



CANADA STUDENT LOANS PROGRAM
ANNUAL REPORT
2001-2002



Human Resources and
Skills Development Canada

Ressources humaines et
Développement des compétences Canada

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MESSAGE FROM THE MINISTER

As Minister of Human Resources and Skills Development I am pleased to bring you the *Canada Student Loans Program Annual Report 2001-2002*.

The Government of Canada believes that investing in human capital 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 access post-secondary education at universities, public colleges, career colleges or trade schools, which will enable them to gain essential knowledge and skills for the labour market of today, and the future.

Since 1964, the Canada Student Loans Program 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 the Yukon Territory. It also 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 Canada Student Loans Program.

The CSLP is continually evolving and the Government of Canada has made significant enhancements to the program over the years to better support students. In the summer of 2001, Integration Agreements were signed between the federal government and the provinces of Saskatchewan and Ontario. This integration of student financial assistance will simplify and streamline the loan application and repayment process for direct loan borrowers in these provinces.

In 2001-2002, the CSLP provided financial assistance to approximately 41 percent of students enrolled in post-secondary education and disbursed a total of \$1.5 billion in loans to more than 330,000 full- and part-time Canadian students.

In 2002, the CSLP undertook an extensive client survey of direct loan borrowers who had had recent interaction with the program. The results were very positive, with 71 percent of participants saying that they were satisfied with the overall quality of service received regarding their Canada Student Loan. These results will serve as a benchmark for future tracking of client satisfaction rates.

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 skills and learning goals. This continued cooperation not only demonstrates the Government's continuing commitment to the economic growth and prosperity of all Canadians, but also to the social values of inclusion and equality.



Joe Volpe, P.C., M.P.

Editor's Note

This report reflects the performance of the Canada Student Loans Program for the year 2001-2002. As indicated in the report, the program is a significant contributor to helping Canadians access post-secondary education. It is, however, but one player contributing to this shared national and provincial goal. As such, this report represents only a partial picture of the extent of activity and results that took place in Canada in the reporting year. It is our vision that a future annual report on Canadian access to post-secondary education could be based on a performance story of all partners sharing this common goal and, in fact, all working in their own way to achieving that goal.

This report represents the combined efforts of all areas of the Program which should be acknowledged. Special thanks need to be extended to a small core team who had to pull the raw material together and then assemble it into a fair representation of program performance and highlights. These core team members include Maria Hamburg, Atiqur Rahman, Mykyta Vesselovsky and Chris Muldowney.

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EXECUTIVE SUMMARY

- The Annual Report for the Canada Student Loans Program (CSLP) covers the performance for the 2001-2002 loan year (August 1, 2001 to July 31, 2002) and for the 2001-2002 fiscal year (April 1, 2001 to March 31, 2002).
- All data in this report represent **only the federal share** of a student loan.
- Since 1964, the CSLP has reduced financial barriers to post-secondary education by providing loans and grants to students in financial need. Since August 1, 2000, the CSLP has been directly financing loans to borrowers.

DIRECT LOAN REGIME

- In 2001-2002 a total of \$1.512 billion in loans was disbursed to more than 330,000 full-time and part-time borrowers.
- In the 2001-2002 loan year, the CSLP assisted approximately 41% of students enrolled in post-secondary institutions. The average loan disbursed to each full-time borrower was \$4,586.
- Of full-time Canada Student Loan borrowers, 53.7% attended universities, 34.1% attended colleges, and 12.2% attended private institutions in the 2001-2002 loan year.
- In 2001-2002, \$4.9 million was disbursed to 2,867 part-time Canada Student Loan borrowers. The average part-time loan was \$1,717.

CANADA STUDY GRANTS

- In 2001-2002 a total of 48,730 Canada Study Grants (CSGs) were disbursed at an approximate total value of \$67.4 million. Approximately 14.7% of all Canada Student Loan borrowers received a CSG.

BORROWERS BY GENDER

- Women receiving Canada Student Loans continue to outnumber men: 191,568 to 137,106.

MOBILITY OF BORROWERS

- Overall borrower mobility has increased slightly over the past loan year (from 11.4% to 11.7%).
- Over 80% of borrowers in Ontario, Manitoba, Alberta, British Columbia, and Nova Scotia remained within their home province to study. Yukon had the highest percentage of borrowers studying outside the territory (84.8%).

INDEBTEDNESS

- Average indebtedness (amount owing at consolidation) was \$9,539 in the 2001-2002 loan year. The majority of borrowers (65%) have an average Canada Student Loan debt of less than \$10,000 at consolidation.

- Since the 2000-2001 loan year, average indebtedness decreased by approximately \$400 for university borrowers, increased by approximately \$279 for college borrowers and decreased by \$220 for private institution borrowers.

