default to credit bureaus, despite having borrowers’ permission to do so and recognizing that this would prompt borrowers to repay their loans more quickly. This was inconsistent with the department’s practice for delinquent student loans, which are reported to credit bureaus through the service provider.”³⁸

35 ESDC, [Detailed Action Plan](#), p. 2.

36 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#), 1115.

37 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.33.

38 *Ibid.*, para. 2.34.



Consequently, the OAG recommended that in order to “prompt borrowers to be more diligent about repaying their student debt, [ESDC] should inform credit bureaus about student debts in default.”³⁹

In its Detailed Action Plan, ESDC stated its agreement with this recommendation and provided the following explanation:

- “In accordance with the provisions of the contract with the Government of Canada, the service provider currently reports regularly to credit bureaus on loans they administer. This reporting is done before a borrower is in default and remains on the borrower’s credit record for approximately 6 years. However, once the loan is in default and is transferred to [CRA] for collections, no further reporting is done. [ESDC] is developing a process for credit bureau reporting on loans in collections, by fall 2022, as part of ongoing program enhancements.

[...]

- A new contract is currently operational and includes processes to re-baseline default targets to ensure incentive targets are aligned with current realities. Targets will be revisited on an ongoing basis to demonstrate improvement in default rates and will be appropriately challenging and account for program or policy changes.”⁴⁰

It also provided the following milestones:

- Roll-out of new ESDC Accounts Receivable System (PSCD) - April 2020
- Revision of student loan agreement with borrowers to receive their consent – December 2021
- Implement credit bureau reporting functionality in PSCD via system release – September 2022
- Establish information exchange mechanism with the credit bureaus - December 2022

39 Ibid., para. 2.35.

40 ESDC, [Detailed Action Plan](#), pp. 2-3.

- Begin credit bureau reporting – December 2022.⁴¹

Some members of the Committee expressed concern about the effect that such measures could have on the credit scores of young persons (who make up the bulk of post-secondary students) as this could affect issues such as obtaining car loans and mortgages, just as they are starting out their careers. Graham Flack explained the process and its underlying principles:

I think the core principle behind the program is that those individuals who have the means to be able to pay should repay according to the schedule that was laid out, and those individuals who suffer an economic event or a health event that prevents them from being able to do so, or has a growing family that makes their income at a level where they would be spending more than 20% of their income on the repayments, they should not be required to be repaying. The way that we get at the credit rating fundamentally is by relieving the burden for those who don't have the ability to pay. However, for those who do have the ability to pay, when they fail to make a payment, each time that happens, that's reported through a third party provider to the credit agencies and it stays on their record for up to six years until such time as they repay.⁴²

Hence, the Committee recommends:

Recommendation 3 – on informing credit bureaus

That, by 31 December 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on informing credit bureaus about student debts in default. A final report should be provided by 31 January 2023.

Financial Literacy

The OAG found that ESDC did not offer enough tools to help students understand their financial obligations under the CSLP. Since 2010, research showed borrowers understood little about the program; in fact, provincial studies suggested that many applicants did not read their loan agreements and simply went directly to the section where they had to sign their names.⁴³

41 Ibid.

42 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#), 1230.

43 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.36.



Additionally, a 2016 ESDC client satisfaction survey “showed more examples of borrowers’ limited understanding, including the following:

- Only 44% of borrowers in their last year of studies knew that interest on their loans would start to accumulate from the time their studies ended.
- Only 35% of new borrowers knew that interest would start to accumulate from the time they changed their status from full- to part-time student.
- Only 19% of borrowers in their last year of studies knew about the Repayment Assistance Plan.”⁴⁴

FCAC has a mandate to promote financial literacy and has developed resources and tools to help students plan a budget and to explain concepts associated with student loans.⁴⁵ The Agency reached out to ESDC to increase students’ financial literacy through the web portal of the National Student Loans Service Centre; yet, at the time of the audit, the department, through its private service provider, had not done this.⁴⁶

In 2014, ESDC established a statement of work for the service provider that “specified that students must have support throughout the loan process so that they can make sound financial decisions. The initial plan was to provide support starting in April 2018, but the implementation date was postponed a first time to March 2019;” the department later told the OAG that it was planning a gradual implementation up to 2021.⁴⁷

When questioned at the hearing about promoting financial literacy amongst student loan borrowers, the department explained that since the launch of the Virtual Repayment Counselor in November 2019, it had been visited over 300,000 times by student loan borrowers and that roughly half of the students who entered repayment in

44 ibid., para. 2.36.

