



Human Resources
Development Canada

Développement des
ressources humaines Canada

REVIEW OF THE GOVERNMENT OF CANADA'S STUDENT FINANCIAL ASSISTANCE PROGRAMS



CANADA STUDENT LOANS PROGRAM 1999-2000

Further Information on Student Financial Assistance

The CanLearn Interactive Website provides extensive information of value to students and parents planning for post-secondary education. An entire section of the site is devoted to financial issues. It provides access to the Student Need Assessment Software, a program which enables individuals to assess the student aid available in certain circumstances. It can be accessed at:

<http://www.canlearn.ca>

Information about federal student aid programs is available on the Internet at the Canada Student Loans Program Website:

http://www.hrdc-drhc.gc.ca/student_loans/c/index_e.html

Alternatively, please contact the Canada Student Loans Program at:

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Human Resources Development Canada
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1999-2000 FOREWORD

I am pleased to present this Review of the Government of Canada's Student Financial Assistance Programs for 1999-2000.

Making sure that Canadians have the skills and knowledge required for today's economy and society, and for the future, is a national challenge. Created in 1964, the Canada Student Loans Program provides financial assistance for students at the post-secondary level. The program, and other forms of student assistance that have been introduced by the Government of Canada, is administered jointly with provincial and territorial governments.

Each year, over 450,000 Canadian students benefit from the Canada Student Loans Program. In addition, the Government of Canada indirectly assists students through payments to Quebec, the Northwest Territories and Nunavut for their comparable programs.

The continuing evolution of the Canada Student Loans Program is demonstrated by the introduction in August 2000 of a new financing approach for the provision of loans. Directly financed loans from the Government of Canada have now replaced the previous arrangement under which loans were provided and administered by banks and other financial institutions.

Among the other measures introduced in recent years are enhanced Interest Relief and Debt Reduction in Repayment to assist borrowers experiencing financial hardship to cope with their debt and changes to Canada Study Grants to better assist students with disabilities.

The Government of Canada also created the Canada Millennium Scholarship Foundation in 1998 investing \$2.5 billion into a fund designed to provide, over a period of 10 years, more than \$300 million per year in financial assistance to post-secondary students. Millennium Scholarship bursaries and scholarships in the year 2000 helped more than 90,000 students reduce student debt loads.

The Government of Canada continues to work with provincial and territorial governments, college and university administrators, student groups, and other partners to help ensure that Canadians can achieve their skills and learning goals. As I stated in the Government of Canada Innovation Strategy *Knowledge Matters: Skills and Learning for Canadians* paper, the programs that help Canadians access post-secondary education are key to our future success. By providing opportunities for all Canadians to learn and to develop their skills, we can achieve our commitment to economic growth and prosperity and demonstrate our social values of inclusion and equality.

Jane Stewart, P.C., M.P.
Minister of Human Resources Development Canada

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HIGHLIGHTS

- The last few years have seen significant change for the administration of the Canada Student Loans Program. In the late 1990s, private sector financial institutions signaled their reluctance to continue as delivery partners for student loans. As a result, the Government of Canada was faced with the challenge of moving to assume direct financial responsibility for the program without interrupting service to its student clients.
- The Government of Canada works in close partnership with participating jurisdictions to develop common criteria to be applied to government sponsored student financial assistance programs. Canada Student Loans Program harmonization and integration initiatives, including the signing of harmonization agreements in May 1999 with Ontario and New Brunswick, have helped streamline federal, provincial and territorial programs.
- In response to increasing concerns over growing student indebtedness and the students' ability to repay their loans, continued improvements to the Canada Student Loans Program were made through greater capacity in the Canada Study Grants portfolio, as well as increased and extended provisions of the Interest Relief and Debt Reduction in Repayment plans.
- In 1999-2000, the Canada Student Loans Program provided a total of \$1.552 billion in loans at an average of \$4,624 per full-time student. Women continue to form the majority of the students receiving loans and grants from the Canada Student Loans Program.
- In the 1999-2000 loan year, approximately 63,793 students were awarded Canada Study Grants totalling \$82.9 million. Canada Study Grants are provided to Canadians who are the most vulnerable to the high cost of a post-secondary education. These include students with permanent disabilities; high-need part time students; women in certain doctoral studies; and students with dependants (a grant was introduced for these students in the 1998-1999 loan year).
- The Government of Canada launched the CanLearn Interactive Web site in October 1999. CanLearn Interactive is an award-winning, Internet-based, one stop resource centre for information products and services that help Canadians make informed decisions about their learning and career goals.

INTRODUCTION



INTRODUCTION



This report is intended to provide Parliament and Canadians with information on the performance of the Canada Student Loans Program (CSLP) for the 1999-2000 loan year (August 1, 1999 to July 31, 2000) as well as to provide detailed financial information for the 1999-2000 fiscal year (April 1, 1999 to March 31, 2000).