INTEREST RELIEF AND DEBT REDUCTION IN REPAYMENT

- There were 140,461 Interest Relief (IR) recipients in the 2001-2002 loan year for a total of \$77 million. On average, borrowers remain on IR for 6.41 months and have an outstanding principal of \$12,526.
- In the 2001-2002 loan year, there were 876 Debt Reduction in Repayment (DRR) recipients. Since a borrower can only make use of DRR once IR is exhausted and it has been five years since they have completed their studies, its effectiveness will not be felt for some time.

THREE-YEAR BLENDED DEFAULT RATES

- The three-year blended default rate represents the proportion of the amount entering repayment that the CSLP forecasts will default within three years after consolidation and is based on the fact that most defaults (more than 75%) occur within the first three years after consolidation. The forecasted three-year blended default rate in the 2001-2002 loan year was 25.83%.

CANLEARN INTERACTIVE

- Between the time it was launched in October 1999 and March 2002, CanLearn Interactive served over 2.7 million Canadians (in unique user visits). CanLearn was honored at the 2001 GTEC (Technology in Government Week) Distinction awards and was awarded a gold medal for *Managing of Human Dimensions of IM/IT* and one for *Leadership – Annual Achievement*.

CLIENT SATISFACTION

- A Client Satisfaction Survey of direct loan borrowers, conducted in 2002, showed that 71% of clients with recent interaction with the CSLP were satisfied with the overall quality of service received regarding their Canada Student Loan. Relatively few (11%) expressed dissatisfaction. Most clients (76%) said the service received met or exceeded their expectations.

FEDERAL/PROVINCIAL INTEGRATION AGREEMENTS

- In the summer of 2001, Integration Agreements were signed between the federal government and the provinces of Saskatchewan and Ontario respectively. Integration simplifies and streamlines the loan application and repayment process to allow direct loan borrowers to have one student debt and make one single payment when repaying their student loans.

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 2001-2002 loan year (August 1, 2001 to July 31, 2002) and to provide detailed financial information for the 2001-2002 fiscal year (April 1, 2001 to March 31, 2002).

This report is neither a policy document nor a research paper, but rather a compilation of data that provides a snapshot of the Program to inform readers on the state of the CSLP. It is important to note that all data in this report represent **only the federal share** of a student loan.

The report first provides a brief history and background on the CSLP including the vision, mission and mandate and how the CSLP aligns with the objectives of the Government of Canada.

The report then outlines the performance of the CSLP for the 2001-2002 loan year (August 1, 2001 to July 31, 2002) and compares it to the previous year. This includes an overview of the portfolio, the numbers and values of loans and grants, a profile of Canada Student Loan borrowers, and the loan repayment process.

The report also looks at how the CSLP builds relationships with borrowers and prospective borrowers, sustains relationships with stakeholders, and manages the risk to the portfolio.

The last section examines program expenditures for the CSLP.

THE CANADA STUDENT LOANS PROGRAM

BACKGROUND

Since 1964, the Canada Student Loans Program (CSLP) has reduced financial barriers to post-secondary education by providing loans and grants to students in financial need. Since the inception of the CSLP, the Government of Canada has either guaranteed¹ Canada Student Loans or paid a risk premium² to participating financial institutions. Since August 1, 2000, the CSLP has been directly financing loans to borrowers.

In the 2001 Speech from the Throne, the Government of Canada committed to reducing barriers to post-secondary education in its statement regarding the skills and learning of Canadians:

Canada will only realize its full potential by investing aggressively in the skills and talents of its people. To succeed in the knowledge economy, Canada will need people with advanced skills and entrepreneurial spirit. [...]The Government of Canada will work with provinces and territories and with non-governmental organizations to ensure that all Canadians, young and old, can achieve their learning goals.

The commitments outlined in the Speech from the Throne resulted in a series of national roundtables sponsored by the Government of Canada. The discussions led to the Skills and Learning Agenda paper *Knowledge Matters: Skills and Learning for Canadians*, which articulates the Government of Canada's commitment to skills and learning by recognizing that in a knowledge-based economy, people are Canada's greatest resource.

It is thus important to provide Canadians with the opportunity to develop their skills by encouraging and supporting increased participation in post-secondary education. The CSLP has a major role in this agenda, including working with the provinces and territories to facilitate access to post-secondary education; encouraging students and those in the work force to enrol in post-secondary education; and encouraging those in the work force to "learn while they earn."

PROGRAM DESCRIPTION

Vision

The CSLP's vision is that Canadians have the opportunity to develop the knowledge and skills to participate in the economy and in society.