45 ibid., para. 2.37.

46 ibid.

47 ibid., para. 2.38.

November 2020 had used it.⁴⁸ Furthermore, since its publication in March 2020, the “Managing Your Money” web page has received:

- “26,000 views on “Understanding your Loan” content;
- 21,000 page views on “Budgeting” content;
- 10,500 views on “Paying for your Education” content; and
- 6,100 views on “Money Tips and Tricks” content.”⁴⁹

Some stakeholders recommended mandatory training for students before they sign loan agreements and when they abandon or complete their studies. Such is the case in the United States, “where all recipients of a direct loan from the Federal Student Aid office must undergo training about the loan and repayment process, as well as about managing spending.”⁵⁰

Furthermore, the OAG concluded that “it would be useful to hold in-depth consultations on this subject in order to better understand how such a program could function in Canada.”⁵¹ Consequently, it recommended that as soon as possible, ESDC, in collaboration with FCAC, “should

- make available on the web portal of the National Student Loans Service Centre all the financial information needed by loan recipients in the Canada Student Loans Program.
- consult with stakeholders about the costs and benefits of mandatory training for student loan applicants before loans are provided and for student loan recipients who abandon or complete their studies.”⁵²

48 Employment and Social Development Canada, Letter, “Follow-Up Responses from the Appearance of ESDC Officials before the Standing Committee on Public Accounts (PACP), Report 2, Student Financial Assistance, of the 2020 Spring Reports of the Auditor General of Canada, 1 December 2020,” 25 January 2021.

49 Ibid.

50 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.39.

51 Ibid.

52 Ibid., para. 2.40.



In its Detailed Action Plan, ESDC stated its agreement with the recommendation as well as the following:

- “The department is also continuing the implementation of the multi-year plan to enhance financial literacy tools on the National Student Loans Service Centre web portal. A virtual repayment counsellor was launched in November 2019, which provides borrowers with necessary information on their student loan, including repayment options to help support them.
- The [department] will continue to work with the agency to implement additional financial literacy tools as part of this plan. ESDC will also consult with provincial and territorial student aid programs as well as external stakeholders, by fall 2021, regarding the costs and benefits of mandatory counselling to determine feasibility and value.”⁵³

The action plan also provided the following milestones, organized into two parts:

- Part 1:
 - Launch of additional financial literacy content and communications - March 2021
- Part 2:
 - Consultation with provincial and territorial partners – December 2020
 - Consult external stakeholders – March 2021
 - ESDC to gather input received and conduct analysis, including costs and benefits - September 2021⁵⁴

53 ESDC, [Detailed Action Plan](#), p. 3.

54 Ibid.

FCAC also agreed with this recommendation and stated that it “will support ESDC by providing access to education materials for inclusion on the web portal” along with advice related to mandatory training for students receiving direct loans from the CSLP.⁵⁵

When asked about this issue, Judith Robertson, Commissioner, FCAC, explained the following:

We're actually very happy to report the progress that has been made, which has been made in stages. There are links to the various materials that we already have on our website, many of which are designed specifically for students.

In addition, one of the things I would point to that we think is quite pertinent to this population is the link to our budget planner, which is a tool that we introduced last year. It is a very simple and easy-to-use planning tool.⁵⁶

When asked about the concept of mandatory financial literacy training for student loan borrowers, however, Graham Flack provided the following:

The U.S. is the jurisdiction we looked at that did put this in place. The academic literature around their program is that it has not resulted in better outcomes. It's an online program that everyone has to take. People figure out what the answers are or look them up online, and it doesn't appear to have a long-term impact.

We are working with the provinces, because they would probably be the front line delivering this, to test viable options for this type of training to determine what would actually work and improve outcomes. I think before recommending to the minister that we move to mandatory training, we would want to be very confident that there was a return on investment from it and that it wasn't just a burden on individuals without any improved results in the outcomes.⁵⁷

Therefore, the Committee recommends:

Recommendation 4 – on financial literacy

That, by 31 May 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on A) making all the financial information needed by loan recipients in the Canada Student Loans Program available on the web portal of the National Student Loans

55 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.40.