The first section of this report reviews the major program activities that occurred in the 1999-2000 loan and fiscal year including efforts to harmonize federal and provincial student loan programs; the transition to a direct financing regime; and new activities such as the CanLearn Interactive Web site.

The second section of the report outlines the CSLP's performance, focusing on quantitative measures and key indicators in the 1999-2000 loan year as compared to the previous year.

The third section examines program expenditures and revenues for the 1999-2000 fiscal year.

MISSION STATEMENT

The purpose of the Canada Student Loans Program is to promote accessibility to post-secondary education for those with demonstrated financial need. The program does this by lowering financial barriers through loans and grants. These help ensure that Canadians have an opportunity to develop their knowledge and skills to participate in the economy and in society.

LEGAL MANDATE

Currently, the CSLP is governed by two Acts of Parliament. Guaranteed student loans are disbursed according to the *Canada Student Loans Act*, while risk-shared and directly financed student loans are disbursed as set out in the *Canada Student Financial Assistance Act*.

RATIONALE

For Canada to be successful in the age of globalization, education and knowledge remain the key components to success.

In the October 12, 1999 Speech from the Throne, the Government of Canada committed itself to helping Canadians achieve success in this challenging environment:

In a knowledge-based economy, the advantage goes to countries that are innovative, have high levels of productivity, quickly adopt the latest technology, invest in skills development for their citizens, and seek out new opportunities around the world.

The Government of Canada is committed to enhancing the participation of Canadians in post-secondary education by providing financial assistance to students who would otherwise be unable to attend. Although providing educational opportunities is primarily the responsibility of provincial and territorial governments, the Government of Canada is aware that the costs of post-secondary education are beyond the means of many Canadians. Since 1964, the Canada Student Loans Program has assisted students with the costs of their post-secondary education. In addition, the federal government assists in a variety of other ways, including fiscal transfers to provincial and territorial governments¹ and support for university research through its research granting agencies². (See Appendix A for a list of key Government of Canada initiatives in support of post-secondary education).

¹Through the Canada Health and Social Transfer.

²Principally the Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council and the new Canadian Institutes for Health Research.

***P**ROGRAM ACTIVITIES 1999-2000*



PROGRAM ACTIVITIES

1999-2000

The 1999-2000 loan year held many changes and new activities for the Canada Student Loans Program. From negotiating harmonization agreements with provinces to launching a Web site as a new communication tool, and applying changes to the Interest Relief and the Debt Reduction in Repayment plans, the CSLP continued to work toward providing better service and products to students and stakeholders.

FEDERAL - PROVINCIAL RELATIONS

Harmonization

A key objective of the CSLP in 1999-2000 was the harmonization of federal and provincial loan programs. The aim was to have federal and provincial programs operate with a common set of rules and assistance measures so student borrowers could receive financial assistance as a single loan product.

In December 1997, Canada's First Ministers agreed on the importance of negotiating agreements to harmonize the administration of federal and provincial student assistance programs. Provincial and territorial ministers of education responded to the First Ministers' agreement by declaring their support for this initiative.

Consultation with Stakeholders

The 1998 Federal Budget committed the federal government to working with the provinces to better co-ordinate federal and provincial student loan programs and to move toward a single loan product.

Students, provinces, financial institutions and representatives from educational institutions were consulted on the issue of harmonization through national stakeholders workshops. On May 4, 1999, the provinces of Ontario and

New Brunswick signed harmonization agreements with the Government of Canada. Under the agreements the harmonized loan would:

- Provide comprehensive and easy-to-understand information to student borrowers;
- Be portable across Canada;
- Simplify repayment through a one payment for combined provincial and federal loans;
- Significantly increase interest relief periods; and
- Eliminate duplication and overlap with the student completing one set of forms.

This initiative responded to an emerging consensus among stakeholders that harmonization was an essential element of student financial assistance reform in Canada.

The Intergovernmental Consultative Committee on Student Financial Assistance and the National Advisory Group on Student Financial Assistance were two important umbrella stakeholder groups consulted.

FINANCIAL INSTITUTION / SERVICE PROVIDER RELATIONS

In January 2000, the Government of Canada issued a request for financing to identify interest in new arrangements for the delivery and administration of the CSLP. Financial institutions signalled their intention not to extend the current financing arrangements, claiming higher than expected losses from loan defaults.

To ensure the ongoing viability of the CSLP beyond July 31, 2000, in view of the coming contract expiry with financial institutions, and to ensure uninterrupted delivery of the program, the Government of Canada announced a new direct financing regime on March 9, 2000.

Under the direct financing regime (implemented August 1, 2000), the Government of Canada directly finances loans to students. Requests for proposals were issued in the following months to identify private sector service providers to operate under contract to the Government of Canada for the administration and management of student loans.

To cover the transition period, the Government of Canada negotiated a seven-month interim arrangement (expiring February 28, 2001) with a number of financial institutions, to process loan documents and transfer funds to students. This arrangement was intended to ensure a seamless transition and avoid any service disruption to student borrowers. However due to these changes, harmonization agreement negotiations were put on hold.