Mission

The 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 in making informed choices;

¹Between 1964 and 1994, financial assistance was provided to students through banks and credit unions in the form of 100% government-guaranteed loans.

²In 1995, the Canada Student Loans Act was revised under the Canada Student Financial Assistance Act wherein government-guaranteed loans were replaced with a risk-sharing arrangement between the federal government and participating financial institutions. Participating financial institutions were paid 5% of the loans which went into repayment to compensate for defaults. Recovery of loans was the full responsibility of the financial institutions.

- **Enhancing and improving** the delivery of services, resulting in high client satisfaction;
- **Ensuring** the development and renewal of a valued, knowledgeable, motivated work force 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/territory of residence.

Legal Mandate

Canada Student Loans issued prior to August 1, 1995 (guaranteed student loans)³ are governed pursuant to the *Canada Student Loans Act* and its regulations. Risk-shared⁴ and directly financed⁵ student loans are governed pursuant to the *Canada Student Financial Assistance Act* and its regulations.

While financial assistance is mainly delivered through a loans program, Section 15(p) of the *Canada Student Financial Assistance Act* authorizes the CSLP to deliver Canada Study Grants (CSGs) to students whose financial need is greater than the maximum amount of financial assistance. This includes groups such as students with disabilities, women in certain doctoral studies, high-need part-time students, and student loan recipients with dependants. Unlike Canada Student Loans, Canada Study Grants do not have to be repaid.

Roles and Responsibilities

The CSLP is a complex program that works with various partners to effectively administer loans and grants to students. Delivery partners include participating provinces, the Yukon Territory, two private service providers, Public Works and Government Services Canada, and many areas of Human Resources and Skills Development Canada.

The CSLP operates under a formula whereby the Government of Canada provides funding equivalent to 60% of a student's assessed need, up to a maximum of \$165 a week. The provincial government funds the remaining 40% of the student's assessed need. Although Quebec, Nunavut and the Northwest Territories chose not to participate in the CSLP, the federal government still contributes to student financial assistance through block funding to these non-participating province and territories.

The front end of the Program is delivered through provincial/territorial student assistance offices, which also administer their own student financial assistance programs. Provinces and territories process loan applications, assess students' financial need for loans and determine eligibility for Canada Study Grants.

³Under the guaranteed regime, the federal government guaranteed lenders repayment on Canada Student Loans.

⁴Under the risk-shared regime, the federal government paid nine private lenders a premium of 5% in return for accepting the risk of non-repayment.

⁵Since August 2000, the federal government has been directly financing loans and third-party service providers administer the loan process. The *Canada Student Financial Assistance Act* was amended in 2000 to allow for directly financed loans.

Since August 1, 2000, the CSLP has been directly financing loans to borrowers. The CSLP divides the student borrower portfolio between public and private institutions to allow each of the two contracted Service Providers to customize their services to meet the needs of borrowers. These Service Providers operate under the name of the National Student Loans Service Centre (NSLSC) and are responsible for managing student borrower accounts on behalf of the CSLP.

The CSLP's Program Logic

To ensure that the CSLP achieves its intended outcomes, a model was developed that demonstrates the design of the Program. The model outlines four distinct ways in which Canada Student Loan activities may benefit borrowers and Canadians. (See **Figure 1** for further detail.)

The CSLP's activities include administering and managing loans and grants to eligible students, providing an in-study interest subsidy to borrowers, and building relationships with borrowers and prospective borrowers to better inform them about post-secondary financing options and the responsibilities of maintaining a loan. These activities are aimed at reducing financial barriers to accessing post-secondary education, increasing post-secondary participation for specific student target groups, and improving repayment rates among borrowers.

