



CANADA STUDENT LOANS PROGRAM

ANNUAL REPORT

2003-2004



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CANADA STUDENT LOANS PROGRAM

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# ANNUAL REPORT

2003-2004



## MESSAGE FROM THE MINISTER

As Minister of Human Resources and Social Development, I am pleased to bring you the *Canada Student Loans Program Annual Report 2003–2004*.

The Government of Canada believes that investing in Canadians is one of the most important investments it can make. It is committed to helping Canadians participate fully in today's knowledge-based economy.

Through programs such as the Canada Student Loans Program (CSLP), Canadians of all ages can get access to post-secondary education at universities, public colleges, career colleges and trade schools, which will enable them to gain essential knowledge and skills for the labour market of today and of the future.

Since 1964, the CSLP has reduced financial barriers to post-secondary education by providing loans and grants to full- and part-time students with assessed financial need. The Government of Canada jointly administers the CSLP and other forms of student assistance with nine participating provinces and Yukon. It also provides alternative payments to Quebec, the Northwest Territories and Nunavut for their own provincial or territorial student assistance programs, as they do not directly participate in the CSLP.

The CSLP is continually evolving and the Government of Canada has significantly enhanced the program over the years to better support students. In spring 2004, the federal government and the province of Newfoundland and Labrador signed an Administrative Integration Agreement. This integration of student financial assistance will simplify and streamline the loan application and repayment processes for direct loan borrowers in that province.

In 2003–2004 the CSLP provided financial assistance to approximately 41 percent of students enrolled in post-secondary education and disbursed a total of \$1.6 billion in loans to more than 343,000 full- and part-time Canadian students.

The Government of Canada continues to work with provincial and territorial governments, college and university administrators, student groups and other partners on programs such as the CSLP to help ensure Canadians can achieve their learning goals and acquire the skills they need. This continued cooperation demonstrates the Government's ongoing commitment to the economic growth and prosperity of all Canadians.

Diane Finley, P.C., M.P.



## TABLE OF CONTENTS

<b>HIGHLIGHTS</b> .....	<b>4</b>
<b>1. INTRODUCTION</b> .....	<b>7</b>
<b>2. THE CANADA STUDENT LOANS PROGRAM</b> .....	<b>8</b>
A. BACKGROUND .....	8
Other Federal Government Student Financial Assistance Measures .....	8
B. PROGRAM ACTIVITIES AND LOGIC .....	9
Roles and Responsibilities .....	10
CanLearn and On-Line Services .....	10
Collaborative Work with Provincial and Territorial Partners .....	11
Stakeholder Communications .....	12
CSLP Formative Evaluation .....	12
<b>3. CLIENT-BASED RESEARCH</b> .....	<b>13</b>
<b>4. CANADA STUDENT LOAN PORTFOLIO</b> .....	<b>15</b>
A. IN-STUDY PORTFOLIO .....	15
B. REPAYMENT PORTFOLIO .....	15
<b>5. CANADA STUDENT LOAN DISBURSEMENTS</b> .....	<b>16</b>
A. FULL-TIME LOANS .....	16
Full-Time Loans by Province or Territory .....	16
Full-Time Loans by Institution Type .....	17
B. PART-TIME LOANS .....	18
Part-Time Loans by Province or Territory .....	18
Part-Time Loans by Institution Type .....	18
<i>Analysis of Double Cohort of Graduating Ontario High School Students</i> .....	18
C. CANADA STUDY GRANTS .....	20
Students with Permanent Disabilities .....	20
High-Need Part-Time Students .....	21
High-Need Students with Permanent Disabilities .....	22
Females Pursuing Doctoral Students .....	22
Students with Dependants .....	22
<b>6. DEMOGRAPHIC PROFILE OF CANADA STUDENT LOAN BORROWERS</b> .....	<b>23</b>
A. BORROWERS BY MARITAL STATUS .....	23
B. BORROWERS BY AGE .....	23
C. BORROWERS BY GENDER .....	24
D. BORROWERS BY STUDY LEVEL .....	24
E. MOBILITY OF BORROWERS .....	24
Mobility by Institution Type .....	25

<b>7. MANAGING THE LOAN REPAYMENT PROCESS</b>	<b>27</b>
A. AVERAGE CANADA STUDENT LOAN INDEBTEDNESS	27
Indebtedness by Province or Territory	27
Indebtedness by Institution Type	28
Indebtedness by Age Group	28
Indebtedness by Gender	29
B. INTEREST RELIEF	29
Interest Relief Recipients by Institution Type	29
Interest Relief Recipients by Gender	29
Interest Relief Recipients by Age	29
<i>Interest Relief Trends</i>	30
C. DEBT REDUCTION IN REPAYMENT	31
Direct Loan Delinquency Research	32
D. CANADA STUDENT LOAN DEFAULTS	33
Three-Year Blended Default Rates	33
<i>Default Rates in Depth</i>	34
E. CSLP PROVISION RATE	36
<b>8. FINANCIAL DATA</b>	<b>37</b>
CANADA STUDENT LOAN FINANCIAL TABLES	37
Reporting Entity	37
Basis of Accounting	37
Specific Accounting Policies	37
<b>9. APPENDICES</b>	<b>42</b>
APPENDIX A: CANADA STUDENT LOANS PROGRAM LOGIC MODEL	42
APPENDIX B: CANADA STUDENT LOAN PORTFOLIO	43
APPENDIX C: FULL-TIME LOANS BY INSTITUTION TYPE AND PROVINCE	44
APPENDIX D: PART-TIME LOANS BY PROVINCE OR TERRITORY AND INSTITUTION TYPE	46
APPENDIX E: FULL-TIME AND PART-TIME LOANS BY MARITAL STATUS, AGE, GENDER AND STUDY LEVEL	47
APPENDIX F: MOBILITY	49
APPENDIX G: INDEBTEDNESS	50
APPENDIX H: INTEREST RELIEF	52
APPENDIX I: INTEREST RELIEF RATES: BACKGROUND AND METHOD OF CALCULATION	53
APPENDIX J: FIRST PAYMENT DELINQUENCY AND ROLL RATES	55



## VISION

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

## MISSION

The Canada Student Loans Program (CSLP) seeks to promote accessibility to post-secondary education for students with demonstrated financial need by:

- **providing** loans and grants to eligible individuals;
- **developing and implementing** policies that balance requirements for accountability, integrity and responsiveness to the changing needs of students and society;
- **providing** information to help students and their families make informed choices;
- **enhancing and improving** the delivery of services, resulting in high levels of client satisfaction;
- **ensuring** the development and renewal of a valued, knowledgeable, motivated workforce within the CSLP; and
- **building** on and improving collaborative partnerships with federal, provincial and territorial partners, stakeholders and student organizations.

## MANDATE

The CSLP's mandate is to promote access to post-secondary education through the provision of financial assistance in the form of loans and/or grants to qualified students based on financial need, regardless of province or territory of residence.

### *Legal Mandate*

Canada Student Loans issued prior to August 1, 1995 (guaranteed student loans)<sup>1</sup> are governed pursuant to the *Canada Student Loans Act* and its regulations. Risk-shared<sup>2</sup> and directly financed<sup>3</sup> student loans are governed pursuant to the *Canada Student Financial Assistance Act* and its regulations.

While financial assistance is delivered mainly through a loans program, section 15 of the *Canada Student Financial Assistance Act* authorizes the CSLP to establish targeted grants. Grants are available for students with permanent disabilities, females pursuing doctoral studies, high-need part-time students, high-need students with permanent disabilities and students with dependants. Unlike Canada Student Loans, grants do not have to be repaid.

<sup>1</sup> Under the guaranteed regime, the federal government guaranteed lenders repayment of Canada Student Loans.

<sup>2</sup> Under the risk-shared regime, the federal government paid nine private lenders a premium of 5% in return for those lenders accepting the risk of non-repayment.

<sup>3</sup> As of August 2000, the federal government directly finances loans and has contracted third-party Service Providers to administer the loan process. The Canada Student Financial Assistance Act and its regulations were amended in 2000 to allow for directly financed loans.

## HIGHLIGHTS

- The annual report for the Canada Student Loans Program (CSLP) is intended to inform Parliament and Canadians on the performance of the CSLP for the 2003-2004 loan year (August 1, 2003 to July 31, 2004) and to provide detailed financial information for the 2003-2004 fiscal year (April 1, 2003 to March 31, 2004).
- All data in this report represent only the federal share of a student loan.
- In February 2004, Newfoundland and Labrador signed an Administrative Integration Agreement with the CSLP. This integration of student financial assistance will simplify and streamline the loan process for direct loan borrowers in that province.

## CANADA STUDENT LOAN PORTFOLIO

- The total value of the Canada Student Loan portfolio was \$10.6 billion as of March 31, 2004. This represents an increase of \$427.5 million since March 31, 2003.
- As of March 31, 2004, loans to students in study accounted for 38% of the total portfolio, while Canada Student Loans in repayment accounted for 62% of the total borrower portfolio.

## LOAN DISBURSEMENTS

In the 2003-2004 loan year:

- the CSLP assisted approximately 41% of students enrolled in post-secondary institutions in provinces and territories that participate in the CSLP;<sup>4</sup>
- a total of \$1.6 billion in loans was disbursed to 343,000 full-time and part-time student borrowers; and

- approximately 435,000 students received in-study interest subsidies, where the Government of Canada subsidized the interest on the students' loans while they were in full-time studies, for a total of \$181.3 million.

### *Full-Time Loans*

In the 2003-2004 loan year:

- 340,203 full-time post-secondary students received a Canada Student Loan, for a total of \$1.6 billion;
- the average loan disbursed increased slightly, from \$4,695 in 2002-2003 to \$4,830 in 2003-2004;
- most borrowers lived in Ontario or British Columbia; Ontario borrowers represented 46.9% of all Canada Student Loan borrowers, while British Columbia borrowers represented another 19.2%; and
- the proportion of Canada Student Loan borrowers attending universities and community colleges remained stable from the 2002-2003 loan year, at 55.4% and 33.3% respectively, while enrolment in private institutions also remained stable.

### *Part-Time Loans*

In the 2003-2004 loan year:

- \$4.7 million was disbursed to 2,797 part-time students, who accounted for less than 1% of total Canada Student Loan borrowers;
- the average loan for a part-time borrower increased by \$30, from \$1,649 in the 2002-2003 loan year to \$1,679 in the 2003-2004 loan year; and
- 46.7% of all part-time borrowers attended universities, 43.3% attended community colleges and 10.0% attended private institutions.

<sup>4</sup> British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and Yukon participate in the CSLP. The CSLP provides alternative payments to Quebec, Northwest Territories and Nunavut for their own provincial or territorial student assistance programs, as they do not directly participate in the CSLP.

### **Canada Study Grants**

In the 2003-2004 loan year:

- 53,272 Canada Study Grants (CSGs) were disbursed with an approximate total value of \$76.8 million;
- the majority of CSGs (74.7%) were issued to students with dependants; totalling approximately \$52.3 million; and
- 2,297 borrowers received the CSG for High-Need Students with Permanent Disabilities, and these CSGs totalled \$3.6 million.

### **DEMOGRAPHIC PROFILE OF CANADA STUDENT LOAN BORROWERS**

In the 2003-2004 loan year:

- 46.4% of full-time borrowers were aged 21 or under, 29.1% were between the ages of 22 and 25, 10.7% were aged 26 to 29, and 13.7% were aged 30 or over;
- 59.6% of full-time student borrowers were women, and 40.4% were men;
- 32.6% of part-time student borrowers were over the age of 30, and 29.3% were 21 or under; and
- 67.9% of part-time student borrowers were women, and 32.1% were men.

### **MOBILITY OF BORROWERS**

In the 2003-2004 loan year:

- 88.8% of all Canada Student Loan borrowers remained in their home province or territory to study, while 11.2% of borrowers (37,975) studied outside of their home province or territory;
- overall inter-provincial and inter-territorial borrower mobility decreased slightly from the previous loan year, from 11.4% in the 2002-2003 loan year to 11.2% in the 2003-2004 loan year; and

- mobility was particularly important in provinces and territories where post-secondary institutions were few—for example, 85.9% of all Yukon borrowers studied outside their home territory.

### **INDEBTEDNESS**

In the 2003-2004 loan year:

- average Canada Student Loan indebtedness (the amount borrowers owe once they have completed their studies) was \$10,628, an amount that was \$363 higher than the level of indebtedness in the 2002-2003 loan year;
- average federal student loan indebtedness in Alberta, British Columbia and Manitoba was under the \$10,628 national average;
- borrowers in Manitoba owed the least at consolidation<sup>5</sup> (\$8,895), while borrowers in Nova Scotia owed the most at consolidation (\$12,385); and
- average federal student loan indebtedness increased in all provinces and territories compared to the 2002-2003 loan year—Yukon and Saskatchewan had the largest increases, at \$1,731 and \$815 respectively, while Ontario and New Brunswick had the smallest increases, at \$107 and \$365 respectively.

### **INTEREST RELIEF AND DEBT REDUCTION IN REPAYMENT**

In the 2003-2004 loan year:

- 123,315 borrowers applied for Interest Relief (IR);
- of those applicants, 117,520 borrowers received IR, at a total cost of \$62.0 million;
- the number of borrowers on IR decreased from 128,235 in 2002-2003 to 117,520 in 2003-2004;
- the average amount of time borrowers remained on IR decreased to 6.98 months, from 7.15 months in the 2002-2003 loan year;
- the average outstanding loan principal of an IR recipient was \$14,821, which was \$1,281 higher than in the 2002-2003 loan year;

<sup>5</sup> Consolidation occurs when the borrower's status changes from in-study to repayment. Generally, this change occurs six months after the completion of studies.

- borrowers over age 30 accounted for the highest percentage of IR recipients (37.6%);
- 61.8% of all IR recipients were women, while 35.8% were men; and
- 1,943 borrowers received Debt Reduction in Repayment (DRR), for a total of \$12.1 million.

### **DEFAULT**

- The three-year default rate is the proportion of the value of loans entering repayment, that the CSLP anticipates will default within three years of consolidation. The three-year anticipated blended default rate (for direct, risk-shared and guaranteed loans) in 2003-2004 was 25.5%, down from 25.7% in the 2002-2003 loan year.

### **CLIENT-BASED RESEARCH**

- The CSLP conducted a tracking survey of Canadian youth (aged 17-30), asking questions related to Government Student Loans (GSLs), which include federal and provincial loans. When asked about their awareness of the CSLP, two-thirds (66%) of students said they had heard of the CSLP, even if only by name. Interestingly, 25% of current GSL holders had never heard of the CSLP.

- The survey found that 23% of Canadian students aged 17 to 30 were GSL holders; 9% had applied for a GSL but were unable to get one. The sources of funding most frequently used by all students for post-secondary education (PSE) were personal savings (13%) and work income (30%). Parents, guardians and relatives (other than friends) were also an important source of funding.
- Although it was used by a minority of survey respondents (23%), a GSL was viewed as important in financing the cost of education. Nineteen percent of students relied extensively on it; 16% of students indicated it was their main source of funding. Seven out of ten GSL holders identified it as their main source of funding. Finally, when asked what would have happened if student loan holders had not received a GSL this year, 44% indicated they would have stayed at school anyway, 43% would have delayed their studies, and 12% would have stopped their PSE completely.

## 1. INTRODUCTION

*The Annual Report for the Canada Student Loans Program (CSLP) is intended to inform Parliament and Canadians on the performance of the CSLP for the 2003-2004 loan year (August 1, 2003 to July 31, 2004) and to provide detailed financial information for the 2003-2004 fiscal year (April 1, 2003 to March 31, 2004).*

This report is neither a policy document nor a research paper, but a compilation of data that summarizes program activities to inform readers of the state of the CSLP. It is also important to note that all data in this report represent **only the federal share** of a student loan. Students may have provincial loans and grants as well.

The report first provides background information on the CSLP, including details of roles and responsibilities, and the program's activities during the 2003-2004 loan year.

The report then outlines the overall performance of the Canada Student Loan portfolio for the 2003-2004 loan year, including information on loan disbursements, borrower demographics and the repayment portfolio, as well as debt management measures such as Interest Relief and Debt Reduction in Repayment.

The final section examines program expenditures for the CSLP.

## 2. THE CANADA STUDENT LOANS PROGRAM

### A. BACKGROUND

Since 1964, the Canada Student Loans Program (CSLP) has reduced financial barriers to post-secondary education by providing loans and grants to post-secondary students in demonstrated financial need. Until July 31, 2000, the Government of Canada either guaranteed<sup>6</sup> Canada Student Loans or paid a risk premium<sup>7</sup> to participating financial institutions. Since August 1, 2000, the Government of Canada has directly financed federal student loans to borrowers.

The 2003 Budget represented an increased investment in student financial assistance of approximately \$60 million over two years. The CSLP was improved by:

- increasing the amount students can earn while studying without affecting their student loan from \$600/school year to \$50/week of study (in other words, \$1,700 for a typical school year);
- increasing the exemption for merit-based academic awards to \$1,800;
- extending eligibility for student financial assistance to protected persons, including Convention refugees;
- allowing eligible borrowers to receive up to six months of backdated Interest Relief and up to three months of interest capitalization;
- increasing the maximum amount of Debt Reduction in Repayment from \$10,000 to \$20,000; and

- extending eligibility to bankrupt borrowers by making student financial assistance available to borrowers who declare bankruptcy while in study, and extending eligibility for debt management measures to borrowers who declare bankruptcy while in repayment.

### *Other Government Student Financial Assistance Measures*

Reducing financial barriers to post-secondary education is the joint responsibility of governments, students and students' families. The Canada Student Loans Program (CSLP) is the largest program offering financial assistance to Canadian students with demonstrated financial need. However, the CSLP is but one program among many federal, provincial and territorial programs that encourage and support Canadians pursuing post-secondary education (PSE). Other federal initiatives aimed at increasing access to PSE by reducing financial and social barriers include the following.

- The Canada Social Transfer (CST) and the Canada Health Transfer (CHT), which were created in the restructuring of the Canada Health and Social Transfer (CHST), provide block funding to assist provinces and territories with PSE, health care, social assistance and social services.<sup>8</sup>
- The Government of Canada's \$2.5 billion investment in the Canadian Millennium Scholarship Foundation provides approximately 90,000 eligible students with approximately \$3,000 each year, for a total investment of \$300 million per year.

<sup>6</sup> Between 1964 and 1994, financial assistance was provided to students through banks and credit unions in the form of 100% government-guaranteed loans.

<sup>7</sup> In 1995, the Canada Student Financial Assistance Act (CSFAA) came into force to allow for a risk-sharing arrangement between the federal government and participating financial institutions. Participating financial institutions were paid 5% of the value of the loans that went into repayment, to compensate for defaults. Recovery of loans became the full responsibility of financial institutions.

<sup>8</sup> In February 2003, the federal government announced the restructuring of the Canada Health and Social Transfer (CHST) to create the separate Canada Health Transfer (CHT) and Canada Social Transfer (CST), effective April 1, 2004.