CANADA STUDENT LOANS PROGRAM ENHANCEMENTS

Interest Relief

The Interest Relief plan was designed to help borrowers who are finding it difficult to pay back their Canada Student Loans because of

unemployment or low income. Interest relief was expanded to include those at a higher income threshold in 1998. In 1999-2000 the number of students and the value of interest relief increased due to these changes.

Debt Reduction in Repayment

Debt Reduction in Repayment (DRR) was introduced in 1998 and is intended to assist the relatively small number of borrowers who experience long-term repayment difficulty above and beyond the terms provided by the Interest Relief plan. Once a student has exhausted interest relief he/she may apply for DRR to reduce the principal amount of the loan. DRR is geared to ensure that loans without the prospect of repayment do not go into default, but are reduced in mutual accord between the borrower and the government, allowing the borrower to pay as much as he/she can afford. The maximum reduction allowed is \$10,000 or 50 percent of the principal, whichever is less. Although there was an increase in the number of people and the value of debt relief provided, the full effect of the program will not be clear for some time.

CANADA STUDY GRANTS

Four Canada Study Grants (CSGs) were introduced as part of the reforms to the CSLP to provide assistance to several groups:

- **Students with Permanent Disabilities:** This grant was designed to help these students meet additional education-related expenses incurred in undertaking post-secondary study. As of August 1, 1998, grants of up to \$5,000 per year are available to eligible applicants.

- **High-Need Part-Time Students:** This grant was designed to provide assistance for low-income students who must study part-time. Up to \$1,200 per year may be available to qualified applicants.

- **Women in Certain Doctoral Studies:** This grant was designed to assist female students in certain Ph.D programs in which women are traditionally under-represented. Grants of up to \$3,000 (for a maximum of three years) are available to qualified applicants.

- **Students with Dependants:** In August of 1998, this grant became available to full-time and part-time students with dependants, to assist them with their education costs. Eligible students may qualify for grants of up to \$3,120 per loan year. This grant was responsible for the majority of the spending in the CSG portfolio for 1999-2000.

CONSULTATIONS AND COMMUNICATIONS

In 1999-2000 student information initiatives were a key focus. The CSLP partnered with the provinces in organizing these projects as a direct response to the 1998 budget, which stated that there was a need to improve communications to students and their families.

- Through the Intergovernmental Consultative Committee on Student Financial Assistance, the CSLP initiated student information pilot projects with Alberta and New Brunswick to deliver integrated student assistance information products, beginning in the fall of 1999. The remainder of the provinces initiated their projects in 2000.
- In the spring of 2000, an internal task force was developed to address issues of direct lending. A key issue was how to communicate ways of obtaining a loan to stakeholders, provinces, territories and students.

- For the fall of 2000, several inserts were produced in co-ordination with the provinces. As well, posters were developed and mass distributed to all educational institutions regarding changes to the CSLP.



**CANLEARN
INTERACTIVE**
(www.canlearn.ca)

CanLearn Interactive, an Internet-based one-stop resource for learning information products and services that support informed decision making by individual Canadians in pursuit of their learning and career goals was launched in October 1999.

The CanLearn Interactive Web site was developed with the support of a broad-based partnership of all provincial-territorial governments, 25 national learning stakeholder organizations and several private sector corporations.

The CanLearn Interactive Web site targets all Canadians, but is specifically designed to help those at key decision points in their lives. Through tools like the *Student Planner*, the *CanLearn Interactive Web Directory*, the *Debt-free Guide* and the *Student Financial Planner*, CanLearn Interactive is able to support individual learners in the decision making and financing of their learning plans.

CanLearn Interactive also provides on-line communication support for the increasingly broader base of stakeholders about changes to the program.

CSLP PROGRAM PERFORMANCE



CSLP PROGRAM PERFORMANCE

The program performance of the Canada Student Loans Program for the 1999-2000 loan year (August 1, 1999 to July 31, 2000) is presented here. The following data represents only the federal share of the student loan.

LOANS DISBURSED

- **Table I** compares the value of loans disbursed in each participating province and territory⁴ in 1998-1999⁵ and 1999-2000. The table also illustrates the number of students receiving a Canada Student Loan in those years.
- A total of 336,287 students received loans from the Canada Student Loans Program in 1999-2000. This is not a significant change over the preceding year.
- Of this total, 335,103 (99 percent) went into full-time studies, 1,184 into part-time studies.

- All provinces east of Manitoba saw a marked decrease in the value of loans disbursed and the number of students receiving loans, while provinces west of and including, Manitoba witnessed an increase. It is currently unclear what specific factors may have led to this shift.

- The total value of full-time and part-time loans disbursed in 1999-2000 was \$1.552 billion. Of this, \$3.2 million dollars was for part-time student loans, a decrease of \$4.4 million from the previous year.