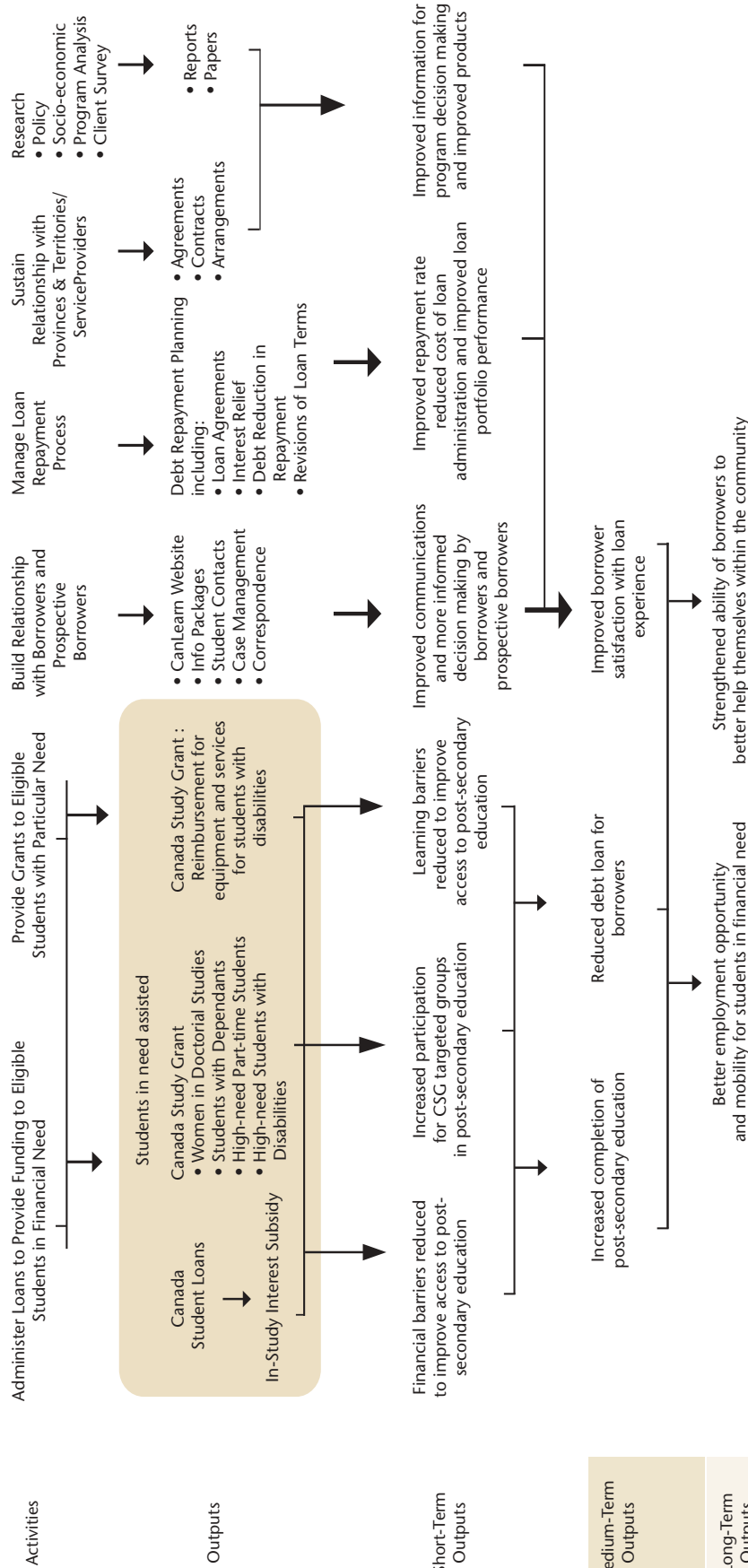
The long-term results of the CSLP may lead to increased completion of post-secondary education, reduced debt load⁶ for student borrowers, improved borrower satisfaction with the loan experience, increased ability for students to attend the post-secondary institution of their choice by facilitating portability of Canada Student Loans across the country, and better employment opportunities for borrowers. These are in line with Human Resource and Skills Development Canada's objectives.

⁶If compared to borrowing equivalent funds from banks or other private institutions.

Figure 1 – The CSLP’s Program Logic

CANADA STUDENT LOANS PROGRAM - LOGIC MODEL

VISION STATEMENT: Canadians have an opportunity to develop the knowledge and skills to participate in the economy and society.



REPORTING CONTEXT

External Factors

Environmental factors and economic conditions have a substantial impact on the outputs and outcomes of the CSLP. Economic conditions may have an effect on post-secondary attendance, the number of students seeking financial assistance, reliance on debt management programs (such as Interest Relief and Debt Reduction), and debt repayment rates.

Reducing financial barriers to post-secondary education is the joint responsibility of governments, students, and their families. The 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 and provincial programs that contribute to encouraging and supporting Canadians to attend post-secondary institutions. Other federal initiatives aimed at increasing access to post-secondary education by reducing financial and social barriers include:

- The Canada Health and Social Transfer (CHST) provides block funding to assist provinces and territories with post-secondary education, health care, social assistance and social services.
- The Government of Canada's \$2.5 billion investment in the Canada Millennium Scholarship Foundation gives approximately 100,000 eligible students up to \$3,000 each year, for a total value of \$300 million per year.
- The Department of Indian Affairs and Northern Development (DIAND) assists post-secondary Aboriginal and Inuit students with the cost of tuition, books, travel, and living allowances, through the Post-Secondary Student Support Program (PSSSP) and the University and College Entrance Preparation Program (UCEP). Support is also provided to post-secondary institutions for the development and delivery of special programs for Aboriginal people through the Indian Studies Support Program (ISSP).
- The Canada Education Savings Grant 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.
- The Government of Canada has significantly expanded its education and tuition tax credits and has introduced carry-forward provisions to allow students and families to claim more of their post-secondary education-related expenses.
- Tax relief is now available to all individuals with federal and provincial loans, through a federal tax credit on the interest portion of their payments.
- The Official Languages in Education Program provides financial assistance to provinces and territories for minority-language education and for second-language instruction.