56 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#), 1135.

57 *Ibid.*, 1230.



Service Centre; and B) consulting with stakeholders about the costs and benefits of mandatory training for student loan applicants before loans are provided and for student loan recipients who abandon or complete their studies.

Additionally, given the findings of the department's 2016 client satisfaction survey, the Committee recommends:

Recommendation 5 – on communicating with borrowers

That Employment and Social Development Canada consider implementing a practice of providing all student loan borrowers, including those who have not yet completed their studies, with an annual statement that includes the total amount owed; its due date; a reminder of the availability of the Repayment Assistance Plan; and the financial literacy resources available through the web portal of the National Student Loans Service Centre.

Program Evaluation

The OAG found that some elements of the CSLP had not yet been adequately evaluated; e.g., although RAP participants undertook post-secondary education, half of them declared at the end of 2018–2019 that they still had financial difficulties at least four years after having first used the plan, which prevented them from repaying their student loans as planned.⁵⁸

In fact, the OAG noted that although ESDC evaluated the Canada Education Savings Program in 2003, 2009, and 2015, several issues warrant additional research and analysis to improve the program's overall impact and efficiency.⁵⁹ For example, according to departmental information:

- Increased savings could help reduce students' reliance on loans; yet evaluations did not measure the impact of increased savings on the CSLP;
- Participation in post-secondary education is mainly determined by the parents' education level and the child's academic performance and financial barriers are much less important; thus, the impact of the

58 OAG, [Student Financial Assistance](#), Report 2 of the 2020 Spring Reports of the Auditor General of Canada, para. 2.46.

59 Ibid., para. 2.47.

Canada Education Savings Program on post-secondary education participation needs to be further evaluated; and

- Low-income families did not fully participate in the Canada Education Savings Program – even though the Canada Learning Bond is paid by the government without any contribution from families, about 62% of eligible children did not receive it as of 2018 because no account had been opened for them. Also, the proportion of low-income families with a Registered Education Savings Plan account who contributed and therefore received the grant decreased from 92% to 74% between 2007 and 2018.⁶⁰

Consequently, the OAG recommended that ESDC “should consider undertaking a thorough evaluation of both of the federal student financial assistance programs to, among other things,

- further assess the reasons for student loan non-repayment in order to develop appropriate solutions
- evaluate the impact of the Canada Education Savings Program on participation in and completion of post-secondary education and on the Canada Student Loans Program
- understand why there is low participation in the Canada Education Savings Program.”⁶¹

In its Detailed Action Plan, ESDC stated its agreement with the recommendation and provided the following:

- “[A] research project will use newly linked survey and administrative data by Statistics Canada to assess interactions between the CSLP and the Canada Education Savings Program (CESP), and the impact of the CESP on post-secondary education outcomes.

[...]

- The department plans to start an in-depth CESP evaluation in spring 2020 to assess the interactions of the CESP and the CSLP and the

60 ibid.

61 ibid., para. 2.48.



unique contribution of the CESP on post-secondary education participation and completion.

- The department will incorporate relevant questions pertaining to non-repayment of student loans in a future program evaluation, which is planned to start in spring 2022.”⁶²

The action plan also provided the following milestones, in two phases:

- CESP research project
 - Validation of data linkages for the Education and Labour Market Longitudinal Platform (ELMLP) – January 2020
 - Program officials and Evaluation staff will examine administrative CESP data, including data from the ELMLP – April 2020
 - Results tables and analysis – September 2020
- Evaluation
 - A feasibility study on the CESP impacts will be produced – November 2020
 - ESDC plans to commence an evaluation on the CSLP – June 2022⁶³

At the hearing, Graham Flack provided the following update:

While our ongoing evaluation work has focused on the impact of the two programs individually, the department has been working with Statistics Canada for several years now on developing appropriate data sets that would allow us to do a comprehensive evaluation to examine the interaction between the two programs.