- Indian and Northern Affairs Canada (INAC) assists post-secondary Aboriginal and Inuit students with the costs of tuition, books and travel, and provides living allowances, through the Post-Secondary Student Support Program (PSSSP) and the University College Entrance Preparation Program (UCEP). Post-secondary institutions also receive support through the Indian Studies Support Program (ISSP) to develop and deliver special programs for Aboriginal people.
- The Canada Education Savings Grant (CESG) encourages Canadians to save for their children's post-secondary education by awarding grants of up to \$400 per year to beneficiaries of Registered Education Savings Plans.
- Tax relief is available to all individuals with federal and provincial or territorial loans, through a federal tax credit on the annual interest portion of their student loan payments.
- The education tax credit, which helps students offset education expenses, amounts to \$400 per month of full-time study and to \$120 per month of part-time study. These changes provide tax relief to more than 65,000 Canadians who are upgrading their skills and give them access to the same tax benefits available to other post-secondary students.
- The Official Languages in Education Program provides financial assistance to provinces and territories for minority-language education and for second-language instruction.
- The Employment Insurance Program provides income support to apprentices during periods of classroom training.

In addition to administering Canada Student Loans to borrowers, provincial and territorial partners also offer loans, grants, scholarships and remission programs to support access to PSE.

## **B. PROGRAM ACTIVITIES AND LOGIC**

The Canada Student Loans Program's (CSLP's) main activity is to deliver loans and grants to post-secondary students in demonstrated financial need, with the short-term outcome of reducing financial barriers to post-secondary education (PSE). By reducing these barriers, the CSLP hopes to increase the participation and completion rates of post-secondary borrowers. In the long run, this increase may lead to better employment opportunities and a strengthened ability for borrowers to participate in the Canadian economy and society.

To help ensure these outcomes, the CSLP also offers Canada Study Grants (CSGs), in-study interest subsidies and debt management measures to borrowers. These features make the CSLP unique, since private lending institutions do not offer similar services to help reduce the debt burden on post-secondary borrowers.

By providing Canada Student Loans and grants, and subsidizing the related interest while students are in-study, the Government of Canada reduces financial barriers to PSE. This assistance helps students concentrate on their studies, since they do not face the burden of immediate repayment.

It is the CSLP's belief that borrower satisfaction is partly reflected in the repayment/default rate. Ensuring borrower satisfaction in a loan-related environment means managing both the borrower relationship and the loan repayment portfolio. This is done by helping borrowers plan for repayment, offering repayment assistance programs such as Interest Relief and Debt Reduction in Repayment, revising the terms of loan repayment schedules, and delivering services in a timely, professional and courteous manner. All of these measures are intended to increase borrower satisfaction, which should lead to improved repayment rates among borrowers.



It is also important for the CSLP to build good relationships with borrowers and prospective borrowers by developing communication products such as the CanLearn Web site ([www.canlearn.ca](http://www.canlearn.ca)) and information guides, to help borrowers make more informed post-secondary financing decisions (see **Appendix A for further details**).

The CSLP continuously works to improve the loan experience for borrowers. One means of doing so is by integrating federal, provincial and territorial student loans. The objective of integration is to simplify and streamline the student loan application and repayment processes by using a common administrative platform. In the provinces where integration agreements exist, borrowers have only one student loan certificate and one direct student loan, and make one single payment on their direct student loan debt. In 2001, Ontario and Saskatchewan signed integration agreements with the CSLP. Newfoundland and Labrador signed a similar integration agreement with the CSLP in February 2004.

### ***Roles and Responsibilities***

The Canada Student Loans Program (CSLP) is a complex program that works with numerous partners to effectively deliver loans and grants to students. Delivery partners include participating provinces, the Yukon Territory, two private Service Providers, Public Works and Government Services Canada, Human Resources and Skills Development Canada, and Social Development Canada.<sup>9</sup>

Eligibility for a Canada Student Loan is based on demonstrated financial need. Need is determined by each participating province, taking into account a student's education-related expenses and his or her available resources during that period of study. The resources assessed include income, assets, spousal contributions and parental contributions. The expenses include costs such as tuition, books, supplies, living allowances, transportation and child

care. The cost of post-secondary education (PSE) is also directly related to a student's choice of post-secondary institution, program of study, tuition fees and cost of living away from home.

Under the CSLP's legislation, the Government of Canada provides loan funding equivalent to 60% of a student's assessed need, up to a maximum of \$165 per week of study. Provincial and territorial governments typically fund the remaining 40% of the student's assessed need. Quebec, Nunavut and the Northwest Territories do not participate in the CSLP, preferring to operate independent programs. These jurisdictions receive alternative payments from the Government of Canada in lieu of direct CSLP financial assistance, in order to operate their own student financial assistance programs.

Provincial and territorial student assistance offices determine students' financial need according to the CSLP's guidelines, determine need under their own provincial/ or territorial assistance criteria, administer their own student financial assistance programs, process loan applications and determine eligibility for Canada Study Grants.

Since August 1, 2000, the Government of Canada has directly financed federal student loans to borrowers. The CSLP divides the direct loan borrower portfolio between public and private institutions to allow each of the two contracted Service Providers to customize their services to meet borrowers' needs. These Service Providers operate under the name of the National Student Loans Service Centre (NSLSC) and manage borrower accounts on behalf of the CSLP.

### ***CanLearn and On-Line Services***

As part of a commitment to service excellence, the Canada Student Loans Program (CSLP) strives to make the best use of information technologies and on-line services in designing and delivering its program. A central element of this commitment

<sup>9</sup> In December 2003, the Prime Minister announced the division of Human Resources Development Canada into two separate organizations: Human Resources and Skills Development Canada, and Social Development Canada. In February 2006, the Government merged the two departments into the new department of Human Resources and Social Development.



is the CanLearn Web site ([www.canlearn.ca](http://www.canlearn.ca)). This one-stop on-line resource for information and interactive planning tools helps Canadians explore learning and education opportunities, develop learning strategies and create financial plans to achieve their goals. Through the National Student Loans Service Centre (NSLSC) section of CanLearn, the CSLP provides its current and future clients with tools and information to help them apply for, maintain and repay their student loans.

In 2003-2004, the CSLP enhanced the CanLearn Web site by improving the functionality of all of its tools, including the financial planner, loan repayment calculator and student planner. It made two significant improvements to the tools. Program-specific tuition fees for 19,000 programs were collected, allowing people using the financial planner to obtain a clearer picture of the costs of different post-secondary programs. Also, all programs in the database were linked with a National Occupational Classification (NOC) code, allowing those using the student planner to make the connection between programs of study and career plans.

In October 2003, the CSLP launched NSLSC secure on-line services. Borrowers can now update their personal contact information, view their loan account status, and see disbursement and repayment details. Also, NSLSC content was revised to include links to and information on a new integrated loans partner, Newfoundland and Labrador.

Through promotional activities and targeted on-line resources, the CanLearn Web site has the potential to reach a broad audience, including students, current and future student loan borrowers, educators, career professionals and parents. By participating in 17 education and career exhibitions, CSLP staff promoted CanLearn to approximately 200,000 target audience members in 2003-2004. As part of continuing efforts to reach key target markets, the CSLP distributed approximately 200,000

CanLearn brochures directly to high school educators and students nationally in 2003-2004. In total, the CanLearn Web site served more than 1.3 million users in 2003-2004.

The CSLP Omnibus Survey found that 10% of all students surveyed had visited the CanLearn/NSLSC Web site in the past 12 months. They represented 20% of those who had used the Internet to locate information on PSE. The survey also found that visitors rated the CanLearn and NSLSC Web sites very positively.

### ***Collaborative Work with Provincial and Territorial Partners***

The Canada Student Loans Program (CSLP) constantly strives to improve communication with and service to students. To do so, it has set up working groups, in collaboration with provinces, territories and other stakeholders.

The CSLP co-chairs the Intergovernmental Consultative Committee on Student Financial Assistance (ICCSFA). ICCSFA is a federal/provincial/territorial forum, established in 1987 by the Secretary of State and the Council of Ministers of Education, Canada (CMEC) to pursue ongoing consultations on policy and program development. It is composed of representatives from the federal, provincial and territorial departments responsible for student financial assistance, who meet at least twice a year to discuss basic administrative criteria and coordinate their respective programs and policies. In addition, ICCSFA establishes federal/provincial/territorial working groups to deal with specific issues pertaining to student financial assistance.

An ongoing federal/provincial/territorial initiative is the pan-Canadian Designation Policy Framework (the Framework). Designation is the process by which educational institutions obtain the necessary recognition that allows their students to be eligible for Canada Student Loans. The Government of Canada has delegated the authority to designate post-secondary educational institutions to the

provinces and the Yukon Territory under the *Canada Student Financial Assistance Act*. The Framework gathers best practices from across the country into a single, pan-Canadian framework that will help define common elements and criteria to be used in developing designation policies for post-secondary educational institutions.

During the 2003-2004 loan year, a federal/provincial/territorial working group focused on developing two key risk indicators for the Framework: administrative compliance and the repayment rate. The Federal/Provincial/Territorial Deputy Ministers of Education formally approved these two risk indicators in March 2004, and these indicators will be included with the Framework when it is formally launched in Fall 2004.

### ***Stakeholder Communications***

The Canada Student Loans Program (CSLP) consults with stakeholder groups through the National Advisory Group on Student Financial Assistance (NAGSFA). NAGSFA was established in 1987 to allow student associations, educational organizations and financial institutions to inform government of their views on the policies and practices of federal student financial assistance. NAGSFA meets twice a year to discuss specific issues and to provide input on policy development and program delivery.

### ***The Canada Student Loans Program's Formative Evaluation***

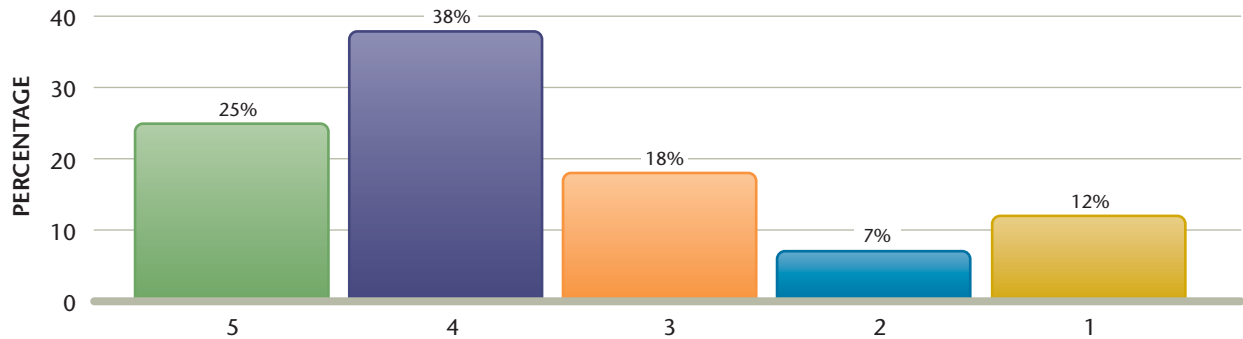
A formative evaluation of the Canada Student Loans Program (CSLP) was finalized in 2003-2004 to assess issues of program relevance, design and delivery, and the early impacts of changes made to the program since 1998. The evaluation also reviewed the Performance Measurement Strategy contained in the July 2002 Results-Based Management and Accountability Framework.

The main findings of the formative evaluation include the following.

- The CSLP's mandate and mission are consistent with both the goal of equitable access to post-secondary education (PSE) and the identification of student financing as a barrier to PSE participation.
- Many of the groups facing additional barriers to PSE are targeted by the CSLP through the program's needs assessment process and through Canada Study Grant funding.
- There is a gap between the post-secondary goals parents have for their children and parents' efforts to provide financial assistance that allows their children to access PSE.
- Students, including CSLP borrowers, are also borrowing funds from private financial institutions while attending post-secondary institutions.
- The percentage of full-time post-secondary students in Canada served by the CSLP has increased from 30% in 1990-1991 to 38% in 1999-2000.
- Student focus group participants were more concerned about their ability to repay student loan debt than about the amount of debt incurred.
- Evidence from key informants and the CSLP Client Satisfaction Survey suggests that the CSLP successfully introduced, designed and implemented the new service delivery model for direct loans on schedule.
- The available evidence suggests that integration agreements with Ontario and Saskatchewan have simplified the loan process and improved communications with students.
- In the case of non-integrated provinces, there is some evidence that the federal government's role is less clear under the new service delivery model.
- The program's administrative data were insufficient to determine the full impact that loans and grants have on post-secondary attendance and completion.
- The CSLP and provincial officials emphasized the need for better data collection and information sharing.
- Communication between federal and provincial programs was identified as an area needing improvement.

### 3. CLIENT-BASED RESEARCH

**GRAPH 1**  
**OVERALL SATISFACTION WITH QUALITY OF SERVICE**  
 (5 POINT SCALE : 5=VERY SATISFIED; 1=VERY DISSATISFIED)



In January 2004, the CSLP conducted a survey with 1,256 direct loan holders who were in contact with the CSLP. Respondents were asked to rate, on a five-point scale, their satisfaction with the service they received in the six months before the survey.<sup>10</sup>

Sixty-three percent of borrowers were satisfied with their interaction with the CSLP (**Graph 1**), representing a 17% decrease from the 2003 Client Satisfaction Survey.

Quality of service and client satisfaction are not synonymous. The outcome of the CSLP application process may have a significant impact on a client's satisfaction, regardless of the quality of the service provided. Legislative aspects of the CSLP that determine outcomes—such as the amount of loan provided, receipt of loan and appeals—had large impacts on client satisfaction. There is an “aura” effect on the perceived quality of service provided when clients are denied loans or receive lower loan amounts.<sup>11</sup>

The survey also asked borrowers who had had a Canada Student Loan for more than two years whether the quality of service they had received had remained consistent over the past few years.

Eighteen percent of borrowers said service had improved, while 17% said it had worsened.

The majority of borrowers (60%) who had contacted the CSLP in the previous six months did not report experiencing any problems in their dealings with the CSLP. Furthermore, three out of four borrowers (75%) said they had received all the information or service they needed. Borrowers were most satisfied with the ease of access to service in the language of their choice (96% satisfied), fairness (67% satisfied) and courteousness (64% satisfied).

#### **Post-Secondary Funding**

Borrowers who were in-study were asked to identify their main funding source the current year. Seventy-eight percent identified government student loans (GSLs) as their main source of funding, while 12% identified employment/work income during the school year.

When asked about financing their post-secondary education (PSE), more than half of borrowers said that if they had not received their Canada Student Loan, they would have worked first to save money for their education. A third of respondents (31%) felt that they would have had to take on additional

<sup>10</sup> Based on this sample size, results can be considered accurate to within +/-2.8%, 19 times out of 20 (most conservative estimate).

<sup>11</sup> Evaluation of the HRDC's Quality of Service: Point-form outline report for the Canada Student Loans Program (section 6, Conclusions). September 12, 2002.

work while continuing their studies, and 25% would not have considered PSE at all without their Canada Student Loan. Relatively few would have reduced their course load or taken courses for a shorter or different degree, an indication of the positive impact that the Canada Student Loans Program (CSLP) has in helping borrowers receive a post-secondary education.

Other client-based research conducted in 2004 included an omnibus survey of youth aged 17 to 30<sup>12</sup> and a survey of borrowers who had repaid their Canada Student Loan.<sup>13</sup>

The CSLP conducted the first year of a tracking survey of Canadian youth aged 17 to 30, asking questions related to Government Student Loans (GSLs), which include federal and provincial loans and Canada Student Loans. When asked about their awareness of the CSLP, two thirds (66%) of students said they had heard of the CSLP, even if only by name. Interestingly, 25% of current GSL holders had never heard of the CSLP.

The Omnibus Survey found that 23% of Canadian students aged 17 to 30 were GSL holders. Only 9% of respondents had applied, but were not eligible for a GSL. Other sources of funding most frequently used by all students for PSE were personal savings (13%) and work income (30%). Parents, guardians and relatives (other than friends) were also an important source of funding. Although only a minority (23%) of students used GSLs, they saw

these loans as important in financing the cost of education. Nineteen percent of students relied extensively on GSLs; 16% of students indicated a GSL was their main source of funding. Seven out of 10 GSL holders identified the GSL as their main source of funding.<sup>14</sup> Finally, when asked what would have happened if they had not received a GSL this year, 44% of GSL holders indicated they would have stayed at school anyway, 43% would have delayed their studies and 12% would have stopped their PSE completely. The percentage of GSL holders who would have stopped PSE completely (12%) without a GSL is lower than that shown in the CSLP's Client Satisfaction Survey (25%)—indicating some variability in the findings.

The CSLP also attempted to better understand those who had repaid their Canada Student Loan. Among those who rapidly repaid their loans, eight in 10 had a loan balance of \$10,000 or less at the time they paid it off. When asked what was the most important reason for paying back a Canada Student Loan, respondents most often believed that borrowed money should be paid back as soon as possible, and resistance to paying the interest rate charged by the CSLP, as reasons why most repaid quickly.

The main reason for which respondents repaid their loans rapidly was that they had found a job, or had saved money over time to pay off the loan. Finally, smaller percentages reported that parents or guardians paid off the loan on their behalf.

<sup>12</sup> *Canada Student Loans Program (CSLP), Omnibus Tracking, Baseline Survey, March 2004 (Les Études de marché Créatec +).*

<sup>13</sup> *Environics, Rapid Repayment Survey, June 2004.*

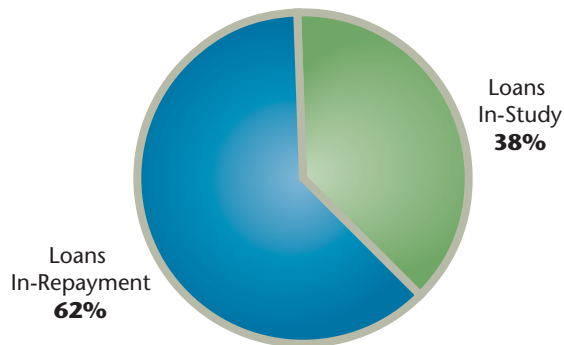
<sup>14</sup> *This finding is slightly lower than that found in the CSLP client satisfaction survey, in which 87% of CSLP borrowers considered a Government Student Loan their main source of funding.*

## 4. CANADA STUDENT LOAN PORTFOLIO

The total value of the Canada Student Loans Program's (CSLP) portfolio for all in-study and in-repayment loans (including guaranteed, risk-shared and direct loans) was \$10.6 billion as of March 31, 2004. This figure represented a \$427.5 million increase above the value at March 31, 2003.

In-study loans accounted for \$4.0 billion (38%) of the total portfolio, while loans in repayment accounted for \$6.6 billion (62%) of the total portfolio.

**GRAPH 2**  
CSLP LOAN PORTFOLIO AS OF MARCH 31, 2004



**Graph 2** illustrates the total Canada Student Loan portfolio for in-study loans<sup>15</sup> and in-repayment loans<sup>16</sup> for the guaranteed, risk-shared and direct loan regimes, as of March 31, 2004.