In addition to administering Canada Student Loans to borrowers, provincial and territorial partners offer loans, grants and scholarships to increase access to post-secondary education. For instance, Manitoba offers awards to Aboriginal students and Newfoundland and Labrador offers scholarships to women in post-secondary programs who specialize in petroleum-related trades or technology.

PROGRAM PERFORMANCE

OVERALL CANADA STUDENT LOAN PORTFOLIO

The following graphs (**Graphs 1 and 2**) illustrate the total Canada Student Loan portfolio for in-study⁷ loans and for loans in repayment⁸ for the guaranteed, risk-shared, and direct loan regimes as of March 31, 2002 (**Appendix A** provides further detail).

These graphs compare the total loan portfolio as of March 31, 2001 to the total portfolio as of March 31, 2002 and illustrate the continuing decline in the guaranteed and risk-shared regimes as no new loans are being disbursed.

Borrowers with guaranteed and risk-shared loans will move from in-study to repayment. Thus, the number and value of direct loans will continue to grow, while the guaranteed and risk-shared portfolios will continue to diminish.⁹ Guaranteed loans are expected to be phased out in the next 10 years, while risk-shared loans are expected to be phased out within the next 15 years.¹⁰

Profile of the In-Study Portfolio

The following graph (**Graph 1**) illustrates the continuing decline of risk-shared and guaranteed loans that are in-study. Guaranteed loans that are in-study accounted for 3% of the total in-study portfolio as of March 31, 2002, compared to 5% at March 31, 2001 (a decrease of \$56.6 million).

As no new risk-shared loans have been disbursed since August 1, 2000, the number of risk-shared loans in-study will continue to diminish, with a \$936.2 million decrease from March 31, 2001 to March 31, 2002. Risk-shared loans accounted for 59% of the total in-study portfolio as of March 31, 2001, and for 36% at March 31, 2002. This reduction is due to the move of risk-shared borrowers from in-study to repayment and to the introduction of direct loans.

As a result of the inception of the direct loans regime in 2000, the in-study portfolio for direct loans grew to \$1,412.3 million by March 31, 2001, and accounted for 36% of the total in-study portfolio. By March 31, 2002, direct loans accounted for 61% of the total in-study portfolio.

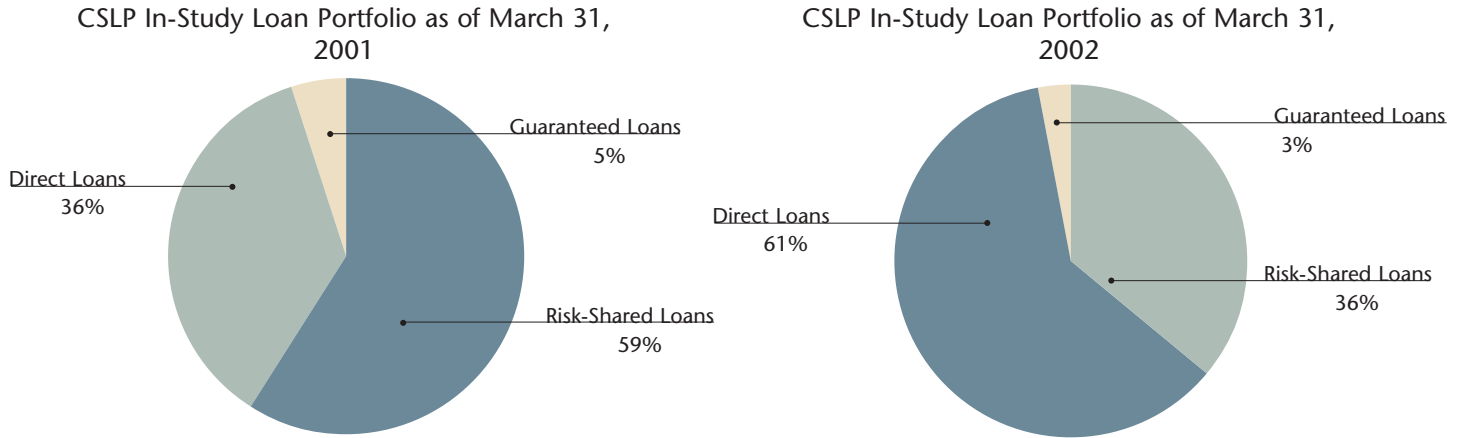
⁷"In-study" refers to borrowers who are still attending post-secondary institution and who have not yet begun repaying their Canada Student Loans. This includes students in the grace period. In the grace period, interest accrues on borrowers' loans as soon as they complete their studies, but no payments are required until six months after the completion date.