⁴Quebec and the Northwest Territories do not participate in the Canada Student Loans Program but provide their own similar programs, for which they receive an alternative payment from the Government of Canada.

⁵The 1998-1999 numbers first presented in that year's Annual Review have changed due to adjustments in the calculation methodology.

Table I Canada Student Loans Disbursed				
	Actual 1998-1999		Actual 1999-2000	
	Value of Loans (\$ Millions)	No. of Students	Value of Loans (\$ Millions)	No. of Students
Full Time				
Newfoundland	88.8	17,645	70.0	14,842
Prince Edward Island	11.9	2,650	10.1	2,306
Nova Scotia	94.7	17,463	90.2	16,553
New Brunswick	67.6	14,448	61.9	13,782
Ontario	817.3	177,451	780.9	169,990
Manitoba	38.2	9,957	44.3	10,558
Saskatchewan	67.3	13,865	72.8	15,203
Alberta	146.9	36,141	170.5	39,683
British Columbia	223.4	46,493	247.7	51,918
Yukon	1.0	229	1.1	268
Total*	1,557.2	336,342	1,549.6	335,103
Part-time**	7.6	3,036	3.2	1,184
Grand Total	1,564.8	339,378	1,552.8	336,287

**Totals may not equal the sums of components due to rounding.
 **Part-Time numbers for 99-00 are estimates.
 Loan Year August 1 to July 31.*

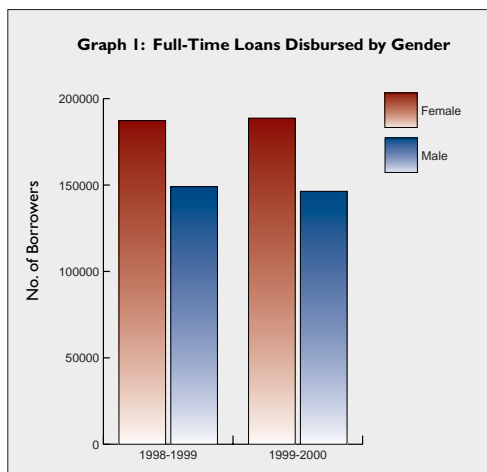
Table 2 Average Value of Canada Student Loans Disbursed		
	1998-1999	1999-2000
Full-Time	\$4,630	\$4,624
Part-Time	\$2,507	\$2,671

Loan Year August 1 to July 31

- **Table 2** compares the average value of loans disbursed to full-time and part-time students in 1998-1999 and 1999-2000. The average value of part-time loans increased slightly from 1998-1999 to 1999-2000.

PARTICIPANT DEMOGRAPHICS

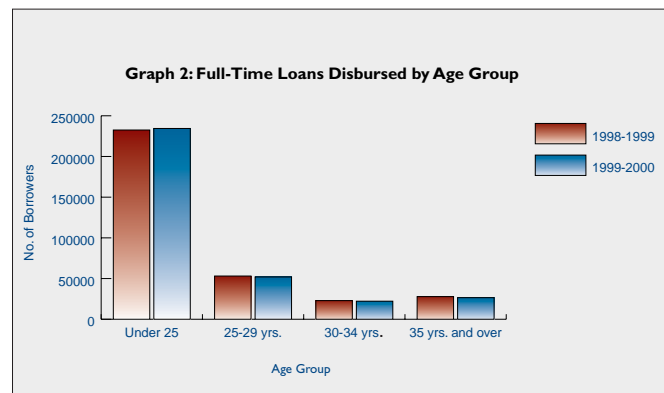
- As demonstrated in **Graph 1**, the percentage of full-time female students who obtained loans in the 1999-2000 loan year was 56 percent (188,736) of total borrowers, very similar to the previous year.
- The total value of loans negotiated for women was \$879.1 million, while the average loan disbursed was \$4,658. These numbers have also shifted little from the previous year.



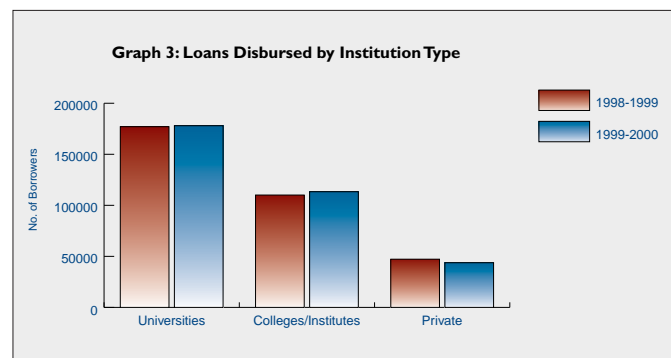
Loan Year August 1 to July 31

- In 1999-2000, a total of 146,367 men obtained loans for full-time studies for a total value of \$670.5 million. The average loan value for men was \$4,581, only slightly less than for women.