As no new loans are being disbursed under the guaranteed and risk-shared loan regimes, the number and value of direct loans will continue to increase, while the number and value of guaranteed and risk-shared loans will continue to decrease.<sup>17</sup> Guaranteed loans are expected to be

phased out within the next 12 years, while risk-shared loans are expected to be phased out within the next 16 years.<sup>18</sup>

### A. IN-STUDY PORTFOLIO

In-study guaranteed and risk-shared loans continued to decrease, accounting for only 1.5% (\$58.2 million) and 14.7% (\$584.6 million) of the total in-study portfolio, respectively, as of March 31, 2004.

Unlike the value of guaranteed and risk-shared loans, the value of in-study direct loans will continue to increase. In-study direct loans accounted for 84.0% (\$3.3 billion) of all in-study loans as of March 31, 2004, up from 75.0% at March 31, 2003. The value of in-study direct loans increased by \$464 million, above the value at March 31, 2003 (**Appendix B**).

### B. REPAYMENT PORTFOLIO

The value of guaranteed and risk-shared loans in-repayment decreased in comparison to the value at March 31, 2003. Guaranteed loans in-repayment decreased by 24.9% (\$128 million) and risk-shared loans in repayment decreased by 9.0% (\$412.2 million). These loans will continue to diminish in value as the guaranteed and risk-shared portfolios are phased out.

The value of the direct loans in-repayment portfolio increased by 66.7% (\$831.9 million), in comparison to the value at March 31, 2003. Similarly, the percentage of direct loans in the total in-repayment portfolio increased, as the guaranteed and risk-shared loans in-repayment portfolio diminished. On March 31, 2003, direct loans accounted for 12.3% (\$1.25 billion) of all loans in-repayment, and direct loans had increased to 19.6% (\$2.1 billion) of all loans in-repayment by March 31, 2004 (**Appendix B**).

<sup>15</sup> "In-study" refers to borrowers who are still attending a post-secondary institution and who have not yet begun repaying their Canada Student Loan. This group includes borrowers within six months of their post-secondary end date (i.e., the grace period). Interest accrues on borrowers' loans as soon as the borrowers complete their studies, but no payments are required until six months after the completion date.

<sup>16</sup> "In-repayment" refers to borrowers who have completed post-secondary studies and who have begun payments on their Canada Student Loans. This figure includes borrowers on Interest Relief and Debt Reduction in Repayment.

<sup>17</sup> Any one borrower may hold one or more types of loans.

<sup>18</sup> Office of the Chief Actuary. Actuarial Report of the Canada Student Loans Program as of July 31, 2004.



## 5. CANADA STUDENT LOAN DISBURSEMENTS

In the 2003-2004 loan year, an estimated 840,000 full-time students were enrolled in post-secondary institutions in participating Canada Student Loan provinces and territories.<sup>19</sup> There were approximately 52,000 more students than in the 2002-2003 loan year,<sup>20</sup> when roughly 788,000 full-time students were enrolled. Of those enrolled in 2003-2004, the Canada Student Loans Program (CSLP) assisted approximately 41% (340,203 full-time student borrowers). This percentage has remained stable since the 2001-2002 loan year.

Approximately \$1.6 billion in loans was disbursed to 343,000 full-time and part-time borrowers in the 2003-2004 loan year<sup>21</sup> (Table 1). The number of borrowers increased by 3.4% from the 2002-2003 loan year, and the value of loans disbursed was approximately 6.4% higher in the 2003-2004 loan year, resulting in an increase of \$135 in the average full-time student loan amount.

In addition to disbursing loans to borrowers each year, the Government of Canada pays the interest on full-time loans while a borrower is in full-time studies, (subject to lifetime limits on interest-free periods prescribed by legislation). When full-time students complete their studies, interest begins to accrue on their loans, but no payments on the

principal or interest are expected for six months. In the 2003-2004 loan year, approximately 435,000 borrowers<sup>22</sup> received in-study interest subsidies, whereby the Government of Canada subsidized \$181.3 million in loans. Part-time student borrowers must make payments on the interest of their loan while in-study, but no payments are required on the principal of their loan until they are in repayment.

### A. FULL-TIME LOANS

The number of full-time borrowers increased by 11,212 borrowers in comparison to the 2002-2003 loan year. In the 2003-2004 loan year, 340,203 full-time post-secondary students received a Canada Student Loan for a total of \$1.6 billion. The average loan disbursed to each full-time borrower increased from \$4,695 in 2002-2003 to \$4,830 in 2003-2004 (Table 1).

#### Full-Time Loans by Province or Territory

In the 2003-2004 loan year, Ontario borrowers accounted for close to half of all Canada Student Loan borrowers (46.9%), followed by British Columbia borrowers (19.2%).

Relative to 2002-2003, Newfoundland and Labrador had the most significant decrease (8.1%) in the number of borrowers in 2003-2004. Prince Edward Island had the most significant increase in both the number of borrowers and the value of loans

**TABLE 1**  
FULL-TIME AND PART-TIME LOANS

Status	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Full-Time	328,674	\$1,507.4	4,586	328,991	\$1,544.7	4,695	340,203	\$1,643.0	4,830
Part-Time	2,867	\$4.9	1,717	2,772	\$4.6	1,649	2,797	\$4.7	1,679
<b>Total</b>	<b>331,541</b>	<b>\$1,512.3</b>	<b>N/A</b>	<b>331,763</b>	<b>\$1,549.2</b>	<b>N/A</b>	<b>343,000</b>	<b>\$1,647.7</b>	<b>N/A</b>

Loan Year: August 1-July 31.

<sup>19</sup> Quebec, Nunavut and the Northwest Territories do not participate in the CSLP.

<sup>20</sup> Office of the Chief Actuary. Actuarial Report on the Canada Student Loans Program as at July 31, 2003.

<sup>21</sup> A student can be both full-time and part-time within the same loan year. As a result, the direct addition of the number of borrowers may slightly overstate the actual number of students.

<sup>22</sup> This number includes the 340,203 full-time student borrowers who received a loan in the 2003-2004 loan year.

**TABLE 2**  
FULL-TIME LOANS BY PROVINCE OR TERRITORY

Province/ Territory	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
N.L.	13,912	\$61.3	\$4,408	12,554	\$56.2	\$4,479	11,541	\$52.0	\$4,507
P.E.I.	3,068	\$16.1	\$5,259	3,238	\$17.0	\$5,249	3,385	\$17.9	\$5,274
N.S.	17,234	\$92.9	\$5,393	16,945	\$92.5	\$5,461	16,697	\$92.6	\$5,548
N.B.	15,614	\$77.7	\$4,978	15,439	\$77.9	\$5,046	15,902	\$82.5	\$5,189
ONT.	145,287	\$643.7	\$4,430	148,195	\$664.6	\$4,485	159,684	\$734.5	\$4,600
MAN.	10,267	\$44.5	\$4,334	9,930	\$43.4	\$4,367	9,649	\$44.1	\$4,569
SASK.	16,246	\$79.0	\$4,861	15,392	\$74.5	\$4,841	15,163	\$76.0	\$5,013
ALTA.	42,323	\$181.3	\$4,284	42,052	\$187.3	\$4,454	42,501	\$200.1	\$4,709
B.C.	64,467	\$309.5	\$4,801	64,993	\$330.0	\$5,077	65,425	\$342.0	\$5,228
Y.T.	256	\$1.3	\$4,999	253	\$1.3	\$5,021	256	\$1.3	\$5,012
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$1544.7</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

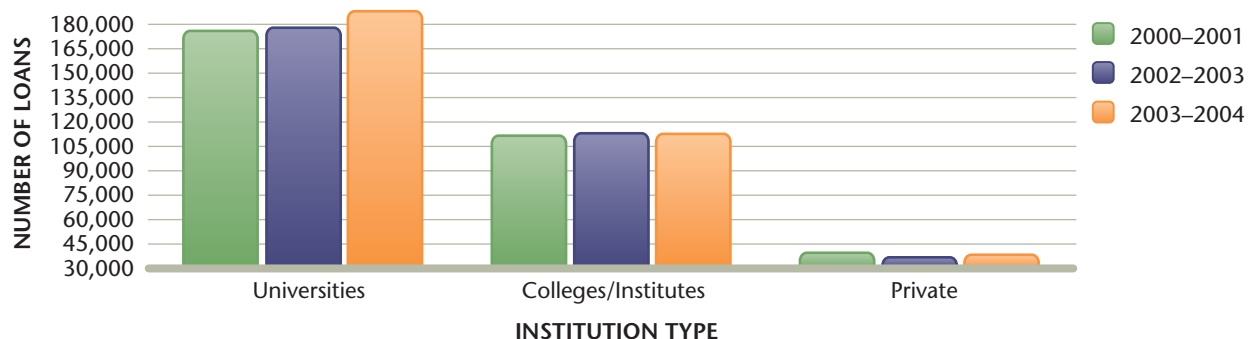
disbursed, with a 4.5% and 5.3% increase respectively above the 2002-2003 loan year (Table 2).

In the 2003-2004 loan year, Alberta's average loan amount increased most significantly over the previous loan year (from \$4,454 to \$4,709, representing an increase of \$255), followed by Manitoba with a \$202 increase in the average loan amount (from \$4,367 to \$4,569). However, borrowers from Nova Scotia continued to have the highest average loan amount (\$5,548). Borrowers in Newfoundland and Labrador borrowed the least (\$4,507) (Table 2).

### Full-Time Loans by Institution Type

The proportion of full-time Canada Student Loan borrowers attending universities and colleges in the 2003-2004 loan year remained relatively stable in comparison to the 2002-2003 loan year, at 55.4% and 33.3% respectively. Although the proportion of private institution full-time student borrowers also remained relatively constant, the number of borrowers attending private institutions increased from 37,440 in the 2002-2003 loan year to 38,710 in the 2003-2004 loan year (Graph 3). Private institution borrowers continued to have the highest average loan (\$5,757).

**GRAPH 3**  
NUMBER OF FULL-TIME LOANS DISBURSED, BY INSTITUTION TYPE



Loan Year: August 1-July 31.

In comparison to the 2002-2003 loan year, the average full-time student loan increased by \$118 for university borrowers, \$127 for college borrowers and \$184 for private institution borrowers (Appendix C).

## B. PART-TIME LOANS

In 2003-2004, \$4.7 million was disbursed to 2,797 part-time Canada Student Loan borrowers, accounting for less than 1% of the total borrower population. The numbers increased slightly in comparison to the 2002-2003 loan year, when 2,772 borrowers received a total of \$4.6 million in part-time student loans. The average part-time student loan amount increased by \$30, from \$1,649 in the 2002-2003 loan year to \$1,679 in the 2003-2004 loan year.

### *Part-Time Loans by Province or Territory*

Alberta continued to have the highest percentage of Canada's part-time borrowers (38.2%) in the 2003-2004 loan year, followed by Ontario at 24.7%. British Columbia and Saskatchewan part-time borrowers had the highest average loan amounts (\$2,421 and \$2,324, respectively) in the 2003-2004 loan year, compared to the national part-time loan average of \$1,679 (Appendix D).

### *Part-Time Loans by Institution Type*

The number of part-time borrowers attending universities decreased by 51 from the 2002-2003 loan year, while the number of part-time borrowers at colleges continued to increase, to 1,268 borrowers in the 2003-2004 loan year, compared to 1,008 in the 2002-2003 loan year. The number of part-time borrowers in private institutions continued to decrease.

In the 2003-2004 loan year, part-time university borrowers accounted for 48.9% of all part-time borrowers, a decrease of 2.3 percentage points since the 2002-2003 loan year. Part-time college borrowers accounted for 45.3% of all part-time borrowers in 2003-2004 (an increase of 8.9 percentage points

since the 2002-2003 loan year), while part-time private institution borrowers accounted for 10.5% of all part-time borrowers (a decrease of 1.9 percentage points since the 2002-2-2003 loan year). However, as in the full-time borrower portfolio, the average loan disbursed to part-time private institution borrowers remained highest, at an average of \$2,797 per borrower, followed by \$1,658 for university borrowers and \$1,269 for college borrowers (Appendix D).

### *Analysis of the Double Cohort of Graduating Ontario High School Students*

In 1997, the Ontario government announced the replacement of its five-year secondary school program with a four-year program. As a result, in 2003, students from the old five-year program and the new four-year program graduated together.

According to the Canadian Millennium Scholarship Foundation's publication *The Price of Knowledge 2004*, over the past five years, enrolment of full-time students in universities has steadily increased, from nearly 588,000 in 1999-2000 to just over 741,000 in 2003-2004. In particular, there was an increase of almost 57,000 students from 2001-2002 to 2002-2003 and more than 55,000 students from 2002-2003 to 2003-2004. This represents a 9% and 8% increase, respectively.

Full-time and part-time community college and trade and vocational school enrolment has increased at a slower pace than university enrolment, with growth from nearly 728,000 students in 1999-2000 to nearly 736,000 in 2002-2003, a change of 1.1%.

### *Impact on Canada Student Loan Uptake*

During the last two years, the Canada Student Loans Program (CSLP) has also seen its uptake increase, although not at the same rate as university enrolment. In 2003-2004, the number of full-time loan recipients increased by 3.4% and the value of loans disbursed increased by 6.4% from the previous loan year. In comparison, the number of



Canada Student Loan recipients increased by 0.1% from 2001-2002 to 2002-2003 and by 1.5% from 1999-2000 to 2003-2004. While the overall impact of the double cohort on the CSLP was less than its impact on enrolment, it still had a significant effect on some groups of Canada Student Loan borrowers.

### Impact on Borrowers by Province or Territory of Issue

Ontario saw the largest increase in Canada Student Loan recipients, with a 7.8% increase between 2002-2003 and 2003-2004, compared with an increase of only 2.0% in the previous year (Table 3). The other provinces and territories saw their numbers of Canada Student Loan recipients decline slightly (-0.2%) between 2002-2003 and 2003-2004 (Table 2). Given that the rest of the provinces and territories saw either a very moderate increase in uptake or a slight decline, much of the 3.4% national increase in uptake can be attributed to Ontario's double cohort.

### Double Cohort Age Group

The impact on Canada Student Loans uptake from the double cohort is attributed mostly to 17- and 18-year-olds. Between the 2002-2003 and 2003-2004 loan years, uptake among 17- and 18-year-olds rose by 46.8% and 23.4% respectively. In comparison to the previous year's growth, uptake among 17- and 18-year-olds increased by only 8.6% and 4.7% respectively between the 2001-2002 and

2002-2003 loan years. Meanwhile, uptake for borrowers aged 19 and over remained relatively stable, with an increase of only 1% from 2002-2003 to 2003-2004.

### Impact on Number of Borrowers by Institution Type

Universities have had the greatest fluctuation in the number of full-time student borrowers and Canada Student Loan amounts over the past few loan years. Overall, the CSLP saw a 3.4% increase in the total number of full-time Canada Student Loan borrowers from 2002-2003 to 2003-2004, but interestingly there was a 5.8% increase in borrowers in universities (Appendix C). When comparing universities in Ontario with those outside of Ontario, it can be seen that in 2003-2004, the number of Canada Student Loan recipients attending universities in Ontario increased by 11.8% from the previous year while Canada Student Loan recipients who went to universities in other provinces increased by less than 1% (Appendix C).

Over the same year, the number of loan recipients attending private institutions increased by 3.3%, while the number of borrowers attending colleges declined by 0.2% (or 280 borrowers). This is interesting as it was expected that the number of recipients attending each institution type would increase due to the double cohort (Appendix C).

**TABLE 3**  
LOANS: ONTARIO VS. THE REST OF CANADA

Province	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Ontario	145,287	\$643.7	\$4,430	148,195	\$664.6	\$4,485	159,684	\$734.5	\$4,600
Rest of Canada	183,387	\$863.7	\$4,710	180,796	\$880.1	\$4,868	180,519	\$908.5	\$5,033
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$1,544.7</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

**TABLE 4**  
**CANADIAN STUDENT MOBILITY OUTSIDE OF CANADA**

Origin	2002-2003			2003-2004		
	U.S.A.	Rest of the World	Total	U.S.A.	Rest of the World	Total
Ontario	2,967	938	148,195	2,706	1,126	159,684
Other Provinces and Territories	2,787	850	180,796	2,647	930	180,519
<b>Total</b>	<b>5,754</b>	<b>1,788</b>	<b>328,991</b>	<b>5,353</b>	<b>2,056</b>	<b>340,203</b>

Loan Year: August 1-July 31.

### Impact on Mobility Outside of Canada

Overall, the effects of the double cohort on the number of Canada Student Loan recipients from Ontario studying outside of Canada have been small. The percentage of those from Ontario who studied outside of Canada remained relatively consistent from 2002-2003 to 2003-2004, with 2.6% of all loan recipients from Ontario studying outside of Canada in 2002-2003 and 2.4% in 2003-2004.

### Impact on Mobility Within Canada

In Ontario, the number of Canada Student Loan recipients studying in their home province increased by 7.9% between 2002-2003 and 2003-2004. The proportion of borrowers from Ontario studying in another province or territory remained relatively consistent from year to year. In 2001-2002 and 2002-2003, 3.6% and 3.7% of Ontario students respectively studied outside of the province. In 2003-2004, 3.8% of Ontario's Canada Student Loan recipients studied outside of the province (Table 4). Of those who studied outside of their home province, 30.5% studied in Quebec, 19.7% in Nova Scotia, 16.9% in British Columbia and 13.7% in Alberta (Table 6).

## C. CANADA STUDY GRANTS

Canada Study Grants (CSGs) provide non-repayable assistance to eligible Canada Student Loan borrowers who are students with permanent disabilities, high-need part-time students, high-need students with permanent disabilities, females pursuing doctoral studies and students with dependants.

In the 2003-2004 loan year, a total of 53,272 CSGs were disbursed, worth roughly \$76.8 million. These numbers represent a decrease in the number of grant recipients, yet an increase in the total value of the grants. Approximately 15.5% of all Canada Student Loan borrowers received a CSG in the 2003-2004 loan year, compared to 17% in the 2002-2003 loan year. The majority (74.7%) of all CSGs were issued to students with dependants, at an approximate value of \$52.3 million (Table 5).

### *Students with Permanent Disabilities*

This grant helps students with permanent disabilities meet additional education-related expenses incurred in undertaking post-secondary studies. Students with a permanent disability may qualify for a CSG of up to \$8,000 per loan year to cover exceptional education-related costs associated with their disability.