⁸In "repayment" refers to borrowers who have completed post-secondary studies and who have begun making payments on their Canada Student Loans. This includes borrowers on Interest Relief and Debt Reduction.

⁹Any one student may hold one or all types of loans.

¹⁰Office of the Chief Actuary. Actuarial Report on the Canada Student Loans Program as of July 31, 2002.

Graph 1 – Canada Student Loan Portfolio for In-Study Loans



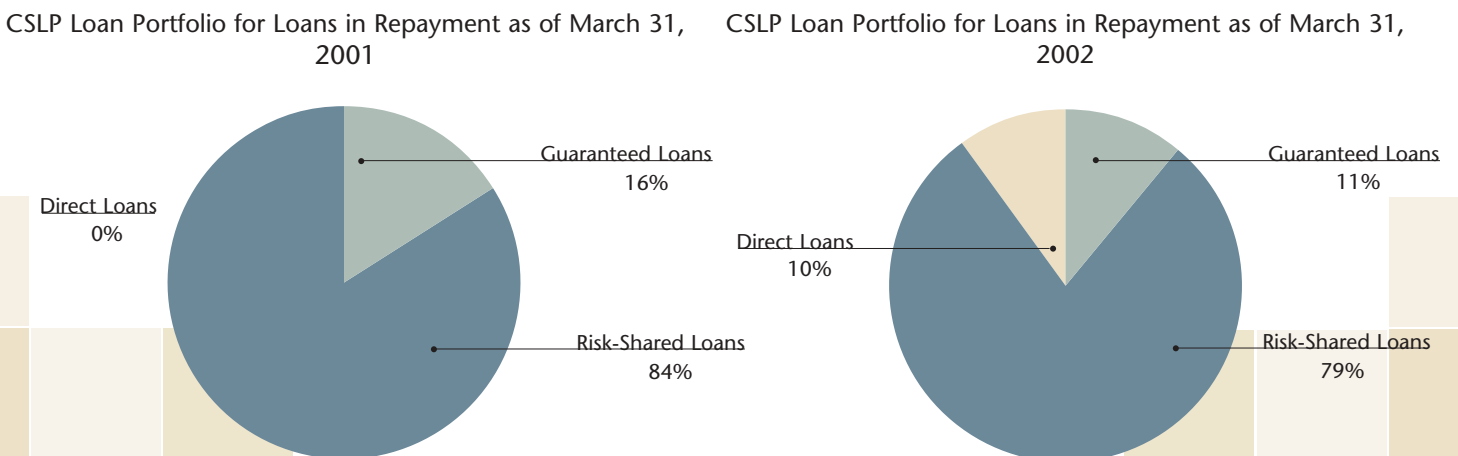
Profile of the Repayment Portfolio

The number of guaranteed and risk-shared loans in repayment will continue to decrease as a result of the move to the direct loans regime. By March 31, 2001, guaranteed loans accounted for 16% of the total loans in repayment and decreased to 11% by March 31, 2002 (a decrease of \$205.4 million).

Although the value of risk-shared loans in repayment increased by \$177.4 million between March 31, 2001 and March 31, 2002, the percentage of risk-shared loans as a part of the total portfolio decreased from 84% (by March 31, 2001), to 79% by March 31, 2002, with the addition of direct loans in repayment.

As direct loans were only introduced in 2000, there were no direct loans in repayment as of March 31, 2001. However, by March 31, 2002 direct loans accounted for 10% of the total loans in repayment, for a total of \$581.5 million.

Graph 2 - Total Canada Student Loan Portfolio for Loans in Repayment



DIRECT LOAN REGIME

In 2001-2002, a total of \$1.512 billion in loans was disbursed to more than 330,000 full-time and part-time borrowers¹¹ (Table 1). This represents a 4.3% decrease in the number of borrowers and a 3.7% decrease in the value of loans disbursed since the 2000-2001 loan year.