- **Graph 2** illustrates the distribution of students by age. Nearly 70 percent of all borrowers for full-time post-secondary studies were under 25 years old, while most of the remainder were in the 25 to 29 category. The rest were fairly equally distributed over the remaining categories (30-34, 35 and over). This statistic also remained stable from the previous year.
- **Graph 3** compares the distribution of full-time students by the type of institution attended. The majority (53 percent) enrolled in universities followed by colleges (34 percent). Those who attended private institutions represent 13 percent of all full-time students holding loans.



Loan Year August 1 to July 31



Loan Year August 1 to July 31

*Note: For data tables refer to Appendix C.
For a provincial breakdown, see Appendix D.*

OUTSTANDING LOANS: FEDERAL SHARE

A student loan is composed of a federal share (60 percent of assessed need to a maximum of \$165 per week) and a provincial share. The following figures represent only the federal share of the total student loans accumulated by the end of the course of studies.

Table 3 provides a percentage breakdown of participants based on the size of their debt consolidated in the 1999-2000 fiscal year.

- Compared to last year, the average Canada Student Loan at consolidation has remained relatively constant.

Debt Load	1998-99	1999-00
Less than \$5,000	31%	32%
\$5,000 - \$9,999	34%	33%
\$10,000 - \$14,999	17%	16%
\$15,000 and more	18%	19%
Average Debt	\$9,348	\$9,518

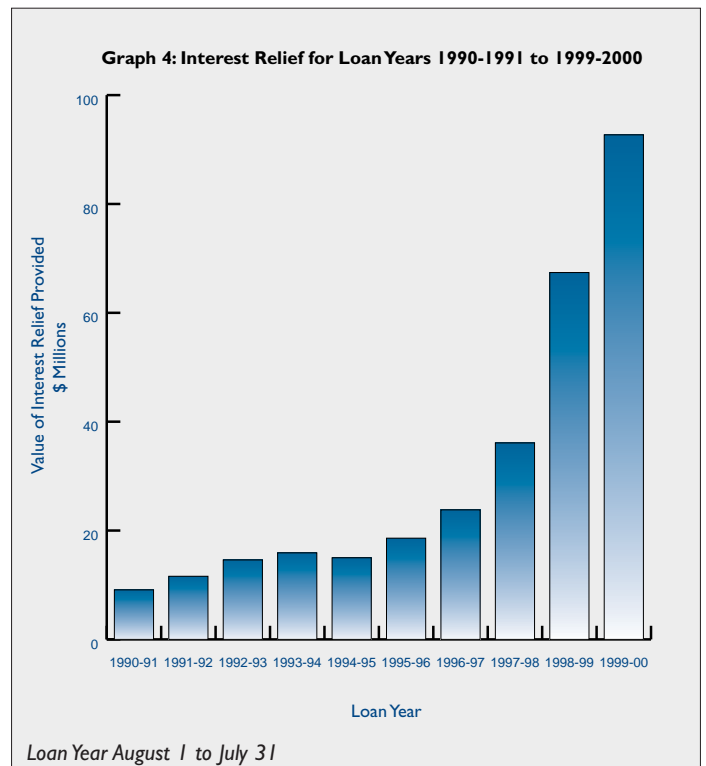
Loan Year August 1 to July 31

- Sixty-five percent of students accumulated less than \$10,000 in Canada Student Loan debt at consolidation, while 35 percent of students accumulated more than \$10,000. This number has remained stable since 1994-1995.

MECHANISMS FOR DEBT MANAGEMENT

Interest Relief

- **Graph 4** represents the value of interest relief provided to students by the CSLP.
- Although the annual average growth rate over the 1990-1991 to 1999-2000 period was 29.4 percent, significant growth occurred beginning in the 1997-1998 period.
- For the 1999-2000 loan year, the total value of interest relief was \$92.7 million, and 139,474 individuals used the program.
- The increase in number of students using the Interest Relief program as well as the increase in the total value of relief provided can be attributed to the substantial improvement to CSLP provisions introduced under the 1998 Canadian Opportunities Strategy. Another key factor was the extension of the eligibility period for borrowers who have exhausted the Interest Relief plan and have very high debt-to-income ratios.



Debt Reduction in Repayment

- **Table 4** compares the number of borrowers receiving the Debt Reduction in Repayment (DRR) in 1998-1999 and 1999-2000.
- Because the DRR was introduced in the previous year, it is too early to provide in depth analysis, although it is clear that the program use is growing.