**TABLE 5**  
**CANADA STUDY GRANT EXPENDITURES FOR THE 2003-2004 LOAN YEAR**

Province/ Territory	Student with Dependants (Full-Time and Part-Time)		Student with Permanent Disabilities		High-Need Students with Permanent Disabilities		High-Need Part-Time Students		Females Pursuing Doctoral Studies		Total	
	#	\$ Value	#	\$ Value	#	\$ Value	#	\$ Value	#	\$ Value	#	\$Value
N.L.	1,172	\$803,297	34	\$143,509	26	\$35,389	10	\$11,810	*	\$9,000	1,245	\$1,003,005
P.E.I.	145	\$167,261	47	\$116,188	0	\$0	103	\$107,448	0	\$0	295	\$390,897
N.S.	1,233	\$1,786,534	384	\$1,845,609	24	\$42,056	60	\$68,375	*	\$6,000	1,703	\$3,748,574
N.B.	1,441	\$1,944,491	147	\$278,767	74	\$110,151	28	\$28,497	11	\$33,000	1,701	\$2,394,906
O.N.T.	15,887	\$2,022,121	4,433	\$9,337,131	1,377	\$2,146,114	328	\$315,148	82	\$219,781	22,107	\$36,040,295
MAN.	1,198	\$1,626,716	142	\$503,994	37	\$51,462	47	\$49,936	*	\$12,000	1,428	\$2,244,108
SASK.	1,707	\$4,026,521	242	\$1,053,810	162	\$253,001	117	\$134,683	*	\$18,000	2,236	\$5,486,015
ALTA.	5,558	\$7,983,655	430	\$1,294,953	16	\$30,640	963	\$744,411	10	\$30,000	6,977	\$10,083,659
B.C.	11,393	\$9,912,647	923	\$2,083,857	580	\$899,830	2,553	\$2,229,901	79	\$207,949	15,528	\$15,334,184
Y.T.	41	\$56,580	*	\$1,110	*	\$2,000	*	\$6,856	*	\$6,000	52	\$72,546
<b>Total</b>	<b>39,775</b>	<b>\$52,329,823</b>	<b>6,784</b>	<b>\$16,658,928</b>	<b>2,297</b>	<b>\$3,570,643</b>	<b>4,215</b>	<b>\$3,697,065</b>	<b>201</b>	<b>\$541,730</b>	<b>53,272</b>	<b>\$76,798,189</b>

Loan Year: August 1-July 31.

Note: Excludes grants awarded by provincial governments or equivalent CSG awarded by non-participating provincial or territorial governments.

\* Counts lower than 10 have been suppressed

The CSGs for Students with Permanent Disabilities accounted for 12.7% of all CSGs issued in the 2003-2004 loan year. A total of 6,784 students, representing 2.0% of all Canada Student Loan borrowers, received a CSG for Students with Permanent Disabilities, for a total of \$16.7 million. As in the 2002-2003 loan year, Ontario had the highest percentage of borrowers receiving the CSGs for Students with Permanent Disabilities, at 2.8% of the total borrowers in that province.

### **High-Need Part-Time Students**

This grant provides assistance to students who must study part-time and whose family income is below prescribed income thresholds. Up to \$1,200 per loan year may be available to qualified applicants to help cover education-related costs (such as expenses for tuition, books and child care).

CSGs for High-Need Part-Time Students were issued to 4,215 part-time student borrowers for a total of \$3.7 million, accounting for 7.9% of all CSGs. These figures remained relatively stable in comparison to the 2002-2003 loan year, when 4,451 part-time student borrowers received a CSG for High-Need Part-Time Students for a total of \$3.8 million.

The number of students receiving the CSG for High-Need Part-Time Students exceeded the number of students receiving part-time student Canada Student Loans (4,215 as compared to 2,797). This means that grant funding was sufficient to cover all of the assessed needs of 1,418 high-need part-time students. As a result, part-time loans were not required.

***High-Need Students with Permanent Disabilities***

In August 2002, this grant was introduced to assist full-time and part-time students with permanent disabilities who have an assessed need of over \$275 per week of study. This grant helps cover the cost of tuition, books and other education-related expenses by providing non-repayable assistance of up to \$2,000 per loan year.

In the 2003-2004 loan year, 2,297 CSGs for High-Need Students with Permanent Disabilities were issued at a total value of \$3.6 million, accounting for 4.3% of all CSGs.

***Females Pursuing Doctoral Studies***

This grant assists female students in certain PhD programs in which women are traditionally under-represented. Grants of up to \$3,000 per loan year (for a maximum of three years) are available to qualified applicants.

CSGs for Females Pursuing Doctoral Studies were issued to 201 borrowers in the 2003-2004 loan year for a total of \$541,730. The number of grant recipients remained stable in comparison to the 2002-2003 loan year.

***Students with Dependants***

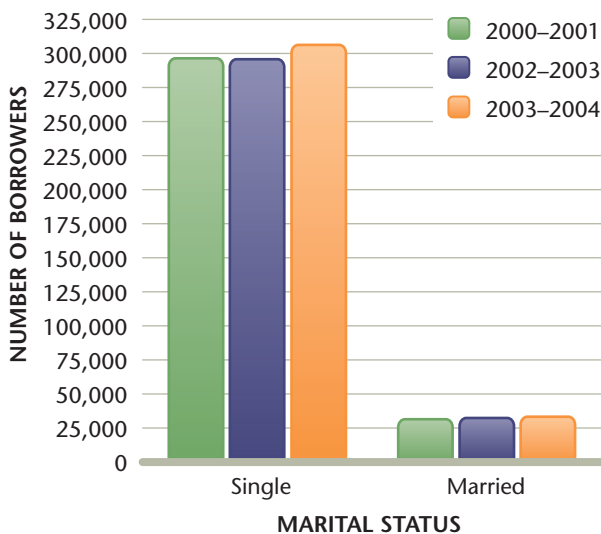
In August 1998, this grant was introduced to help full-time and part-time students with dependants. Eligible students may qualify for grants of up to \$3,120 for full-time students and \$1,920 for part-time students, per loan year. In the 2003-2004 loan year, \$52.3 million in CSGs for Students with Dependants were issued to 39,775 Canada Student Loan borrowers, accounting for 74.7% of the CSG portfolio. This is a decrease from the 43,551 borrowers who received the grant last year.

## 6. DEMOGRAPHIC PROFILE OF CANADA STUDENT LOAN BORROWERS

### A. BORROWERS BY MARITAL STATUS

Full-time Canada Student Loan borrowers were more likely to be single (90%) than married (10%) in the 2003-2004 loan year (Graph 4).

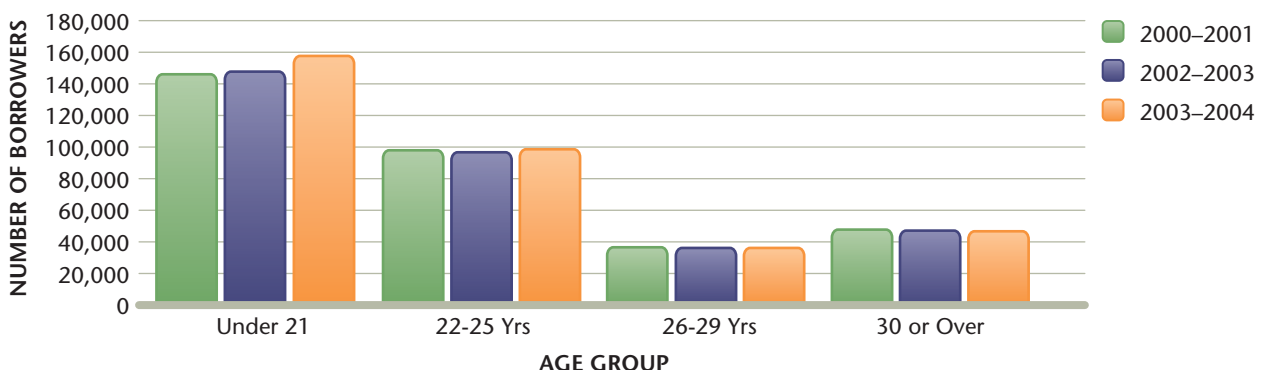
**GRAPH 4**  
MARITAL STATUS OF FULL-TIME STUDENT BORROWERS



Loan Year: August 1-July 31.

Although most part-time borrowers were also single (81.6%), this percentage was lower than the percentage of single full-time borrowers. In the 2003-2004 loan year, 18.4% of all part-time borrowers were

**GRAPH 5**  
FULL-TIME STUDENT BORROWERS, BY AGE



Loan Year: August 1-July 31.

married. The average loan amount was higher for those who were married (\$5,460 for full-time borrowers and \$1,700 for part-time borrowers) than for those who were single (\$4,761 for full-time borrowers and \$1,674 for part-time borrowers) (Appendix E).

### B. BORROWERS BY AGE

Graph 5 shows that in the 2003-2004 loan year, there were modest or no changes in the number of full-time borrowers in most age categories. The majority of Canada Student Loan borrowers were under the age of 25. Of full-time borrowers, 46.4% (158,023) were 21 or under, and 29.1% (99,101) were between the ages of 22 and 25. Full-time borrowers between the ages of 26 and 29 accounted for 10.7% (36,342) of Canada Student Loan borrowers, and those 30 or over accounted for 13.7% (46,737).

Interestingly, the average loan amount for full-time borrowers increased with age. Full-time borrowers aged 30 or over took out an average loan of \$5,550, while those 21 and under took out an average loan of \$4,381. This variation can be explained by several factors. Older borrowers tend to be classified as independents, so their parents' income is not considered a resource available to them, while younger borrowers are more likely to be classified as dependents, so the amount of their loan could be reduced by their expected parental contributions.

Second, older borrowers are more likely to be enrolled in graduate-level studies, where tuition fees and other expenses are higher. Third, older borrowers are more likely to live away from home than younger borrowers, and therefore receive higher loans to cover living expenses. Lastly, older students are more likely to have children and therefore would have higher expenses and receive higher loans.

Approximately 32.6% (913) of part-time borrowers were over the age of 30, while 29.3% (820) were 21 or under. The average loan amount per part-time borrower was the highest for those between 22 and 25 years (\$1,724), and lowest for those 21 or under (\$1,632) (**Appendix E**).

### C. BORROWERS BY GENDER

The number of women receiving full-time Canada Student Loans continued to be higher than the number of men. In the 2003-2004 loan year, women comprised 59.6% of the full-time borrower's portfolio, while men comprised 40.4%. The average full-time loan disbursed to women (\$4,877) continued to exceed that disbursed to men (\$4,759).

Similarly, the number of women receiving part-time Canada Student Loans also exceeded the number of men receiving such loans. Of part-time borrowers, 67.9% were women, and 32.1%

were men. However, the average part-time loan amount was slightly higher for men (\$1,682) than it was for women (\$1,678) (**Appendix E**).

### D. BORROWERS BY STUDY LEVEL

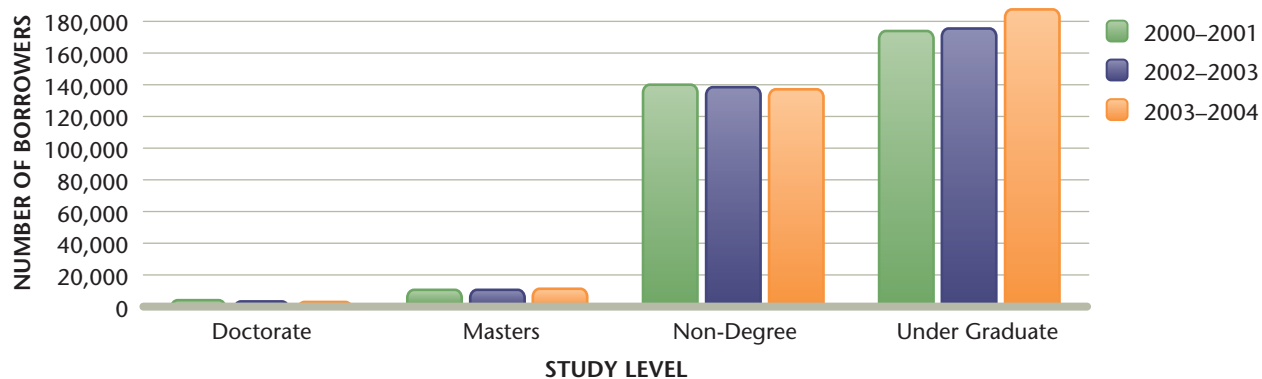
The majority of full-time borrowers (55.3%) were enrolled in undergraduate programs. However, 40.5% of full-time borrowers were enrolled in programs issuing certificates (or non-degree-granting programs) at private institutions, colleges or universities. The remainder were master's or doctoral students (**Graph 6**).

The percentage of part-time borrowers enrolled in undergraduate programs was 32.6%, while part-time borrowers enrolled in non-degree-granting programs accounted for 14.4% of the total part-time borrower portfolio. The major change from the previous loan year was the increase in the number of master's and doctoral part-time borrowers, who accounted for 52.9% of part-time borrowers in 2003-2004 (**Appendix E**).

### E. MOBILITY OF BORROWERS

Canada Student Loans are portable, which gives students the opportunity to study in other provinces and territories. **Table 6** shows that 88.8% of all full-time borrowers remained in their home province

**GRAPH 6**  
FULL-TIME BORROWERS, BY STUDY LEVEL



**TABLE 6**  
**BORROWERS MOBILITY, BY PROVINCE OR TERRITORY**

Province/ Territory	2002-2003					2003-2004				
	Borrowers Remaining in Their Home Province/Territory		Borrowers Moving Outside Their Home Province/Territory		Total	Borrowers Remaining in Their Home Province/Territory		Borrowers Moving Outside Their Home Province/Territory		Total
	No. of Borrowers	% of Total	No. of Borrowers	% of Total		No. of Borrowers	% of Total	No. of Borrowers	% of Total	
N.L.	10,268	81.8%	2,286	18.2%	12,554	9,687	83.9%	1,854	16.1%	11,541
P.E.I.	1,923	59.4%	1,315	40.6%	3,238	2,060	60.9%	1,325	39.1%	3,385
N.S.	13,765	81.2%	3,180	18.8%	16,945	13,407	80.3%	3,290	19.7%	16,697
N.B.	11,910	77.1%	3,529	22.9%	15,439	12,363	77.7%	3,539	22.3%	15,902
ONT.	139,006	93.8%	9,189	6.2%	148,195	149,957	93.9%	9,727	6.1%	159,684
MAN.	8,401	84.6%	1,529	15.4%	9,930	8,183	84.8%	1,466	15.2%	9,649
SASK.	12,243	79.5%	3,149	20.5%	15,392	12,077	79.6%	3,086	20.4%	15,163
ALTA.	36,644	87.1%	5,408	12.9%	42,052	36,902	86.8%	5,599	13.2%	42,501
B.C.	57,281	88.1%	7,712	11.9%	64,993	57,556	88.0%	7,869	12.0%	65,425
Y.T.	30	11.9%	223	88.1%	253	36	14.1%	220	85.9%	256
<b>Total</b>	<b>291,471</b>	<b>88.6%</b>	<b>37,520</b>	<b>11.4%</b>	<b>328,991</b>	<b>302,228</b>	<b>88.8%</b>	<b>37,975</b>	<b>11.2%</b>	<b>340,203</b>

Loan Year: August 1-July 31.

or territory to study in the 2003-2004 loan year, while 11.2% (37,975) studied outside their home province or territory. Overall borrower mobility has decreased slightly, from 11.4% in the 2002-2003 loan year.

Ontario borrowers were the most likely (93.9%) to remain in their home province to study, followed by borrowers in British Columbia (88.0%).

Mobility rates in certain provinces and territories may be high because there are few post-secondary institutions and a limited selection of programs in those jurisdictions, and because borrowers may prefer specific institutions outside their home province or territory. For instance, 85.9% of all Yukon borrowers (220 out of 256) studied outside the territory in 2003-2004. Borrowers from Prince Edward Island remained the second most mobile borrowers in Canada, with 39.1% studying outside their home province.

The CSLP provides alternative payments to Quebec, the Northwest Territories and Nunavut for their own

provincial/territorial student assistance programs, as they do not directly participate in the CSLP.

**Table 7** shows that borrowers from the Atlantic provinces who left their home province to study tended to remain in Atlantic Canada or to study in Ontario. Similarly, mobile borrowers in western Canada tended to stay within western Canada or to attend post-secondary institutions in Ontario.

Of the 6.1% of borrowers from Ontario who attended post-secondary institutions outside their home province, 27.8% studied in the United States, 18.5% in Quebec, 10.2% in Nova Scotia and 11.5% in British Columbia.

#### ***Mobility by Institution Type***

Canada Student Loan borrowers who attended university were the most mobile (14.7%), followed by private institution borrowers at 11.3%. College borrowers were the least mobile, with only 5.2% moving outside their home province or territory to study. These percentages remained stable in comparison to the 2002-2003 loan year (**Appendix F**).

**TABLE 7**  
**MOBILITY OF CANADA STUDENT LOAN BORROWERS PROVINCE TO PROVINCE 2003-2004 LOAN YEAR**

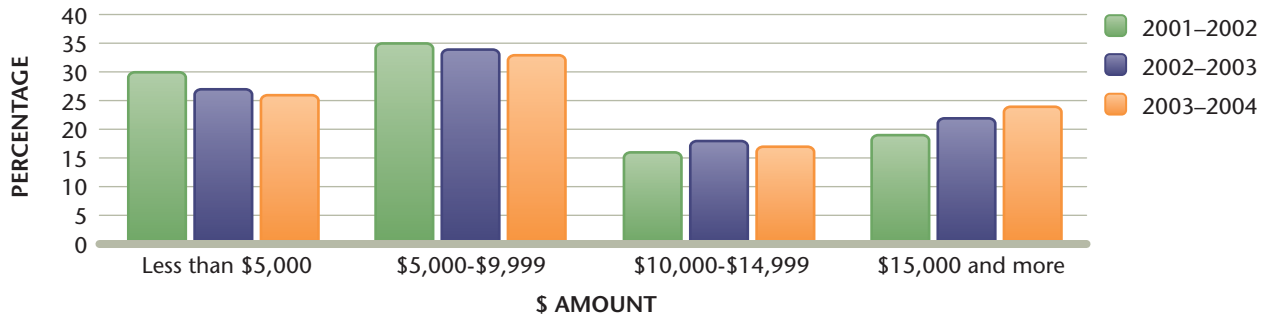
Province/ Territory of Issue	Canada													USA	Rest of the world	Total
	N.L.	P.E.I.	N.S.	N.B.	ONT.	MAN.	SASK.	ALTA.	B.C.	Y.T.	QC	NWT	CANADA			
N.L.	9,687	77	816	306	360	22	15	93	47	*	46	*	11,469	47	25	11,541
P.E.I.	28	2,060	536	439	164	10	*	30	25	*	35	*	3,331	45	*	3,385
N.S.	153	275	13,407	1,265	727	23	32	140	96	*	188	*	16,306	331	60	16,697
N.B.	76	220	1,515	12,363	719	20	22	91	56	*	562	*	15,645	222	35	15,902
ONT.	128	53	1,162	416	149,957	374	161	808	995	*	1,796	*	155,852	2,706	1,126	159,684
MAN.	*	*	70	21	378	8,183	192	324	151	*	65	*	9,393	216	40	9,649
SASK.	*	*	99	*	297	226	12,077	1,832	272	*	72	*	14,894	223	46	15,163
ALTA.	46	20	397	92	1,529	241	512	36,902	1,416	*	314	*	41,473	755	273	42,501
B.C.	38	14	348	127	2,305	292	304	2,667	57,556	*	532	*	64,185	803	437	65,425
Y.T.	*	*	12	*	20	*	*	66	96	36	*	*	246	*	*	256
<b>Total</b>	<b>10,164</b>	<b>2,730</b>	<b>18,362</b>	<b>15,040</b>	<b>156,456</b>	<b>9,391</b>	<b>13,324</b>	<b>42,953</b>	<b>60,710</b>	<b>43</b>	<b>3,617</b>	<b>*</b>	<b>332,794</b>	<b>5,353</b>	<b>2,056</b>	<b>340,203</b>

\* Counts lower than 10 have been suppressed  
 Loan Year August 1-July 31



## 7. MANAGING THE LOAN REPAYMENT PROCESS

**GRAPH 7**  
DISTRIBUTION OF CSLP INDEBTEDNESS



Loan Year: August 1-July 31.