This decline may be attributed to relatively high labour market demand as well as favourable market conditions.¹²

Status	2000-2001			2001-2002		
	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average(\$)
Full-time	343,588	\$ 1,564.7	\$ 4,554	328,674	\$ 1,507.4	\$ 4,586
Part-time	2,980	\$ 5.4	\$ 1,812	2,867	\$ 4.9	\$ 1,717
Total	346,568	\$ 1,570.1	-	331,541	\$ 1,512.3	-

Loan Year August 1 - July 31

Full-Time Loans

Eligibility for Canada Student Loans is based on financial need which is determined by taking into account a student's educational expenses as compared to the resources available to the student 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, shelter, food, transportation, and child care. The maximum loan limit available under the Canada Student Loans Program is \$165 per week of study. The cost of post-secondary education is also directly related to a student's choice of post-secondary institution, the program of study, the tuition fees, and the cost of living away from home.

In the 2001-2002 loan year, an estimated 794,000 full-time students were enrolled in post-secondary institutions¹³ in participating Canada Student Loan provinces.¹⁴ The CSLP assisted approximately 41% (328,674 full-time borrowers) of post-secondary students in the 2001-2002 loan year.

The average loan disbursed to each full-time borrower increased slightly from \$4,554 in 2000-2001 to \$4,586 in 2001-2002. The number of full-time borrowers decreased by approximately 15,000 (from 343,588 in 2000-2001 to 328,674 in 2001-2002), resulting in a \$57 million decrease compared to the 2000-2001 loan year. In the 2001-2002 loan year, 45% of borrowers were at the loan limit.

The Government of Canada pays the interest on full-time loans while borrowers are in school and no payment on the principal of the loan is required until borrowers complete their post-secondary studies.¹⁵ All of the 329,000 full-time borrowers plus an additional estimated 100,000 full-time students who had borrowed in previous years, but did not take out a loan last year, received assistance in the form of interest subsidy, whereby the Government of Canada paid interest on the student loans, amounting to \$185 million.

¹¹A student can be both full-time and part-time within the same loan year, thus the direct addition loans may slightly overstate the actual number of students.

¹²Office of the Chief Actuary. Actuarial Report on the Canada Student Loans Program as of July 31, 2002

¹³Ibid

¹⁴Quebec, Nunavut and the Northwest Territories do not participate in the Canada Student Loans Program.

¹⁵Ibid.

Full-Time Loans by Province

Among the provinces, Ontario had the most significant decrease in the number of borrowers (13,000) compared to the 2000-2001 loan year (**Table 2**). This resulted in a \$60 million decrease in the value of loans from \$704.5 million in 2000-2001 to \$643.7 million in the 2001-2002 loan year.

Newfoundland and Labrador's decrease of 2,000 borrowers (or \$8 million) is also significant, representing a decrease of 13% of that province's borrowers. The remaining provinces were relatively stable in their number of borrowers; however, Prince Edward Island's average loan size increased by \$800. Yukon disbursed the least number and value of loans in the 2001-2002 loan year; 256 borrowers received a total of \$1.3 million in loans.

Province/ Territory	2000-2001			2001-2002		
	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
NFLD	15,953	\$ 69.5	\$ 4,354	13,912	\$ 61.3	\$ 4,408
PEI	3,047	\$ 13.5	\$ 4,426	3,068	\$ 16.1	\$ 5,259
NS	16,903	\$ 90.7	\$ 5,365	17,234	\$ 92.9	\$ 5,393
NB	15,708	\$ 77.6	\$ 4,938	15,614	\$ 77.7	\$ 4,978
ONT	158,256	\$ 704.5	\$ 4,451	145,287	\$ 643.7	\$ 4,430
MAN	10,860	\$ 46.9	\$ 4,319	10,267	\$ 44.5	\$ 4,334
SASK	16,358	\$ 78.2	\$ 4,779	16,246	\$ 79.0	\$ 4,861
ALTA	43,294	\$ 184.2	\$ 4,254	42,323	\$ 181.3	\$ 4,284
BC	62,953	\$ 298.6	\$ 4,743	64,467	\$ 309.5	\$ 4,801
YK	256	\$ 1.2	\$ 4,691	256	\$ 1.3	\$ 4,999
Total	343,588	\$ 1,564.75	4,554	328,674	\$ 1,507.4	\$ 4,586

Loan Year August 1 - July 31

Full-Time Loans by Institution Type

The proportion of Canada Student Loan borrowers attending universities increased from 51.4% to 53.7%, while a corresponding decline of about 1% occurred in both colleges and private institutions. Overall, there was a decrease of approximately 15,000 full-time borrowers compared to the 2000-2001 loan year. Although the number of borrowers decreased, there was an increase in the average full-time loan amount for all institution types.

The following table (**Table 3**) illustrates the value of loans disbursed by institution type in the 2000-2001 and the 2001-2002 loan years. The value of loans disbursed to university borrowers increased by \$1.8 million compared to the 2000-2001 loan year (from \$812.6 million to \$814.4 million). However, the value of loans disbursed to college and private institution borrowers decreased by \$33.0 million and \$26.1 million respectively.