After much technology and privacy work to link those data sets, that has now been completed. Our first evaluation of the interactions between the education savings program and the Canada student loan program is underway. With better understanding we will be able to take appropriate steps to reduce financial barriers to students.⁶⁴

62 ESDC, [Detailed Action Plan](#), p. 4.

63 Ibid.

64 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 43rd Parliament, 1 December 2020, [Meeting No. 10](#), 1120.

Therefore, the Committee recommends:

Recommendation 6 – on program evaluation

That, by 31 May 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on undertaking a thorough evaluation of both of the federal student financial assistance programs including A) further assessing the reasons for student loan non-repayment in order to develop appropriate solutions; B) evaluating the impact of the Canada Education Savings Program on participation in and completion of post-secondary education and on the Canada Student Loans Program; and C) better understanding the reasons for low participation in the Canada Education Savings Program. An interim progress report should be provided by 31 December 2021 and a final report should be provided by 31 July 2022.

CONCLUSION

The Committee concludes that Employment and Social Development Canada did not manage some aspects of federal financial assistance for post-secondary education, along with the risks to the public purse, in an efficient manner. Furthermore, the department had not yet made financial literacy tools adequately available to students, as suggested by the Financial Consumer Agency of Canada. Lastly, the Canada Revenue Agency did not have at its disposal the necessary tools to maximize recovery of student loans in default.

As part of its study, the Committee has made six recommendations to help the Government of Canada improve its administration of student financial assistance.



SUMMARY OF RECOMMENDATIONS AND TIMELINES

Table 2 — Summary of Recommendations and Timelines

Recommendation	Recommended Measure	Timeline
Recommendation 1	Employment and Social Development Canada should provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on ensuring the proper, systematic verification of applications to participate in the Repayment Assistance Plan. A final report should also be provided.	30 June 2021 and 30 April 2022
Recommendation 2	ESDC should provide the Committee with a report outlining its progress on the development of a new performance indicator that takes into account the full impact of the Repayment Assistance Plan on the non-repayment of student loans.	31 May 2021
Recommendation 3	ESDC should provide the Committee with a report outlining its progress on informing credit bureaus about student debts in default. A final report should be also be provided.	31 December 2021 and 31 January 2023
Recommendation 4	ESDC should provide the Committee with a report outlining its progress on A) making all the financial information needed by loan recipients in the Canada Student Loans Program available on the web portal of the National Student Loans Service Centre; and B) consulting with stakeholders about the costs and benefits of mandatory training for student loan applicants before loans are provided and for student loan recipients who abandon or complete their studies.	31 May 2021

Recommendation 5	ESDC should consider implementing a practice of providing all student loan borrowers, including those who have not yet completed their studies, with an annual statement that includes the total amount owed; its due date; a reminder of the availability of the Repayment Assistance Plan; and the financial literacy resources available through the web portal of the National Student Loans Service Centre.	n/a
Recommendation 6	ESDC should provide the Committee with a report outlining its progress on undertaking a thorough evaluation of both of the federal student financial assistance programs including A) further assessing the reasons for student loan non-repayment in order to develop appropriate solutions; B) evaluating the impact of the Canada Education Savings Program on participation in and completion of post-secondary education and on the Canada Student Loans Program; and C) better understanding the reasons for low participation in the Canada Education Savings Program. An interim progress report and a final report should also be provided.	31 May 2021, 31 December 2021, and 31 July 2022

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Canada Revenue Agency Bob Hamilton, Commissioner of Revenue and Chief Executive Officer Marc Lemieux, Assistant Commissioner, Collections and Verification Branch	2020/12/01	10
Department of Employment and Social Development Graham Flack, Deputy Minister, Employment and Social Development Mark Perlman, Chief Financial Officer and Senior Assistant Deputy Minister Atiq Rahman, Acting Assistant Deputy Minister, Learning Branch	2020/12/01	10
Financial Consumer Agency of Canada Judith Robertson, Commissioner	2020/12/01	10
Office of the Auditor General Karen Hogan, Auditor General of Canada Mathieu Lequain, Director Philippe Le Goff, Principal	2020/12/01	10

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 10 and 17](#)) is tabled.

Respectfully submitted,

Kelly Block, M.P.
Chair