Full-time borrowers must begin repaying their Canada Student Loan six months after they have completed their studies. Once they have finished their studies, interest begins to accrue on the loan, but no payment is required until the month following the end of the six-month grace period.

### A. AVERAGE CANADA STUDENT LOAN INDEBTEDNESS

Indebtedness refers to the amount a borrower owes in Canada Student Loans once he or she has entered repayment.

Average indebtedness in the 2003-2004 loan year was \$10,628, which was \$363 higher than the level of indebtedness in the 2002-2003 loan year.

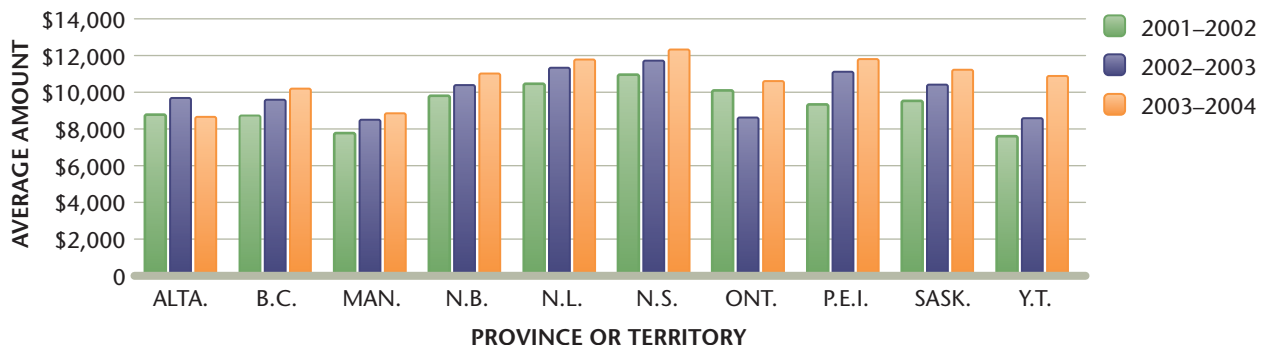
The proportion of borrowers with indebtedness of less than \$10,000 was 59%, down from 61% in the 2002-2003 loan year (Graph 7). Appendix G provides detailed information on indebtedness.

#### Indebtedness by Province or Territory

In the 2003-2004 loan year, average indebtedness increased in all participating jurisdictions. Student borrowers in Alberta, British Columbia and Manitoba had an average indebtedness under the national average of \$10,628.

Graph 8 shows that Manitoban borrowers owed the least at consolidation<sup>23</sup> (\$8,895), while Nova Scotian borrowers owed the most at consolidation (\$12,385).

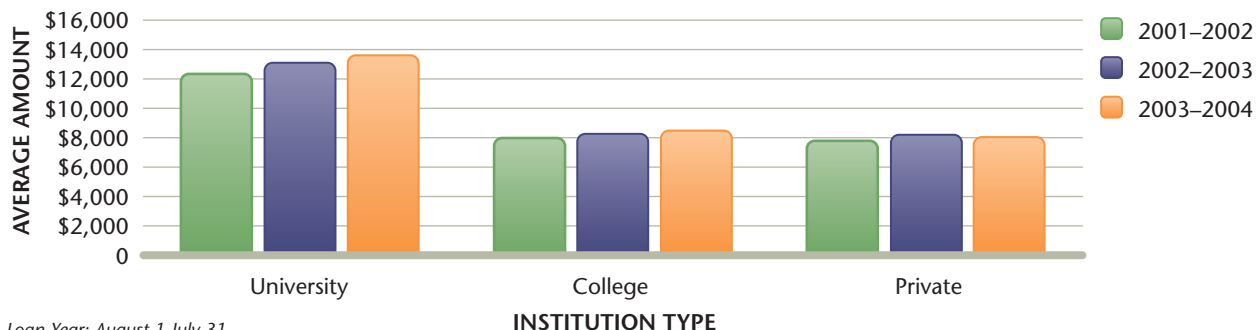
**GRAPH 8**  
AVERAGE INDEBTEDNESS BY PROVINCE OR TERRITORY



Loan Year: August 1-July 31.

<sup>23</sup> Consolidation occurs when the borrower's status changes from in-study to in repayment. Generally, this change occurs six months after the completion of studies. Please note that these figures are based only on Canada Student Loans. Borrowers may also have provincial or private (bank) loans.

**GRAPH 9**  
AVERAGE INDEBTEDNESS BY INSTITUTION TYPE



Loan Year: August 1-July 31.

Average indebtedness increased in all provinces and territories in comparison to the 2002-2003 loan year. Yukon and Saskatchewan had the largest increases (\$1,731 and \$815, respectively). Ontario and Manitoba had the smallest increases (\$107 and \$365, respectively) (Appendix G).

**Indebtedness by Institution Type**

In the 2003-2004 loan year, average indebtedness for university borrowers was \$13,671, \$3,043 higher than the overall national average of \$10,628 (Graph 9). Average indebtedness for university borrowers increased by \$414 in comparison to the 2002-2003 loan year.

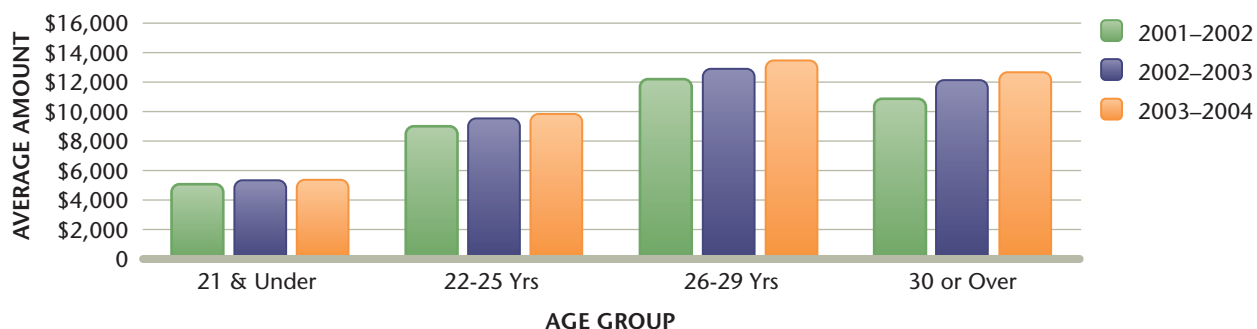
Average indebtedness for college borrowers was \$8,598, \$2,030 lower than the overall national average of all student loan borrowers. However, indebtedness for college borrowers increased by \$225 in comparison to the 2002-2003 loan year.

In comparison to the 2002-2003 loan year, the average debt for private institution borrowers decreased by \$87 (Appendix G).

**Indebtedness by Age Group**

Average indebtedness increased with age, up to the age of 29. Borrowers 30 or over had slightly less debt than borrowers between the ages of 26 and 29. Borrowers aged 25 or under had less indebtedness than the national average debt at consolidation. Graph 10 illustrates that those borrowers in repayment at age 21 or under had an average debt of \$5,436, and borrowers in repayment between 22 and 25 had an average debt of \$9,940 at consolidation, compared to the national average of \$10,628. Appendix G provides detailed information on indebtedness.

**GRAPH 10**  
AVERAGE INDEBTEDNESS BY AGE GROUP



Loan Year: August 1-July 31.

### *Indebtedness by Gender*

The average indebtedness was \$420 higher for women than it was for men. In comparison to the 2002-2003 loan year, average indebtedness increased by \$378 for women and by \$337 for men (Appendix G).

## **B. INTEREST RELIEF**

Interest Relief (IR) is a debt management measure that provides short-term relief to borrowers facing temporary financial difficulties in repaying their Canada Student Loan. Borrowers who receive IR are not required to make any payments of interest or principal on their Canada Student Loan for periods of six months at a time. Interest does not accrue on the loans while a borrower is receiving the IR benefit. Borrowers may apply for up to 30 months of IR at any time during their loan repayment period. In addition, borrowers who use up the 30 months of IR may be eligible for up to 24 additional months of IR within the first five years of leaving studies.

In the 2003-2004 loan year, 123,315 borrowers applied for IR, and 117,520 applicants (95.3%) qualified for the measure.

The number of IR recipients continued to decline for the third consecutive year, from 140,461 in 2001-2002, to 128,235 in 2002-2003 and 117,520 in the 2003-2004 loan year (Table 8).

**TABLE 8**  
INTEREST RELIEF BORROWER STATISTICS

Loan Year	Number of Applicants	Qualifying Borrowers	Average Months	Average Outstanding Principal
2001-2002	146,285	140,461	6.41	\$12,557
2002-2003	134,186	128,235	7.15	\$13,540
2003-2004	123,315	117,520	6.98	\$14,821

Loan Year August 1-July 31

As the number of IR recipients decreased, the cost of IR decreased as well, from \$77.2 million in 2002-2003 to \$62.0 million in the 2003-2004 loan year (Table 9).

**TABLE 9**  
INTEREST RELIEF RECIPIENTS AND DOLLAR VALUE

Loan Year	IR Recipients	IR Dollars (\$Million)
2001-2002	140,461	\$76.68
2002-2003	128,235	\$77.22
2003-2004	117,520	\$62.00

Loan Year: August 1-July 31.

### *Interest Relief Recipients by Institution Type*

In the 2003-2004 loan year, 46,899 university borrowers received IR, which is 39.9% of all IR recipients. College borrowers represented 38.4% of all IR recipients. Private institution borrowers accounted for 21.1%, while the institution type was unknown for the remaining 0.6% of borrowers (Appendix H).

### *Interest Relief Recipients by Gender*

Females accounted for 59.6% of Canada Student Loan borrowers in the 2003-2004 loan year, and more female than male Canada Student Loan borrowers received IR. In 2003-2004, the proportion of female IR recipients was 61.8%, while men accounted for 35.8% of IR recipients. The gender of 2.5% of IR recipients was unknown (Appendix H).

### *Interest Relief Recipients by Age*

The largest group of borrowers receiving IR were those aged 30 or older, accounting for 37.6% of IR recipients (Appendix H). The percentage of borrowers on IR within each age group remained stable in comparison to the 2002-2003 loan year. However, the number of IR recipients decreased, since fewer borrowers qualified for the IR program.

### Interest Relief Trends

IR uptake has varied over the past few years. The 1998 expansion of the Interest Relief (IR) program under the Canadian Opportunities Strategy led to large increases in IR uptake between 1998-1999 and 2000-2001 (by about 50% in recipients). Since the peak uptake in 2000-2001 (155,000), the number of IR recipients has continued to decline by nearly 25% over three years to 118,000 in 2003-2004, still well above the 1998-1999 level. What caused these major changes and what can be expected for the future of the IR program?

### Interest Relief Uptake

All available evidence shows that IR uptake has declined since its highest point in 2000-2001. Total IR rates (**Appendix I**), yearly recipients and new IR starts<sup>24</sup> (**Figure 1**) all attest to that.

Below are several possible factors that may have caused this observed decline. They can be broken down into the following groups.

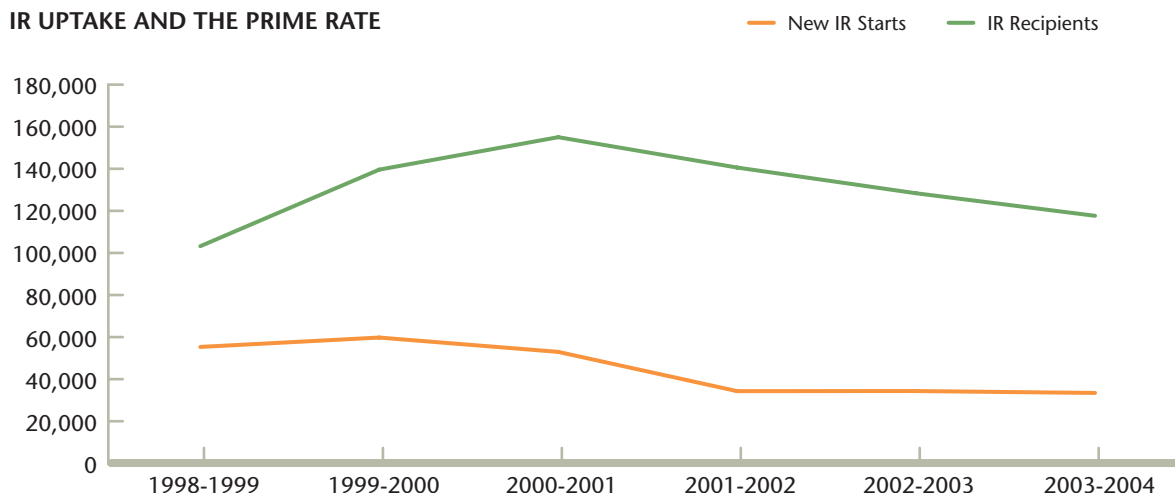
i. **Economic conditions.** The relatively good economic conditions since 2001 may be contributing

to the decline in IR uptake. Available employment and relatively accessible credit provide means to repay the loans without resorting to IR. Low interest rates decrease IR eligibility by reducing the borrower's monthly payments. In addition, there is a direct link between IR and the interest rate: IR is less attractive when the interest rate is low, as it has been for the last few years.

ii. **High delinquency and default.** The early direct loan cohorts are showing relatively high rates of default (and correspondingly high delinquency). Since IR for borrowers with multiple loans must now be negotiated through the direct loan Service Providers, high direct loan default rates lower the IR uptake rate for all borrowers with direct and previous regime loans.

iii. **Change to direct lending.** The lowest point in first-year IR rates was reached in 2001-2002 (17.4%). By 2003-2004, this rate had risen to 21.6% (**Appendix I**). Note, however, that new IR starts do not yet show signs of recovery. In the past, they were supplemented by additional uptake from earlier cohorts who qualified for IR

**FIGURE 1**  
IR UPTAKE AND THE PRIME RATE



<sup>24</sup> IR starts are first-time Interest Relief recipients.

or found it an attractive option for the first time. IR became particularly attractive for earlier cohorts when the 1998 improvements to IR began to take full effect in 2001-2002. Since 2001-2002 corresponds to the first year of work for the new Service Providers, some early direct lending cohorts may have missed the opportunity to use IR due to lack of information, experience or incentives. As this major decrease in IR recipients was accompanied by an increase in defaults, one can conclude that some of those defaults might have been prevented through timely use of IR.

#### iv. Insufficient information and communication.

CSL research has found a deficit of information among borrowers, particularly concerning their options when having difficulty making their payments. Lack of knowledge about specific options that could assist borrowers, such as IR and revision of terms, was highlighted. Furthermore, many who were aware of these options heard about them from interpersonal (word of mouth) communication and had very little knowledge of the conditions for eligibility.<sup>25</sup> Borrowers may miss out on IR because of incomplete or incorrect information.

The low current IR starts, however, are a leading indicator of the continued systemic decrease in IR recipients and rates. IR starts were almost halved in four years, beginning in 1999; the number of IR recipients only declined by a quarter. The longer duration of IR made possible by the 1998 changes is responsible. The importance of these initiatives cannot be overstated, as IR remains the most practical and effective tool in curing short-term delinquency and unemployment-related chronic repayment difficulties (**Appendix I**).

## C. DEBT REDUCTION IN REPAYMENT

In 1998, Debt Reduction in Repayment (DRR) was introduced as a targeted debt management measure to help borrowers who have exhausted IR and who continue to experience exceptional long-term financial difficulty in meeting their Canada Student Loan repayment obligations. DRR reduces the principal of a borrower's Canada Student Loan, eliminating a potentially significant portion of the loan, while also reducing the borrower's monthly loan payment to an affordable level, relative to his or her income. Prior to May 2004, borrowers were eligible to receive a maximum reduction of \$10,000 or 50% of the principal of the loan, whichever was less. In May 2004, the maximum amount a loan could be reduced through DRR was increased to \$20,000 through an initial reduction of up to \$10,000, and second and third reductions of up to \$5,000 respectively; the 50% of principal limitation was removed. Borrowers are only eligible to receive a subsequent reduction if 12 months have passed since their last reduction.

In the 2003-2004 loan year, 1,943 Canada Student Loan borrowers benefited from DRR, at a total cost of \$12.1 million (**Table 10**). The rise in the number of DRR recipients (from 1,523 recipients in 2002-2003 to 1,943 in 2003-2004) indicates that the program is maturing. The rate of increase is expected to continue for a few more years before the program reaches a steady state.

**TABLE 10**  
DEBT REDUCTION IN REPAYMENT  
RECIPIENTS AND DOLLAR AMOUNT

Loan Year	DRR Recipients	DRR Amount (\$Million)
2001-2002	876	5.3
2002-2003	1,523	8.6
2003-2004	1,943	12.1

Loan Year: August 1-July 31.

<sup>25</sup> Patterson Langlois Consultants, Exploratory Research with Canada Student Loan Holders: Factors Impacting the Loan Repayment Process (February 2004), p. 9.

### DIRECT LOAN DELINQUENCY RESEARCH

Since the direct lending regime began in 2000, student loan information has grown both in quantity and quality. Among the new sources of information are reports and data files from the Service Providers. It is from this source that information on delinquency became available for the first time in the 2002-2003 loan year. Full records for two loan years (2002-2003 and 2003-2004) were available for analysis.

CSL borrower delinquency is defined as being in arrears on scheduled student loan payments. The increase in the maximum length of this period to 270 days<sup>26</sup> has allowed the Service Providers to undertake more extensive rehabilitation efforts and, incidentally, has provided meaningful data for the study of this important period in loan repayment. After 270 days, a delinquent loan becomes a loan in default.

#### Delinquency Rate

The delinquency rate is defined as the ratio of the loan amounts in delinquency to the total dollar amount in repayment (that is, excluding the accounts that have been paid in full or returned to government). As the direct loan portfolio matures, this rate should converge to its long-run value. The major trends in delinquency rate of the CSLP

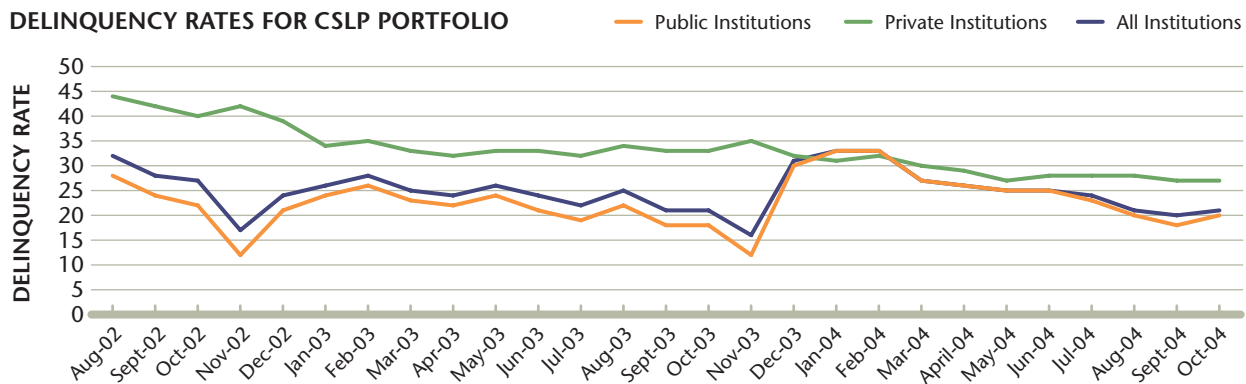
portfolio over the past two loan years are shown in **Figure 2**.