Table 4 Debt Reduction in Repayment		
Loan Year	DRR \$	DRR Recipients
1998-99	\$177,581	44
1999-00	\$1,253,542	277

Loan Year August 1 to July 31

CANADA STUDY GRANTS

- **Table 5** details the different types of CSGs and their participation rate from 1995-1996 to 1999-2000.
- In the 1999-2000 loan year, an estimated 63,793 CSGs were issued in the amount of \$83 million. This number has grown substantially since the program's introduction in 1995. The significant increase from 1997-1998 to 1998-1999 is concurrent with a new type of grant introduced in 1998.
- The Canada Study Grant for Students with Dependants was introduced in the 1998-1999 loan year. In the 1999-2000 loan year, 53,345 grants were provided to students with dependants amounting to \$68 million, with an average amount of \$1,281 per

student. This newly introduced CSG was responsible for over 80 percent of the total spending under the program in 1999-2000, resulting in a significant increase in the Canada Study Grant portfolio.

- The CSG for Students with Permanent Disabilities was provided to 4,519 students amounting to \$9.3 million, with an average of \$2,063 per student. In the 1998-1999 loan year, the CSG for Students with Permanent Disabilities increased from \$3,000 to a maximum of \$5,000 per loan year, which may account for the increase in participation and expenditure under this program.
- The value and number of CSGs awarded for High-Need Part-Time Students and Women in Certain Doctoral Studies changed little between 1998-1999 to 1999-2000.

Table 5 Canada Study Grant and Expenditures for 1995-1996 to 1999-2000 Loan Year										
Loan Year	CSG for Students with Disabilities		CSG for Part-Time Students		CSG for Female Doctoral Students		CSG for Students with Dependants		Total	
	No. Students & Expenditures		No. Students & Expenditures		No. Students & Expenditures		No. Students & Expenditures		No. of CSGs & Expenditures	
	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions
1995-96	1,051	\$2.6	438	\$0.4	188	\$0.5	N/A	N/A	1,677	\$3.6
1996-97	2,984	\$6.3	3,037	\$2.0	252	\$0.7	N/A	N/A	6,273	\$8.9
1997-98	2,538	\$6.9	4,567	\$3.5	249	\$0.7	N/A	N/A	7,354	\$11.2
1998-99	4,145	\$7.9	5,675	\$4.6	179	\$0.5	46,900	\$60.9	56,899	\$73.9
1999-00	4,519	\$9.3	5,728	\$4.7	201	\$0.6	53,345	\$68.4	63,793	\$82.9
Total	15,237	\$33.1	19,445	\$15.2	1,069	\$3.0	100,245	\$129.3	135,996	\$180.5

Note 1: This five-year report represents the participation and expenditures relevant to participating provinces only. Loan Year August 1 to July 31

CANLEARN INTERACTIVE **(www.canlearn.ca)**

In its first full year of operation, user visits to CanLearn Interactive exceeded all expectations, numbering in excess of 750,000.

CanLearn Interactive was also deemed a success in terms of design and content. It won the Internet World's Impact Award for "Changing the Way People Learn." The award was determined by a panel of leading Internet professionals.

***C**ONSOLIDATED FINANCIAL STATEMENT*



CONSOLIDATED FINANCIAL STATEMENT

The following table provides financial data on the operation of the Canada Student Loans Program in 1998-1999 and 1999-2000 fiscal year (April 1 to March 31).

CANADA STUDENT LOANS PROGRAM CONSOLIDATED FINANCIAL STATEMENT Combined Programs		
(millions of dollars)	Actual 1998-1999	Actual 1999-2000
Revenues		
Recoveries on Guaranteed Loans	188.8	154.5
Total Revenue	188.8	154.5
Expenses		
<i>Transfer Payments</i>		
Canada Study Grants	108.8	103
Total Transfer Payments	108.8	103
<i>Loan Administration</i>		
Collection Costs	24.9	19.3
Risk Premium	75.5	81.8
Put-Back	0.5	1.6
Administration Fees to Provinces and Territories	9.5	9.1
Total Loan Administration Expenses	110.4	111.7
<i>Cost of Government Support</i>		
<i>Benefits Provided to Students</i>		
In Study Interest Subsidy	210.2	204
Interest Relief	58.5	82.6
Debt Reduction in Repayment	0	0.6
Claim Payments	152.2	70.7
Loans Forgiven	8.3	9.3
Bad Debt Expense	0	0
Total Cost of Government Support Expenses	429.3	367.2
Total Expenses	648.5	581.9
Net Statutory Operating Results	459.7	427.3
Payment to Non-Participating Provinces	160.9	126.1
Final Statutory Operating Results	620.5	553.4

EXPLANATION OF EXPENDITURES AND REVENUES

Recoveries on Guaranteed Loans: This line represents the government revenue for the collection of loans on which claims had previously been paid.

Canada Study Grants: In 1998, the existing Special Opportunity Grants were replaced by Canada Study Grants, and a new provision for high-need students with dependants was added.

Collection Costs: For loans issued prior to August 1, 1995, once the Government of Canada has paid a claim to the financial institution, it takes responsibility for collection from the borrower. This usually involves sending the loan to a collection agency, which receives a fee for its services based on the amount recovered.

Risk Premium: Under the provisions of the 1995 agreement with lending institutions, the federal government paid lenders a risk premium based on the value of loans consolidated for repayment in that year.