The trends on this graph are explained by the following considerations.

1. Private institutions' delinquency rate should *a priori* be higher than the public institutions' rate, since their default rate has always exceeded the public rate (see, for example, the default rate tables in this report), and high delinquency naturally leads to higher default.
2. There is a clear seasonality in public institutions' trends, since over 50% of consolidations occur in November, a trend exacerbated by the fact that the portfolio is still young. The first month of delinquency for the November consolidations is December, leading to a December rise that follows the November drop. The pattern of consolidations for private institutions is much smoother throughout the year.

In light of the above, over the last 24-month period, the delinquency rate in both public and private institutions has been steadily declining (**Appendix J**). The CSLP is taking further steps to reduce the delinquency rate by implementing a pre-consolidation pilot project to contact and counsel certain borrowers before their first scheduled payment.

**FIGURE 2**  
DELINQUENCY RATES FOR CSLP PORTFOLIO



<sup>26</sup> Before direct lending, the borrower could be in arrears for a maximum of 90 days before being declared in default and having his or her account transferred to the government for collection.

## D. CANADA STUDENT LOAN DEFAULTS

For the purpose of calculating default rates, under the guaranteed and risk-shared regimes, a Canada Student Loan is deemed to be in default when payments are in arrears for three months or more. Directly financed Canada Student Loans are deemed to be in default when payments are in arrears for more than 270 days.

### Three-Year Blended Default Rate

The three-year blended default rate is the proportion of the loan value entering repayment that the CSLP anticipates will default within three years of consolidation. Although default on a loan may occur anytime during the repayment period (normally 10 years), the cut-off of three years is based on the fact that most defaults (more than 75%) occur within three years of consolidation.

The blended default rate for the three regimes (guaranteed, risk-shared and direct loans) is calculated using a weighted average based on the loan value at consolidation under the three regimes. As well, the default rate represents only the federal portion of defaulted loans.

The actual three-year blended default rate can be calculated only up to consolidations during the 2001-2002 and 2002-2003 loan years, as the full three years' data are currently available for those years. For 2003-2004, the three-year rates are anticipated based on defaults by the end of the 2002-2003 loan year.

**Table 11** shows that the overall anticipated blended default rate (for direct, risk-shared and guaranteed loans) across Canada in the 2003-2004 loan year

**TABLE 11**  
THREE-YEAR BLENDED CANADA STUDENT LOAN DEFAULT RATES

	Direct Loan Default Rates				Blended Guaranteed, Risk-Shared and Direct Loan Default Rates			
	2000-2001	2001-2002	2002-2003 P	2003-2004 F	2000-2001	2001-2002	2002-2003 P	2003-2004 F
CANADA	42.8%	37.7%	31.8%	30.9%	23.1%	25.9%	25.7%	25.5%
B.C.	33.9%	40.3%	35.4%	32.5%	25.5%	29.6%	30.3%	28.1%
ALTA.	38.6%	34.4%	27.5%	29.1%	20.5%	23.1%	22.1%	24.5%
SASK.	42.4%	38.4%	34.7%	30.9%	24.5%	27.0%	28.8%	26.0%
MAN.	53.5%	41.1%	33.3%	36.5%	22.0%	27.8%	28.0%	31.1%
ONT.	44.1%	35.7%	28.7%	29.2%	23.2%	23.8%	22.6%	23.4%
N.B.	42.6%	39.3%	37.2%	32.8%	23.7%	30.2%	30.2%	27.3%
N.S.	47.2%	40.4%	39.3%	38.7%	24.6%	28.6%	31.4%	30.9%
P.E.I.	43.7%	35.2%	31.3%	27.1%	21.1%	27.3%	23.6%	22.2%
N.L.	53.0%	45.3%	35.5%	27.9%	31.5%	32.1%	27.6%	22.9%
	2000-2001	2001-2002	2002-2003 P	2003-2004 F	2000-2001	2001-2002	2002-2003 P	2003-2004 F
UNIVERSITY	28.0%	25.1%	19.8%	23.4%	14.3%	17.8%	16.6%	18.1%
COLLEGES	45.3%	39.6%	31.9%	35.4%	23.9%	29.7%	28.1%	31.5%
PRIVATE	61.4%	52.4%	53.7%	39.6%	34.1%	42.3%	48.3%	37.1%

Loan Year August 1-July 31

1. A loan is deemed in default, when it is in arrears for three or more months under the guaranteed and risk-shared lending regimes and when it is in arrears for greater than 270 days under the direct lending regime
2. Year to year blended default rates are not directly comparable during the transition period from the guaranteed and risk-shared lending regimes to the direct lending regime as the proportion of the default rate attributed to the guaranteed and risk-shared loans is declining while the portion from direct loans is increasing.
3. The 3-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 loan years to the total amount of all loans consolidated in that year.
4. A loan year covers a time period from August 1 to July 31 of the following year.
5. Risk-shared Default Rates from 2000-2001 onwards were estimated using 2003 data from only the Royal Bank and CIBC.

Data from the Bank of Nova Scotia was not available.

F: Forecast P: Preliminary



was 25.5%, a decrease from 25.7% in the 2002-2003 loan year. In the 2003-2004 loan year, the anticipated three-year blended default rate was 18.1% for borrowers who attended university, 31.5% for those who attended college and 37.1% for those attending private institutions. Once a borrower's loan is in default, collection activities begin.

The CSLP has encountered evidence<sup>27</sup> that suggests many of the problems encountered in the loan repayment process can be attributed to the overall complexity of the student loan apparatus. A current loan holder may not only be carrying loans from different institutions and levels of government, but has likely also confronted different loan structures over the course of his or her post-secondary education.

Finally, more regularized statements about loan status which outline amount owed, how much has been paid and what the interest rate is would increase

the perceived seriousness of the loan (by adopting a more "commercial" stance) and would remind borrowers of their obligations.

### DEFAULT RATES IN DEPTH

#### Demographics of Default

The CSLP has undertaken some research to identify types of borrowers who may be at risk of default. The latest analysis using the available data (for direct and guaranteed loans only) shows that—in addition to known higher defaults for borrowers from private institutions and colleges—non-degree students, borrowers 21 or under, early withdrawals (borrowers who leave school before the end of the study period) and males are also higher-risk categories<sup>28</sup> (Table 12).

Default statistics by field of study show that not all links between probability of default and field of study may be direct or as strong as previously believed. In particular, such different fields in public perception as Administration/Commerce

**TABLE 12**  
DEFAULT RATES BY DEMOGRAPHIC FACTORS: DIRECT & GUARANTEED LOANS ONLY

		2000-2001	2001-2002	2002-2003
By Institution Type	University	22.4%	23.1%	14.8%
	College	37.2%	37.0%	23.3%
	Private	26.2%	48.7%	42.0%
By Degree Type	Non-Degree	32.5%	41.0%	29.9%
	Undergraduate	23.0%	25.3%	10.6%
	M.A.	20.6%	16.4%	10.1%
	Ph.D.	26.3%	24.4%	17.3%
By Age Category	21 and under	44.5%	44.0%	30.0%
	22-25	28.2%	32.1%	20.4%
	26-29	20.5%	28.5%	20.2%
	30 and under	26.2%	33.9%	25.5%
By Marital Status	Single	25.7%	32.1%	21.4%
	Married	29.8%	34.5%	22.2%
	Other	68.9%	57.5%	40.9%
By Completion Status	Graduated	25.9%	32.9%	22.5%
	Early Withdrawal	38.9%	46.5%	32.4%
By Gender	Male	29.4%	37.6%	26.5%
	Female	24.6%	31.5%	21.1%
Overall		26.5%	34.1%	23.4%

Loan Year: August 1-July 31.

Please note: the "other" category of marital status includes divorced, widowed and separated.

<sup>27</sup> Patterson Langlois Consultants, Exploratory Research with Canada Student Loan Holders: Factors Impacting the Loan Repayment Process (February 2004), p. 10.

<sup>28</sup> All statistics are measured at consolidation.



**TABLE 13**  
**CONSOLIDATION DEMOGRAPHICS BY DEFAULT RISK FACTORS**

Risk Category: L: Low, M: Medium, H: High		2000-2001		2001-2002		2002-2003	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
By Institution Type	University (L)	31%	64%	34%	58%	37%	56%
	College (M)	47%	24%	43%	27%	41%	29%
	Private (H)	21%	12%	22%	15%	22%	16%
By Degree Type	Non-Degree (H)	67%	35%	63%	40%	46%	42%
	Undergraduate (L)	30%	51%	33%	45%	50%	44%
	M.A. (L)	2%	10%	3%	11%	3%	11%
	Ph.D. (L)	0%	4%	1%	3%	0%	4%
By Age Category	21 and under (H)	31%	0%	23%	0%	22%	0%
	22-25 (L)	35%	12%	38%	3%	38%	0%
	26-29 (L)	15%	41%	18%	33%	17%	28%
	30 and over (M)	19%	47%	22%	64%	22%	71%
By Marital Status	Single (M)	86%	93%	82%	89%	79%	73%
	Married (M)	9%	6%	11%	7%	12%	15%
	Other (H)	4%	0%	8%	3%	9%	12%
By Completion Status	Graduated (L)	88%	93%	89%	93%	89%	93%
	Early Withdrawal (H)	12%	7%	11%	7%	11%	7%
By Gender	Male (H)	46%	45%	44%	43%	43%	41%
	Female (L)	54%	55%	56%	57%	57%	59%

Loan Year: August 1-July 31.

and Arts have equal default performance: Administration/Commerce accounts for 27% of all defaulters versus 25% of all non-defaulters, while Arts accounts for 29% of all defaulters versus 27% of all non-defaulters. In other words, both fields have a slightly higher than average default chance. The lowest default rates are found in the fields of Agriculture, Dentistry, Health Science, Law, Medicine and Community Education.

There is also a connection between debt load<sup>29</sup> and default, although not a straightforward one. For small and moderate debts, the debt load makes little difference. However, debt loads above certain values are associated with a higher likelihood of default. This effect is first noticeable for debt loads above \$15,000 and becomes severe at \$27,000, at which point every extra \$1,000 in debt increases

the probability of default by up to 3%. About 20% of all CSLP clients consolidate with debt that is \$15,000 or higher.

#### Default Rates

The default data in this report indicate that the direct lending default rate is above long-run expectations (both the historical guaranteed rate of 28.4% and the expected future rate of 20% from the Actuarial Report on the CSLP as at July 31, 2003). While these expectations have not been realized yet, it is important to note that the direct loan default rate decreased sharply between the 2000-2001 and 2002-2003 loan years, which is a promising sign. Considering the information above, and the breakdown of the demographic factors across loan regimes (see **Table 13**), it is clear that the higher default rate for direct loans is at least

<sup>29</sup> All debt loads discussed in this section are Canada Student Loan debts only.

partly due to higher proportions of high-risk borrowers under the direct loan regime. These higher proportions are due to the fact that the direct loan portfolio has not yet reached maturity. As an example, no borrowers aged 21 or under consolidated with guaranteed loans in the last three years, while this higher-risk category constitutes a significant proportion of direct loan consolidations (along with borrowers attending private institutions and other higher-risk groups).

The overall blended default rate shows a small overall increase over four years since the 1999-2000 level of 23.6% (the last year without direct loans). However, it would be premature to interpret that direct lending is the sole cause of that increase for several reasons. First, the blended data on all three regimes are incomplete; the risk-shared information is available from only one major financial institution. With the rest of the risk-shared information missing, the published rate may overstate the actual default rate. Second, there are factors not captured by the data. With new Service Providers, new arrangements and new procedures, a transition period is unavoidable.

Preventing default is a top priority in ongoing CSL discussions with the Service Providers, and the CSLP is working closely with the Service Providers to target specific areas of concern, and to devise schemes and incentives to improve the default rate in both the short and long terms. The CSLP's Portfolio Management Strategy continues to implement initiatives and to target future opportunities for more effective, efficient and prudent fiscal management and program delivery.

## E. CSLP PROVISION RATE

In accordance with Generally Accepted Accounting Principles (GAAP), a provisional account entitled Bad Debt Expense has been created to offset potential future losses related to the disbursement of Canada Student Loans through direct financing. The amount of funds to be transferred to the Bad Debt Expense is calculated by multiplying the value of disbursed loans in a given period by that year's provision rate. The provision rate is determined by using the best estimate of losses in light of experience, current conditions and future expectations of three elements of the CSLP: Bad Debt, Interest Relief and Debt Reduction in Repayment. (See definitions below.) These three elements total 15.2% of the loan amount disbursed in the 2002-2003 loan year.<sup>30</sup> The Office of the Chief Actuary (OCA) of Canada developed the provision rate on behalf of the CSLP.

**Bad Debt:** While in repayment, some Canada Student Loans go into default. The CSLP recovers 45.5% of the defaulted amount and writes off the remainder. It is estimated that 11.3% of the amount disbursed will eventually be written off.

**Interest Relief:** While on Interest Relief, borrowers are not required to make payments of interest or principal on their Canada Student Loan. The OCA has estimated that the Government of Canada will eventually have to pay about 3.2% of the amount disbursed as the interest cost for Interest Relief.

**Debt Reduction in Repayment:** It is estimated that 0.7% of the value of all loans disbursed will eventually be written off through Debt Reduction in Repayment.

<sup>30</sup> Office of the Chief Actuary, Actuarial Review of the Canada Student Loans Program as at July 31, 2003.

## 8. FINANCIAL DATA

### A. CANADA STUDENT LOAN FINANCIAL TABLES<sup>31</sup>

All data in this section represent the fiscal year April 1, 2003 to March 31, 2004.

#### CONSOLIDATED FINANCIAL TABLES

##### *Reporting Entity*

The entity detailed in this report is the Canada Student Loans Program (CSLP) only and does not include departmental operations related to the delivery of the CSLP. Expenditures in the figures are primarily statutory in nature and are 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 accounting policies and concepts generally accepted in Canada 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'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 (HRSDC), as it was known then, and the government.

- **Interest Revenue on Direct Loans:** Borrowers are required to pay simple interest on their part-time and full-time student loans, but only when they leave full-time studies. Borrowers can select a variable (prime + 2.5%) or fixed (prime + 5%)

interest rate. The amounts in 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 private lender holding these loans.

- **Recoveries on Guaranteed Loans:** The government reimburses the private lenders for any loans issued before August 1, 1995 that go into default (that is, lenders claim any amount of principal and interest not repaid in full). The amounts in the figures represent the recovery of principal and interest on these defaulted loans.
- **Recoveries on Put-Back Loans:** Under the risk-shared agreements, the government will purchase from the participating financial institutions any loans issued between August 1, 1995, and July 31, 2000, that are in default of payments for at least 12 months after the period of study and that, in aggregate, do not exceed 3% of the average monthly balance of the lender's outstanding student loans in repayment. The amount paid is set at 5% of the value of the loans in question. Figures represent the recovery of principal and interest on these loans.

##### Canada Study Grants

Canada Study Grants improve access to post-secondary education by providing non-repayable financial assistance to post-secondary students with particularly high levels of need. Five types of grants are available to assist (1) students with permanent disabilities in order to meet disability-related educational expenses (up to \$8,000 annually); (2) students with dependants (up to \$3,120 for full-time students and up to \$1,920 for part-time students, annually); (3) high-need part-time students (up to \$1,200 annually); (4) females pursuing doctoral studies (up to \$3,000 annually for up to three years); and (5) high-need students with permanent disabilities (up to \$2,000 annually).

<sup>31</sup> Human Resources Development Canada, Human Resources Development Canada Performance Report for the Period Ending March 31, 2004 (Ottawa: Human Resources Development Canada).  
This document can be found at [http://www.tbs-sct.gc.ca/rma/dpr/03-04/HRSDC-RHDCC/HRSDC-RHDCCd34\\_e.asp](http://www.tbs-sct.gc.ca/rma/dpr/03-04/HRSDC-RHDCC/HRSDC-RHDCCd34_e.asp).

### 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 for which the government has reimbursed the private lender; and direct loans issued after July 31, 2000, that are returned to HRSDC by the third-party Service Provider as having defaulted.

### Interim Arrangements

The CSLP entered into interim contracts with the former risk-shared loan lenders to disburse full-time direct loans on the government's behalf until February 28, 2001. At that time, the government reimbursed the lenders 85% of the loan principal they had advanced during the interim period. The remaining 15% was reimbursed to the lenders later. These contracts also called for remuneration in the form of transaction fees and the interest on funds advanced on behalf of the government. Another contract was entered into with Canada Post for the delivery of direct loans to part-time students. The "interest cost to financial institutions (interim)" and "transition fees to financial institutions (interim)" items identify the cost of these interim arrangements.

- **Interest cost to financial institutions (Interim):**  
This expense represents the interest costs, calculated at prime, paid by the CSLP monthly to the lending institutions on the outstanding advances made to full-time students with direct loans.
- **Transition fees to financial institutions (Interim):**  
This expense represents the cost of transaction fees paid by the CSLP during the interim period for each fully completed full-time loan made to the student by the participating lending institutions. Transition fees also include payments made to Canada Post for each fully completed part-time

loan made during the interim period. The cost is calculated on the basis of certificates of eligibility negotiated by the borrower.

### Service Bureau Costs

As of March 1, 2001, the CSLP has used third-party Service Providers to administer direct loan disbursements, in-study loan management and post-study repayment activities. This item represents the cost of these contracted services.

### Risk Premium

Risk premium represents part of the remuneration offered to lending institutions that participated in the risk-shared program from August 1, 1995 to July 31, 2000. The risk premium was 5% of the value of loans being consolidated (normally the value of loans issued to borrowers), being calculated and paid at the time borrowers left studies and went into repayment. In return, the lenders assumed risk associated with non-repayment of these loans.

### Put-Back

Subject to the provisions of the contracts with lending institutions, the government will purchase from a lender the 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 lender'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.

### Administrative Fees to Provinces and Territories

Pursuant to the Canada Student Financial Assistance Act (CSFAA), the government has entered into arrangements with participating provinces and Yukon to facilitate the administration of the CSLP.

They administer the application and needs-assessment activities associated with federal student financial assistance and, in return, are paid an administrative fee.

#### **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 the CSLP in support of direct loans while borrowers are considered in-study status.

#### **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 the CSLP while students are in repayment of their Canada Student Loans.

#### **In-Study Interest Subsidy**

A central feature of federal student assistance is that 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 the completion of studies. Under the guaranteed and risk-shared programs, the Government of Canada paid the interest to the lending institutions on behalf of the borrower.

#### **Interest Relief**

Assistance may be provided to cover loan interest for up to 54 months for borrowers who have difficulty repaying their loans. The shift from guaranteed and risk-shared loans to direct loans did not alter Interest Relief (IR) 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 IR. For loans issued after August 1, 2000, an IR expense is recorded to offset the accrued interest on direct loans.

#### **Debt Reduction in Repayment**

Debt Reduction in Repayment (DRR) assists borrowers in severe financial hardship. DRR is a federal repayment assistance program through which the Government of Canada reduces a qualifying student's outstanding Canada Student Loans principal to an affordable amount after all other Interest Relief measures are exhausted. The borrower has benefited from at least 30 months of IR and at least five years have passed since they left their studies. The maximum amount of the reduction is \$10,000 or 50% of the loan principal, whichever is less. As of May 11, 2004, borrowers may be eligible for a first reduction of \$10,000 and second and third reductions in the amount of \$5,000 each, for a total of up to \$20,000 in DRR. For loans issued prior to August 1, 2000, the CSLP pays the lending institutions the amount of student debt principal reduced by the Government of Canada under DRR. 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 of Canada fully guaranteed all loans issued to borrowers by private lenders. The Government reimburses private lenders for any of these loans that go into default (i.e., lenders claim any amount of principal and interest not repaid in full, after which the department of Social Development Canada's National 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*, under certain circumstances the government incurs the full amount of the unpaid principal plus accrued interest in the event of the borrower's permanent disability or death and cannot repay the loan without undue hardship.

### **Bad Debt Expense**

Under direct loans, the government owns the loans issued to borrowers and must record them as assets. As a result, Generally Accepted Accounting Principles require 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, Interest Relief 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.

### **Commitments**

As at March 31, 2004, HRSDC had a commitment of \$76.6 million for Service Provider contracts in order to manage and administer the CSLP for post-secondary borrowers. The current end date for the Service Provider contracts is February 28, 2005.

**TABLE 14**  
**CONSOLIDATED CANADA STUDENT LOANS PROGRAM—COMBINED PROGRAMS**

	Actual		2003-2004	
	2001-2002	2002-2003	Forecast	Actual
	(\$M)			
<b>Revenues</b>				
Interest Revenue on Direct Loans	44.2	103.9	145.2	174.3
Recoveries on Guaranteed Loans	123.7	111.1	103.1	91.3
Recoveries on Put-Back Loans	4.2	7.7	8.9	\$9.6
<b>TOTAL REVENUES</b>	<b>172.1</b>	<b>222.7</b>	<b>257.2</b>	<b>275.2</b>
<b>Expenses</b>				
<i>Transfer Payments</i>				
Canada Study Grants	69.7	54.5	78.2	66.8
<b>TOTAL TRANSFER PAYMENTS</b>	<b>69.7</b>	<b>54.5</b>	<b>78.2</b>	<b>66.8</b>
<i>Loan Administration</i>				
Collection Costs	14.3	12.8	13.3	13.4
Interim Arrangements				
– Interest Costs to Financial Institutions	13.7	0.0	0.0	0.0
– Transition Fees to Financial Institutions	0.3	0.0	0.0	0.0
Service Bureau Costs	27.9	41.2	61.6	41.0
Risk Premium	51.0	23.0	16.8	11.7
Put-Back	2.7	5.8	7.6	4.3
Administrative Fees to Provinces and Territories	9.0	8.4	9.4	8.8
<b>TOTAL LOAN ADMINISTRATION EXPENSES</b>	<b>118.9</b>	<b>91.3</b>	<b>108.7</b>	<b>79.2</b>
<i>Cost of Government Support</i>				
<i>Benefits Provided to Students</i>				
In-Study Interest Borrowing Expense (Class A) <sup>a</sup>	105.7	138.6	148.2	148.6
In-Repayment Interest Borrowing Expense (Class B) <sup>a</sup>	12.7	41.3	86.4	68.1
In-Study Interest Subsidy	77.8	39.8	25.3	27.4
Interest Relief <sup>b</sup>	86.5	74.6	77.7	73.8
Debt Reduction in Repayment	4.2	7.4	10.6	10.7
Claims Paid and Loans Forgiven	76.0	40.7	36.4	34.8
<i>Bad Debt Expense<sup>c</sup></i>				
Debt Reduction in Repayment Expense	10.6	10.8	11.5	11.5
Bad Debt Expense	171.4	175.7	186.0	193.3
<b>TOTAL COST OF GOVERNMENT SUPPORT EXPENSES</b>	<b>544.9</b>	<b>529.0</b>	<b>582.1</b>	<b>568.2</b>
<b>TOTAL EXPENSES</b>	<b>733.5</b>	<b>674.7</b>	<b>769.0</b>	<b>714.2</b>
<b>NET OPERATING RESULTS</b>	<b>561.4</b>	<b>451.9</b>	<b>511.8</b>	<b>439.0</b>
Alternative Payments to Non-Participating Provinces <sup>d</sup>	144.9	76.0	159.0	244.8
<b>FINAL OPERATING RESULTS</b>	<b>706.3</b>	<b>527.9</b>	<b>670.8</b>	<b>683.8</b>

Loan Year: August 1-July 31.

a. These costs are related to direct Canada Student Loans but reported by the Department of Finance.

b. The 2001-2002 and 2002-2003 actuals are restated to reflect the change of valuation accounting method of the Interest Relief allowance.

c. This represents the annual expense against the Provisions for Bad Debt and Debt Reduction in Repayment as required under Accrual Accounting. The Bad Debt Expense figure for 2002-2003 has been revised (from \$173.8M to \$175.7M) to include the expense against the Provision on Outstanding Interest on Impaired Loans, which is in accordance with the Actuarial Report on the CSLP.

d. For 2003-2004, the total amount disbursed as Alternative Payments is \$160.0M only. Starting in 2003-2004, the corresponding accrual (\$84.8M) is now recorded at the departmental level instead, as in the past, being recorded centrally. This change in methodology explains the increase of the expenditure shown for that fiscal year.

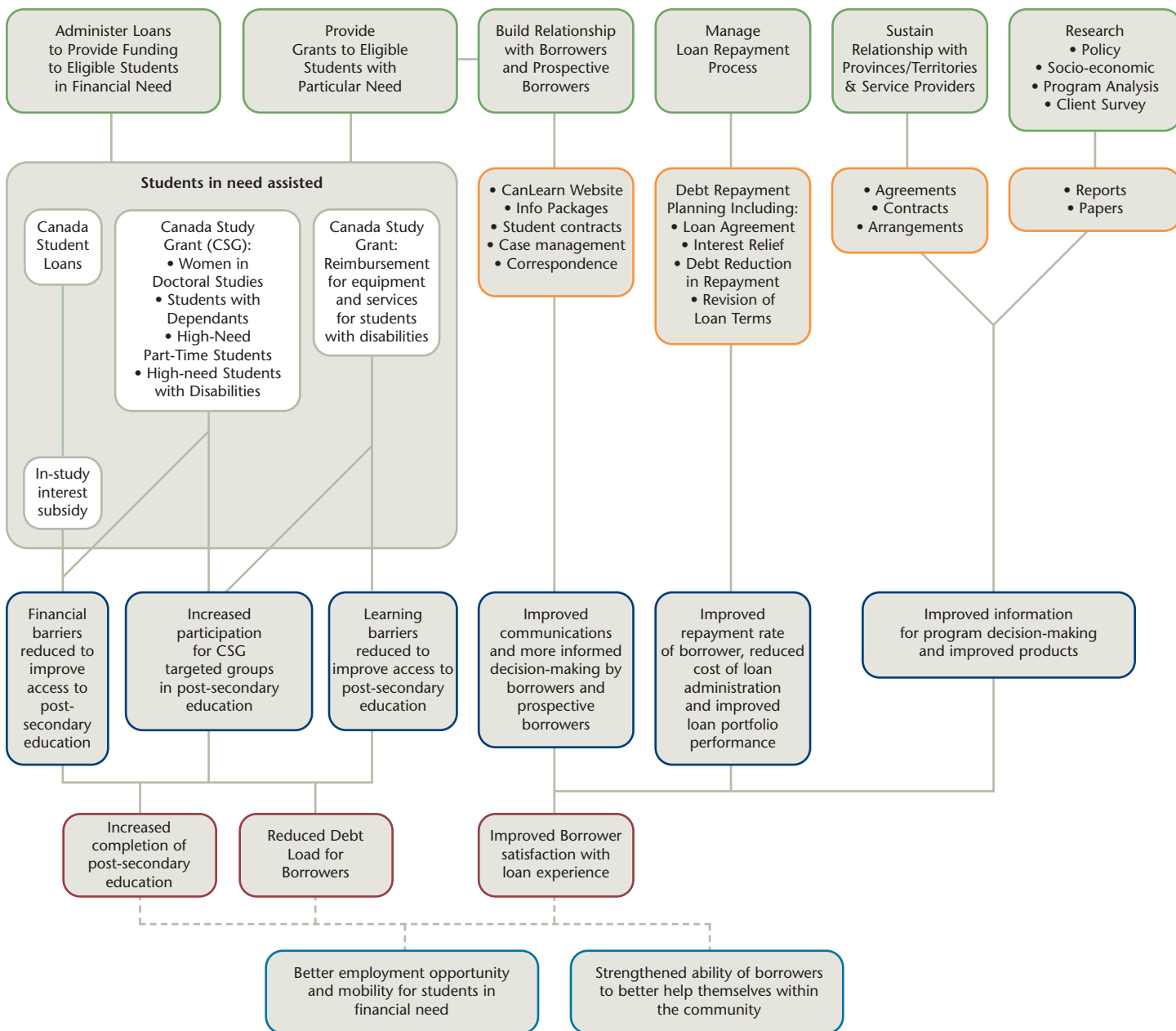


## 9. APPENDICES

### APPENDIX A

#### CANADA STUDENT LOANS PROGRAM LOGIC MODEL

**CANADA STUDENT LOANS PROGRAM – LOGIC MODEL**  
 Canadians have an opportunity to develop the knowledge and skills they need to participate in the economy and society.



## APPENDIX B

### CANADA STUDENT LOAN PORTFOLIO

CANADA STUDENT LOANS PROGRAM (CSLP) PORTFOLIO, MARCH 31, 2001 TO MARCH 31, 2004  
(CURRENT \$MILLIONS)

As of March 31	Guaranteed		Risk Shared		Direct Loans		Total (Guaranteed, Risk Shared & Direct)		
	Loans In-Study	Loans In-Repayment	Loans In-Study	Loans In-Repayment	Loans In-Study	Loans In-Repayment	Loans In-Study	Loans In-Repayment	Loans In-Study & In-Repayment
2001	\$178.3	\$885.8	\$2,326.4	\$4,671.7	\$1,412.3	–	\$3,917.0	\$5,557.5	\$9,474.5
2002	\$121.7	\$680.4	\$1,390.2	\$4,849.1	\$2,314.3	\$581.5	\$3,826.2	\$6,111.0	\$9,937.2
2003	\$83.8	\$514.0	\$887.2	\$4,574.6	\$2,875.1	\$1,247.3	\$3,846.1	\$6,335.9	\$10,182.0
2004	\$58.2	\$386.0	\$584.6	\$4,162.4	\$3,339.1	\$2,079.2	\$3,981.9	\$6,627.6	\$10,609.5

Loan Year: August 1-July 31.

Source: Comptroller's Office, Financial and Administration Services

Fiscal Year: April 1-March 31.

**Notes:**

Loans disbursed between August 1, 1995 and July 31, 2000 were administered under the risk-shared regime, whereby the financial institutions would assume responsibility for the possible risk of defaulted loans in return for a fixed payment (i.e. 5% of the value of loans being consolidated) from the government. As such, the CSLP has limited information on the repayment and default of loans issued under the risk-shared regime as once these loans are consolidated, they are assets of the financial institutions. As a result, for the risk-shared loans, the dollar amounts of loans in repayment also include the dollar amounts of delinquent loans still held by lending institutions.

Subject to the provisions of the contracts, the lending institutions may sell back to the government 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 lender's outstanding student loans in repayment. The amount paid is set at 5% of the value of the loans in question.

## APPENDIX C

### FULL-TIME LOANS BY INSTITUTION TYPE AND PROVINCE

#### 2001-2002, INSTITUTION TYPE

Province/ Territory	University		College		Private		Total		Average
	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers**	Value of Loans (\$M)	
N.L.	8,593	\$38.1	3,014	\$12.4	2,336	\$10.8	13,912	\$61.3	\$4,408
P.E.I.	2,183	\$11.4	545	\$2.9	343	\$1.8	3,068	\$16.1	\$5,259
N.S.	11,796	\$61.7	3,437	\$18.3	2,012	\$12.9	17,234	\$92.9	\$5,393
N.B.	8,880	\$42.5	3,643	\$16.7	3,109	\$18.6	15,614	\$77.7	\$4,978
ONT.	81,737	\$373.6	52,584	\$212.7	11,024	\$57.4	145,287	\$643.7	\$4,430
MAN.	6,741	\$28.7	2,075	\$8.6	1,460	\$7.2	10,267	\$44.5	\$4,334
SASK.	9,639	\$45.5	4,040	\$18.3	2,611	\$15.2	16,246	\$79.0	\$4,861
ALTA.	21,397	\$91.7	16,472	\$66.0	4,484	\$23.7	42,323	\$181.3	\$4,284
B.C.	25,439	\$120.6	26,322	\$120.1	12,834	\$68.8	64,467	\$309.5	\$4,801
Y.T.	123	\$0.6	108	\$0.5	25	\$0.1	256	\$1.3	\$4,999
<b>Total**</b>	<b>176,528</b>	<b>\$814.4</b>	<b>112,240</b>	<b>\$476.5</b>	<b>40,238</b>	<b>\$216.5</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>
<b>% of Total</b>	<b>53.7%</b>	<b>54.0%</b>	<b>34.1%</b>	<b>31.6%</b>	<b>12.2%</b>	<b>14.4%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Average</b>		<b>\$4,613</b>		<b>\$4,245</b>		<b>\$5,380</b>		<b>\$4,586</b>	

Loan Year: August 1-July 31.

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

#### 2002-2003, INSTITUTION TYPE

Province/ Territory	University		College		Private		Total		Average
	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers**	Value of Loans (\$M)	
N.L.	7,972	\$35.9	2,720	\$11.1	1,874	\$9.2	12,554	\$56.2	\$4,475
P.E.I.	2,316	\$12.1	568	\$2.9	359	\$1.9	3,238	\$17.0	\$5,241
N.S.	11,993	\$63.7	3,167	\$17.3	1,803	\$11.6	16,945	\$92.5	\$5,455
N.B.	9,272	\$45.2	3,417	\$15.9	2,785	\$16.8	15,439	\$77.9	\$5,035
ONT.	85,213	\$396.7	52,942	\$214.0	10,112	\$53.9	148,195	\$664.6	\$4,482
MAN.	6,603	\$28.8	2,002	\$8.2	1,330	\$6.4	9,930	\$43.4	\$4,365
SASK.	9,241	\$43.5	3,895	\$17.9	2,291	\$13.1	15,392	\$74.5	\$4,830
ALTA.	20,353	\$90.4	17,298	\$72.6	4,434	\$24.2	42,052	\$187.3	\$4,450
B.C.	25,255	\$127.7	27,418	\$131.0	12,435	\$71.3	64,993	\$330.0	\$5,068
Y.T.	135	\$0.7	101	\$0.5	17	\$0.1	253	\$1.3	\$5,021
<b>Total**</b>	<b>178,353</b>	<b>\$844.6</b>	<b>113,528</b>	<b>\$491.4</b>	<b>37,440</b>	<b>\$208.6</b>	<b>328,991</b>	<b>\$1,544.7</b>	<b>\$4,695</b>
<b>% of Total</b>	<b>52.2%</b>	<b>54.7%</b>	<b>34.5%</b>	<b>31.8%</b>	<b>11.4%</b>	<b>13.5%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Average</b>		<b>\$4,736</b>		<b>\$4,329</b>		<b>\$5,573</b>		<b>\$4,695</b>	

Loan Year: August 1-July 31.

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

## 2003-2004, INSTITUTION TYPE

Province/ Territory	University		College		Private		Total		Average
	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers	Value of Loans (\$M)	No. of Borrowers**	Value of Loans (\$M)	
N.L.	7,430	\$33.1	2,476	\$10.3	1,655	\$8.6	11,541	\$52.0	\$4,499
P.E.I.	2,421	\$12.8	600	\$2.9	365	\$2.1	3,385	\$17.9	\$5,272
N.S.	11,953	\$64.3	3,032	\$16.9	1,730	\$11.4	16,697	\$92.6	\$5,542
N.B.	9,681	\$48.1	3,226	\$15.2	3,017	\$19.2	15,902	\$82.5	\$5,181
ONT.	95,286	\$451.4	53,789	\$225.3	10,709	\$57.8	159,684	\$734.5	\$4,597
MAN.	6,494	\$29.9	1,877	\$8.1	1,286	\$6.2	9,649	\$44.1	\$4,564
SASK.	9,193	\$44.5	3,743	\$18.1	2,257	\$13.4	15,163	\$76.0	\$5,003
ALTA.	20,196	\$94.7	17,131	\$75.9	5,210	\$29.5	42,501	\$200.1	\$4,705
B.C.	25,832	\$136.1	27,267	\$131.3	12,459	\$74.6	65,425	\$342.0	\$5,217
Y.T.	128	\$0.7	107	\$0.5	22	\$0.1	256	\$1.3	\$5,021
<b>Total**</b>	<b>188,614</b>	<b>\$915.6</b>	<b>113,248</b>	<b>\$504.6</b>	<b>38,710</b>	<b>\$222.8</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,824</b>
<b>% of Total</b>	<b>55.4%</b>	<b>55.7%</b>	<b>33.3%</b>	<b>30.7%</b>	<b>11.4%</b>	<b>13.6%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Average</b>		<b>\$4,854</b>		<b>\$4,456</b>		<b>\$5,757</b>		<b>\$4,824</b>	

Loan Year: August 1-July 31.