Put-Back: Subject to the provisions of the contract with the lender, the federal government will purchase from the lender, student loans that are in default of payment for at least 12 months and in aggregate do not exceed three percent of the average monthly balance of the lender's outstanding student loans in repayment.

Administration Fees to Provinces and Territories: In agreement with the Canada Student Financial Assistance Act, the Government of Canada has in recent years entered into an arrangement with participating provinces for the administration of the CSLP. Fees to provinces are calculated using a basic operating cost and a per certificate component. In addition, funds are available to joint federal-provincial-territorial initiatives.

In-Study Interest Subsidy: This line represents the government's cost for paying interest on loans while the borrower is still in school. It is an expenditure whose size is determined by both the number of program participants and by the current interest rates.

Claims Payments: This line shows the money paid by the Government of Canada to financial institutions for Canada Student Loans in default under the guaranteed loan system in effect before August 1, 1995. It also covers the costs of guaranteeing loans to minors, and of defaults that occur due to the death or disability of the borrower.

Loans Forgiven: These are the loans for which the government has paid the full amount to a participating financial institution and is not seeking repayment from the borrower. This applies in cases where the borrower has died or has become permanently disabled to the extent that loans cannot be repaid without undue hardship.

Payment to Non-Participating Provinces: Payments to non-participating provinces are transfers to provinces and territories that choose not to participate in the CSLP. In return, these provinces and territories are entitled to alternative payments to assist in paying the cost of operating a similar program.

***A**PPENDICES*



APPENDIX A

GOVERNMENT OF CANADA INITIATIVES IN POST-SECONDARY EDUCATION

Since 1964, the Canada Student Loans Program has assisted almost three million full-time students with the costs of their post-secondary education by providing more than \$17 billion in fully portable subsidized loans. In addition, the federal government assists in a variety of ways, including fiscal transfers to provincial and territorial governments⁶ and support for university research through research granting agencies⁷.

The Canada Student Loans Program was created in 1964 as a statutory spending program under the Canada Student Loans Act. On June 23, 1994, the Canada Student Financial Assistance Act received royal assent, enabling the CSLP to enter into contractual arrangements with financial institutions based on a risk premium model. In 1995, nine participating financial institutions assumed the responsibility for managing all aspects of loan repayment and accepted the risk of any Canada Student Loan not being repaid.

These contracts expired on July 31, 2000, necessitating an amendment to the Canada Student Financial Assistance Act to allow for directly financed loans to be introduced in the following year.

Helping Student Borrowers Manage Debt

The Government of Canada continues to help students manage their debt by introducing programs designed to meet the costs of participating in post-secondary education. In 1994 Special Opportunities Grants were introduced for students with disabilities and later expanded to include high-need part-time students and women in certain doctoral disciplines.

A new Canada Study Grant for students with dependants came into effect in 1998. Those who can demonstrate financial need in excess of the maximum amounts available in combined federal and provincial loans may be eligible for a Canada Study Grant, up to a maximum of \$3,120 per year.

The existing interest relief provisions of the CSLP were substantially improved under the Canadian Opportunities Strategy by extending the period of eligibility for borrowers. A new Debt Reduction in Repayment measure came into effect on August 1, 1998, enabling the program to pay off a portion of the outstanding loan on behalf of borrowers who have exhausted the Interest Relief plan and have a very high debt-to-income ratio.

⁶Through the Canada Health and Social Transfer.

⁷Principally the Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council and the new Canadian Institutes for Health Research.

Tax Relief for Student Borrowers

The Government of Canada also continues to improve tax measures to further ease student debt. To provide tax relief for Canadians repaying their student loans, the federal income tax provisions were changed to allow individuals from taxation year 1998 onward, to claim a tax credit on interest paid on all government student loans (federal, provincial and territorial).

Changes in Registered Retirement Savings Plan (RRSP) legislation were introduced in 1998, allowing Canadians to withdraw money, tax-free, from their RRSPs for the purpose of lifelong learning. Such withdrawals from RRSPs for education are now treated as those for first-time homebuyers. Up to \$10,000 may be withdrawn from an RRSP per year of full-time study, to a total of \$20,000 over a maximum of four years. The full amount must be repaid to the RRSP within 10 years.

The attractiveness of the Registered Education Savings Plans (RESP) as a vehicle for investing in learning was significantly enhanced in 1998 through the introduction of the Canada Education Savings Grant. The Government of Canada now provides a matching grant of 20 percent on the first \$2,000 of contributions made each year to an RESP for a beneficiary up to the age of 17. The value of this grant is therefore up to \$400 per year. Furthermore, the contribution room may be carried forward, thus allowing a family that had been unable to make full contributions for one or more years to catch up in later years. In addition, the annual maximum contribution was increased to \$4,000.

Other new provisions were introduced for cases where the beneficiary does not pursue post-secondary education. In such circumstances, a contributor may either transfer the interest and capital gains into unused RRSP contribution room or claim it as income in the year the RESP expires (subject to a 20 percent penalty in addition to regular income tax).

The Canada Millennium Scholarship Foundation

The Canada Millennium Scholarship Foundation was created by the federal government in 1998-1999 with an endowment of \$2.5 billion. This arm's length organization will draw down the endowment over a 10-year period, each year providing scholarships worth a total of \$300 million to approximately 100,000 students who demonstrate both financial need and merit.

The Canada Millennium Scholarship exists to help low-and middle-income students gain access to post-secondary education and manage their student debt through bursaries that complement existing student financial assistance programs. The bursaries are used to reduce the recipient's student loan.

Canada Millennium Scholarships supplement the resources available to students under the CSLP and the various provincial and territorial student assistance programs. The first scholarships were issued for the 1999-2000 academic year. The Foundation distributed over 90,000 bursaries to students across Canada for the 1999-2000 academic year. This represented a \$285 million investment for students with financial need. They are available in jurisdictions throughout Canada, including in those that do not participate in the CSLP. One important result for the beneficiaries will be substantially reduced debt load upon graduation.

APPENDIX B

HIGHLIGHTS OF CANLEARN INTERACTIVE

Web This Week Featured Site – January 10th, 2000

CanLearn Interactive was selected as a featured site by Web This Week, a premier Canadian site for news and reviews about fun and informative Web sites. Web This Week reviewers described the site as “something not be overlooked by anyone striving to reach their personal and professional goals,” and the site was given a 4.5 on a 5-point scale.

2000 Impact Award Winner – February 9, 2000

CanLearn Interactive won Internet World’s Impact Award for “Changing the Way People Learn.” The Web site was selected for the annual award by a panel of leading Internet professionals. The prize honours Canadian Web sites that use “innovation, imagination and determination” to better the lives of Canadians. It was presented at the Internet World Canada 2000 trade conference in Toronto.

Despite some serious private-sector competition, the federal government did us proud with a strong showing when the fourth annual Internet World Impact awards were handed out at the Toronto Convention Centre.⁸

CanLearn Interactive (www.canlearn.ca) took home the top prize for the Web site that “changed the way people learn.” The site is a one-stop resource for the information and interactive planning tools people need to explore learning and educational opportunities, develop learning strategies and create financial plans.

⁸Ottawa Citizen, 28/02/2000.

APPENDIX C

DISTRIBUTION OF FULL-TIME LOANS

Distribution of Full-Time Loans Negotiated				
	Actual 1998-1999		Actual 1999-2000	
	No.	%	No.	%
Loans Negotiated by Age Group				
Under 25	232,513	69	234,413	70
25-29 yrs.	53,114	16	51,981	16
30-34 yrs.	22,894	7	22,188	7
35 yrs. and over	27,821	8	26,521	8
Total	336,342	100	335,103	100
Loans Negotiated by Institution Type*				
Universities	177,031	53	177,995	53
Colleges/Institutes	110,083	33	113,338	34
Private	49,228	15	43,770	13
Total	336,342	100	335,103	100
Loans Negotiated by Gender				
Female	187,299	56	188,736	56
Male	149,043	44	146,367	44
Total	336,342	100	335,103	100

*For a provincial breakdown see Appendix D

APPENDIX D

A STATISTICAL PROFILE OF THE CANADA STUDENT LOANS PROGRAM

Number of Canada Student Loans Borrowers for 1998-99 Loan Year (Full-Time Students only)				
Province/Territory	Institution Type			Total 1998-99
	University	College	Private	
NFLD	9,802	3,367	4,476	17,645
PEI	1,643	695	312	2,650
NS	11,754	3,277	2,432	17,463
NB	8,872	3,219	2,357	14,448
ONT	92,589	62,358	22,504	177,451
MAN	6,195	1,909	1,853	9,957
SASK	8,540	2,896	2,429	13,865
ALB	18,557	13,845	3,739	36,141
BC	18,957	18,422	9,114	46,493
Yukon	122	95	12	229
Total	177,031	110,083	49,228	336,342
% of Total	53%	33%	15%	100%

Number of Canada Student Loans Borrowers for 1999-2000 Loan Year (Full-Time Students only)				
Province/Territory	Institution Type			Total 1999-2000
	University	College	Private	
NFLD	8,763	2,692	3,387	14,842
PEI	1,531	513	262	2,306
NS	11,314	3,394	1,845	16,553
NB	8,175	3,358	2,249	13,782
ONT	91,761	60,241	17,988	169,990
MAN	6,489	2,055	2,014	10,558
SASK	8,917	3,798	2,488	15,203
ALB	20,053	15,693	3,937	39,683
BC	20,868	21,473	9,577	51,918
Yukon	124	121	23	268
Total	177,995	113,338	43,770	335,103
% of Total	53%	34%	13%	100%