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

## APPENDIX D

## PART-TIME LOANS BY PROVINCE OR TERRITORY AND INSTITUTION TYPE

## PART-TIME LOANS BY PROVINCE OR TERRITORY

Province/ Territory	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
N.L.	23	\$0.0	\$1,285	30	\$0.0	\$1,229	48	\$0.1	\$1,318
P.E.I.	60	\$0.1	\$2,293	83	\$0.2	\$2,168	52	\$0.1	\$1,990
N.S.	249	\$0.5	\$1,821	285	\$0.5	\$1,754	225	\$0.4	\$1,892
N.B.	230	\$0.6	\$2,614	132	\$0.2	\$1,456	121	\$1.8	\$1,462
ONT.	802	\$1.5	\$1,857	698	\$1.3	\$1,831	691	\$1.3	\$1,922
MAN.	146	\$0.3	\$1,958	148	\$0.3	\$2,061	156	\$0.3	\$2,004
SASK	123	\$0.2	\$1,633	212	\$0.4	\$1,994	172	\$0.4	\$2,324
ALTA.	1,017	\$1.2	\$1,186	1,015	\$1.3	\$1,252	1,069	\$1.3	\$1,172
B.C.	216	\$0.5	\$2,401	167	\$0.4	\$2,278	259	\$0.6	\$2,421
Y.T.	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

\* Counts lower than 10 have been suppressed

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

## PART-TIME LOANS BY INSTITUTION TYPE

Institution Type	2001-2002			2002-2003			2003-2004		
	No. of Borrowers**	Value of Loans (\$M)	Average	No. of Borrowers**	Value of Loans (\$M)	Average	No. of Borrowers**	Value of Loans (\$M)	Average
Universities	1,392	\$2.2	\$1,560	1,419	\$2.2	\$1,545	1,368	\$2.3	\$1,658
Colleges/ Institutes	971	\$1.2	\$1,242	1,008	\$1.4	\$1,434	1,268	\$1.6	\$1,269
Private	504	\$1.5	\$3,068	345	\$0.9	\$2,707	293	\$0.8	\$2,797
<b>Total**</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

\* Counts lower than 10 have been suppressed

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

## APPENDIX E

### FULL-TIME AND PART-TIME LOANS BY MARITAL STATUS, AGE, GENDER AND STUDY LEVEL

#### FULL-TIME LOANS BY MARITAL STATUS

Marital Status	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Single	296,914	\$1,341.6	\$4,519	296,238	\$1,370.0	\$4,625	306,682	\$1,460.0	\$4,761
Married	31,744	\$165.7	\$5,219	32,753	\$175.0	\$5,343	33,521	\$183.0	\$5,460
Other	16	\$0.1	\$4,992	0	\$0.0	\$0	0	\$0.0	\$0
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$1,544.7</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

#### PART-TIME LOANS BY MARITAL STATUS

Marital Status	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Single	2,233	\$3.8	\$1,702	2,246	\$3.7	\$1,631	2,282	\$3.8	\$1,674
Married	510	\$0.9	\$1,763	526	\$0.9	\$1,723	515	\$0.9	\$1,700
Other	124	\$0.2	\$1,816	0	\$0.0	\$1,636	0	\$0.0	\$0
<b>Total</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

#### FULL-TIME LOANS BY AGE

Age Group	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Under 21	146,079	\$600.4	\$4,110	148,114	\$623.6	\$4,210	158,023	\$692.4	\$4,381
22-25 Yrs	97,825	\$464.3	\$4,746	97,059	\$471.6	\$4,850	99,101	\$495.0	\$4,995
26-29 Yrs	36,872	\$188.9	\$5,122	36,554	\$193.1	\$5,283	36,342	\$106.2	\$5,400
30 or Over	47,898	\$253.9	\$5,301	47,264	\$256.4	\$5,426	46,737	\$259.4	\$5,550
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$1,544.7</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

#### PART-TIME LOANS BY AGE

Age Group	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Under 21	703	\$1.2	\$1,720	762	\$1.2	\$1,622	820	\$1.3	\$1,632
22-25 Yrs	763	\$1.3	\$1,752	705	\$1.1	\$1,612	661	\$1.1	\$1,724
26-29 Yrs	413	\$0.7	\$1,712	415	\$0.7	\$1,673	403	\$0.7	\$1,692
30 or Over	988	\$1.7	\$1,691	890	\$1.5	\$1,690	913	\$1.5	\$1,683
<b>Total</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

## FULL-TIME LOANS BY GENDER

Gender	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Female	191,568	\$885.6	\$4,623	193,590	\$916.3	\$4,773	202,806	\$989.1	\$4,877
Male	137,106	\$621.8	\$4,535	135,401	\$628.4	\$4,641	137,397	\$653.9	\$4,759
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$1,544.7</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

## PART-TIME LOANS BY GENDER

Gender	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Female	1,746	\$2.8	\$1,613	1,806	\$2.9	\$1,630	1,899	\$3.2	\$1,678
Male	1,121	\$2.1	\$1,879	966	\$1.6	\$1,684	898	\$1.5	\$1,682
<b>Total</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

## FULL-TIME LOANS BY STUDY LEVEL

Study Level	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Doctorate	2,923	\$18.1	\$6,206	2,638	\$16.7	\$6,318	2,503	\$16.0	\$6,396
Masters	11,045	\$60.6	\$5,488	11,095	\$64.3	\$5,799	11,901	\$70.4	\$5,919
Non-Degree	140,498	\$636.3	\$4,529	139,052	\$642.6	\$4,622	137,686	\$657.6	\$4,776
Under Graduate	174,192	\$792.2	\$4,548	176,206	\$821.0	\$4,659	188,113	\$899.0	\$4,779
Missing	16	\$0.1	\$4,847	0	\$0.0	\$0	0	\$0.0	\$0
<b>Total</b>	<b>328,674</b>	<b>\$1,507.4</b>	<b>\$4,586</b>	<b>328,991</b>	<b>\$15,447</b>	<b>\$4,695</b>	<b>340,203</b>	<b>\$1,643.0</b>	<b>\$4,830</b>

Loan Year: August 1-July 31.

## PART-TIME LOANS BY STUDY LEVEL

Study Level	2001-2002			2002-2003			2003-2004		
	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average	No. of Borrowers	Value of Loans (\$M)	Average
Doctorate	*	*	*	*	*	*	820	\$1.3	\$1,632
Masters	49	\$0.1	\$1,873	54	\$0.1	\$1,952	661	\$1.1	\$1,724
Non-Degree	1,681	\$3.1	\$1,870	1,472	\$2.6	\$1,771	403	\$0.7	\$1,692
Under Graduate	1,134	\$1.7	\$1,483	1,244	\$1.9	\$1,490	913	\$1.5	\$1,683
<b>Total</b>	<b>2,867</b>	<b>\$4.9</b>	<b>\$1,717</b>	<b>2,772</b>	<b>\$4.6</b>	<b>\$1,649</b>	<b>2,797</b>	<b>\$4.7</b>	<b>\$1,679</b>

Loan Year: August 1-July 31.

\* Counts lower than 10 have been suppressed.



## APPENDIX F

### MOBILITY

#### BORROWER MOBILITY BY EDUCATIONAL INSTITUTION

Institution Type	2002-2003					2003-2004				
	Borrowers Remaining in Their Home Province/Territory		Borrowers Moving Outside Their Home Province/Territory		Total**	Borrowers Remaining in Their Home Province/Territory		Borrowers Moving Outside Their Home Province/Territory		Total**
	No. of Borrowers	% of Total	No. of Borrowers	% of Total		No. of Borrowers	% of Total	No. of Borrowers	% of Total	
University	151,468	84.9%	26,885	15.1%	178,353	160,857	85.3%	27,757	14.7%	188,614
College	107,389	94.6%	6,139	5.4%	113,528	107,369	94.8%	5,879	5.2%	113,248
Private	32,912	87.9%	4,528	12.1%	37,440	34,346	88.7%	4,364	11.3%	38,710
<b>Total**</b>	<b>291,769</b>	<b>88.7%</b>	<b>37,552</b>	<b>11.4%</b>	<b>328,991</b>	<b>302,572</b>	<b>88.8%</b>	<b>38,000</b>	<b>11.2%</b>	<b>340,203</b>

Loan Year: August 1-July 31.

\*\* Please Note: Overall borrower counts for institution are slightly greater than total counts, a number of borrowers have taken loans from more than one institution type.

## APPENDIX G INDEBTEDNESS

### DISTRIBUTION OF CSL INDEBTNESS AT CONSOLIDATION

Debt	2001-2002	2002-2003	2003-2004
Less than \$5000	30%	27%	26%
\$5,000-\$9,999	35%	34%	33%
\$10,000-\$14,999	16%	18%	17%
\$15,000 and more	19%	22%	24%
<b>Average Debt</b>	<b>\$9,539</b>	<b>\$10,265</b>	<b>\$10,628</b>

Loan Year: August 1-July 31.

### AVERAGE INDEBTNESS AT CONSOLIDATION BY PROVINCE OR TERRITORY

Province/Territory	2001-2002	2002-2003	2003-2004
ALTA	\$8,816	\$9,713	\$10,210
B.C.	\$8,755	\$9,623	\$10,220
MAN.	\$7,826	\$8,530	\$8,895
N.B.	\$9,839	\$10,419	\$11,047
N.L.	\$10,490	\$11,367	\$11,826
N.S.	\$10,987	\$11,768	\$12,385
ONT.	\$10,125	\$10,537	\$10,644
P.E.I.	\$9,373	\$11,177	\$11,838
SASK.	\$9,556	\$10,428	\$11,243
Y.T.	\$7,626	\$9,176	\$10,907
<b>Overall</b>	<b>\$9,539</b>	<b>\$10,265</b>	<b>\$10,628</b>

Loan Year: August 1-July 31.

### AVERAGE INDEBTNESS AT CONSOLIDATION BY INSTITUTION TYPE

Institution Type	2001-2002	2002-2003	2003-2004
University	\$12,436	\$13,257	\$13,671
College	\$8,047	\$8,373	\$8,598
Private	\$7,862	\$8,218	\$8,131
<b>Overall</b>	<b>\$9,539</b>	<b>\$10,265</b>	<b>\$10,628</b>

Loan Year: August 1-July 31.

**AVERAGE INDEBTNESS AT CONSOLIDATION BY AGE**

<b>Age</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>
21 & Under	\$5,114	\$5,452	\$5,436
22-25 Yrs	\$9,095	\$9,607	\$9,940
26-29 Yrs	\$12,238	\$12,981	\$13,536
30 or over	\$10,887	\$12,219	\$12,685
<b>Overall</b>	<b>\$9,539</b>	<b>\$10,265</b>	<b>\$10,628</b>

*Loan Year: August 1-July 31.*

**AVERAGE INDEBTNESS AT CONSOLIDATION BY GENDER**

<b>Gender</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>
Female	\$9,685	\$10,434	\$10,812
Male	\$9,355	\$10,055	\$10,392
<b>Overall</b>	<b>\$9,539</b>	<b>\$10,265</b>	<b>\$10,628</b>

*Loan Year: August 1-July 31.*

## APPENDIX H INTEREST RELIEF (IR)

### BORROWERS RECEIVING INTEREST RELIEF (IR) BY INSTITUTION TYPE

Institution Type	2001-2002	2002-2003	2003-2004
University	47,283	46,154	46,899
College	53,731	49,500	45,115
Private	37,583	31,445	24,903
Missing	1,864	1,136	603
<b>Total</b>	<b>140,461</b>	<b>128,235</b>	<b>117,520</b>

Loan Year: August 1-July 31.

### BORROWERS RECEIVING INTEREST RELIEF (IR) BY GENDER

Gender	2001-2002	2002-2003	2003-2004
Female	88,357	80,612	72,593
Male	51,269	47,050	42,021
Missing	835	573	2,906
<b>Total</b>	<b>140,461</b>	<b>128,235</b>	<b>117,520</b>

Loan Year: August 1-July 31.

### BORROWERS RECEIVING INTEREST RELIEF (IR) BY AGE

Age	2001-2002	2002-2003	2003-2004
Under 22	11,418	8,182	7,727
22-25 Yrs	45,090	39,095	34,732
26-29 Yrs	34,841	33,367	30,823
30 or over	49,091	47,581	44,233
Missing	21	10	5
<b>Total</b>	<b>140,461</b>	<b>128,235</b>	<b>117,520</b>

Loan Year: August 1-July 31.

### BORROWERS RECEIVING INTEREST RELIEF (IR) BY PROVINCE OR TERRITORY OF ISSUE

Province/Territory	2001-2002	2002-2003	2003-2004
ALTA.	11,880	11,230	10,761
B.C.	23,759	21,874	19,506
MAN.	4,212	3,625	3,124
N.B.	9,719	9,018	7,798
N.L.	8,754	7,724	7,503
N.S.	11,176	9,864	8,667
ONT.	61,639	57,030	53,493
P.E.I.	1,167	1,124	1,057
SASK.	6,341	5,632	4,996
Y.T.	64	56	51
Missing	1,750	1,058	564
<b>Total</b>	<b>140,461</b>	<b>128,235</b>	<b>117,520</b>

Loan Year: August 1-July 31.

## APPENDIX I

### INTEREST RELIEF RATES: BACKGROUND AND CALCULATION

Although Interest Relief (IR) is a process, and not an event such as default, an IR rate is defined similarly to a default rate. Take the IR uptake stemming from one consolidation cohort and divide it into loan years (counting a person on IR once in a loan year<sup>32</sup>). The IR rate is the sum of all consolidation dollars staying on IR during the lifetime of the cohort. The following table describes the main parameters of cohort-based IR. All rates reflect dollars rather than numbers of people.

The total six-year IR rate is expected to decline from the value of 93.5% of consolidation (actual except for the last year) for the 1999-2000 cohort to an estimate of 64.3% for the 2002-2003 cohort.<sup>33</sup>

This number is interpreted as the proportion of consolidation volume that goes through an IR year during repayment (in practice, many accounts go through several IR years and about 50% of accounts never go into IR). The total IR rate can in practice be estimated with a three-year IR rate, identical in definition to the default rate, and very similar in value. The table above shows that roughly 73% of all IR uptake will be realized in the first three years; the tail end of this distribution is expected to remain stable from year to year.

The total IR rate gives us an estimate of the total IR expense on a cohort basis. Multiplied by the interest rate (prime + 2.5%) and by the average IR duration in an IR year, it gives us the rough share of consolidation that will translate into IR expense.

#### SIX-YEAR IR UPTAKE RATE, 1999-2000 AND 2002-2003

Consolidation Cohort, 1999-2000			
Years	IR Uptake (% of cons.)	Relative Frequency	Cumulative Relative
Year 1	28.1%	30.1%	30.1%
Year 2	23.4%	25.1%	55.1%
Year 3	17.1%	18.3%	<b>73.4%</b>
Year 4	13.1%	14.0%	87.4%
Year 5	9.2%	9.8%	97.2%
Year 6	2.6%	2.8%	100.0%
<b>Total</b>	<b>93.5%</b>	<b>100.0%</b>	
Consolidation Cohort, 2002-2003			
Years	IR Uptake (% of cons.)	Relative Frequency	Cumulative Relative
Year 1	20.5%	31.8%	31.8%
Year 2	15.1%	23.4%	55.2%
Year 3	11.5%	17.8%	<b>73.1%</b>
Year 4	9.2%	14.3%	87.4%
Year 5	6.3%	9.8%	97.2%
Year 6	1.8%	2.8%	100.0%
<b>Total</b>	<b>64.3%</b>	<b>100.0%</b>	

Loan Year: August 1-July 31.

Imputed values are in italics.

<sup>32</sup> Thus, a person staying on IR continuously for 54 months after consolidation would be counted once in each of five successive loan years; a person going into IR twice in the same year would be counted once.

<sup>33</sup> Third and subsequent years are imputed based on the previous cohorts' distributions.

## IR RATE, AVERAGE IR MONTHS PER IR YEAR AND PRIME INTEREST RATES, 1998-2003

Year	IR Rate	1st Year IR Rate	Average IR Months	Prime Bank Rate*	Total IR Cohort Cost
1998	84.8	26.1%	8.0	5.13	4.3%
1999	93.5	28.1%	8.2	5.29	5.0%
2000	86.8	26.8%	8.3	5.48	4.8%
2001	56.9	17.4%	8.4	2.79	2.1%
2002	64.3	20.5%	8.2	3.17	2.5%
2003	67.8	21.6%	7.8	2.69	2.3%

Loan Year: August 1-July 31.

\*Source: Bank of Canada, Yearly average of monthly series (B14006)

The table above provides the necessary multipliers. For example, for the 1999-2000 cohort, the calculation translates to  $93.5\% \times 8.21/12 \times (5.29\% + 2.5\%)$ , which produces a 5.0% estimate for total IR cohort cost (formerly calculated as the IR provision rate).

## APPENDIX J

### FIRST PAYMENT DELINQUENCY AND ROLL RATES

Delinquency is typically subdivided into “buckets” numbered from 1 to 9, denoting the number of months (rounded) that the borrower is behind on payments. The likelihood that one missed monthly loan payment will lead to a subsequent missed monthly payment is known as the roll rate and can be viewed as a proportion of the  $n^{\text{th}}$  delinquency bucket emptying into the  $(n+1)^{\text{th}}$  bucket. Generally, the longer the account has been delinquent, the more difficult the rehabilitation process is and the higher the roll rate.

First Payment Delinquency (FPD) is defined as the ratio of loans on which a first payment was not made to the total consolidated portfolio. It is arguably a leading indicator and determinant of default, and reflects the efforts of the CSLP and Service Providers to inform borrowers of their obligations and to help

them meet these obligations. FPD is followed by its particular post-FPD roll rate; these FPD roll rates are higher than roll rates for later delinquencies. (In addition to borrowers who have regular repayment difficulties, FPD also contains those borrowers who do not intend to repay their loans.) All the other roll rates are close enough that they can be presented as one average roll rate, as in **Table 15**.

The non-FPD rate represents delinquency by borrowers who have made their first payment on time, but subsequently miss a payment for any reason. The first roll rate is determined monthly as the ratio of the amount in the first delinquency bucket to the normal balance amount. The subsequent roll rates represent the transition of delinquent clients into older buckets, where  $(1 - \text{roll rate})$  is the cure rate. Default occurs when a loan from a normal balance goes through all nine buckets. In other words, the probability of default on a monthly basis is the product of all nine roll rates.

**TABLE 15**  
**ROLL RATES FOR CSLP DELINQUENCY BUCKETS**

Public Portfolio, 2002-2003 Loan Year									
	DLQ1	DLQ2	DLQ3	DLQ4	DLQ5	DLQ6	DLQ7	DLQ8	DLQ9
FPD	24.13%	89.68%	85.46%	90.08%	90.34%	92.02%	93.52%	94.37%	93.17%
Non-FPD	5.22%	60.23%	66.39%	84.68%	86.63%	88.97%	90.82%	90.91%	88.02%
Public Portfolio, 2003-2004 Loan Year									
	DLQ1	DLQ2	DLQ3	DLQ4	DLQ5	DLQ6	DLQ7	DLQ8	DLQ9
FPD	43.52%	79.19%	84.79%	89.28%	91.07%	91.87%	92.34%	92.80%	91.51%
Non-FPD	5.32%	57.32%	66.26%	88.53%	91.72%	92.21%	92.75%	90.86%	84.78%
Private Portfolio, 2002-2003 Loan Year									
	DLQ1	DLQ2	DLQ3	DLQ4	DLQ5	DLQ6	DLQ7	DLQ8	DLQ9
FPD	55.76%	81.36%	87.42%	80.85%	91.51%	97.33%	97.69%	98.24%	97.88%
Non-FPD	9.72%	59.32%	74.22%	81.85%	81.52%	90.83%	90.37%	91.28%	94.75%
Private Portfolio, 2003-2004 Loan Year									
	DLQ1	DLQ2	DLQ3	DLQ4	DLQ5	DLQ6	DLQ7	DLQ8	DLQ9
FPD	50.26%	82.13%	85.56%	93.36%	96.73%	98.19%	93.05%	97.66%	97.57%
Non-FPD	9.06%	65.53%	74.34%	81.60%	88.41%	90.80%	90.38%	85.44%	98.47%

Loan Year: August 1-July 31.

DLQ denotes Delinquency