	2000-2001			2001-2002		
	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
University	176,612	\$ 812.6	\$ 4,601	176,528	\$ 814.4	\$ 4,613
College	121,344	\$ 509.5	\$ 4,198	112,240	\$ 476.5	\$ 4,245
Private	45,632	\$ 242.6	\$ 5,317	40,238	\$ 216.5	\$ 5,380
Total	343,588	\$ 1,564.7	\$ 4,554	328,674	\$ 1,507.4	\$ 4,586

Loan Year August 1 - July 31
Students who attended different institution types during the year appear under each type, but are counted only once in the total.

Of full-time Canada Student Loan borrowers, 53.7% attended universities, 34.1% attended colleges, and 12.2% attended private institutions in the 2001-2002 loan year. (**Appendix B** compares borrowers by province and institution type.)

Part-Time Loans

In 2001-2002, \$4.9 million was disbursed to 2,867 part-time Canada Student Loan borrowers which accounted for fewer than 1% of the total borrowers in 2001-2002. This has remained stable since the 2000-2001 loan year. The average part-time loan fell by approximately \$100 from \$1,812 in 2000-2001 to \$1,717 in 2001-2002 (**Table 1**).

Part-Time Loans by Province

Alberta had the highest percentage of part-time borrowers (35.5%) in the 2001-2002 loan year followed by Ontario at 28%. Most provinces had a \$0.1 million decrease in the value of loans disbursed with the exception of Ontario, Manitoba, Alberta and New Brunswick. Ontario was the only province with an increase in the value of loans disbursed from the 2000-2001 to the 2001-2002 loan year (by \$0.1 million). New Brunswick had the largest decrease (\$0.2 million) in the value of loans disbursed compared to the 2000-2001 loan year from \$0.8 million to \$0.6 million. (See **Appendix C**.)

Part-Time Loans by Institution Type

In the 2001-2002 loan year, approximately 48.6% of part-time borrowers attended universities, while 33.9% attended colleges and 17.6% attended private institutions. The value of loans disbursed to part-time borrowers attending colleges remained the same since the 2000-2001 loan year. There was \$0.3 million increase in the value of loans disbursed to university borrowers and \$0.8 million decrease in the value of loans disbursed to private institution borrowers since the 2000-2001 loan year. (See **Appendix C**.)

CLIENT SATISFACTION

As a part of the government-wide Service Improvement Initiative in 2002, the CSLP undertook an extensive client satisfaction survey of borrowers holding direct loans.¹⁶ A total of 1,608 interviews were conducted with clients who had recent interaction with the CSLP. Respondents were asked to rate, on a five-point scale, their satisfaction with the service they had received in the six months prior to the survey.¹⁷

The results should be understood in terms of CSLP's transition from a risk-shared loans regime to a direct loans regime. The results reflect the first few months of the new program's operations and serve as a benchmark for future tracking of client satisfaction.

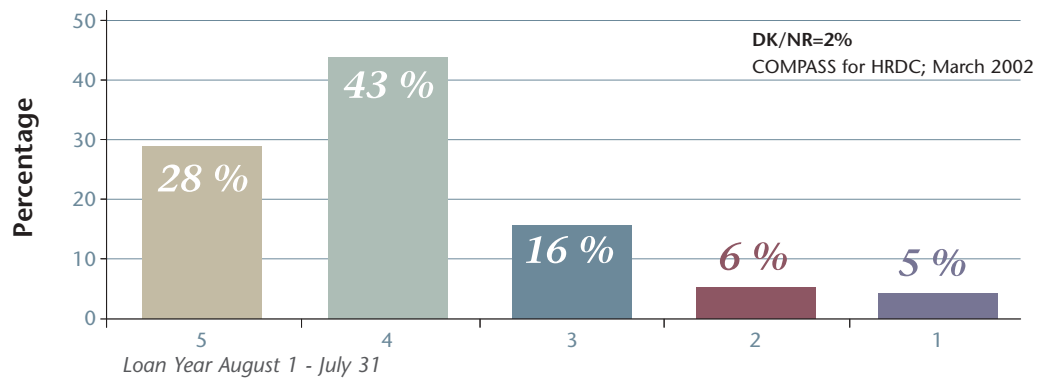
¹⁶The survey obtained assessments from the entire loan life cycle from application to repayment. As there were few respondents for students in repayment, in collection, or in the guaranteed loans regime, their results were not included in these findings.

¹⁷Based on the respective sample sizes, the results for the survey of all clients with recent interaction (excluding clients in collection) can be considered to be accurate within +/- 2.4 %, 19 times out of 20 (most conservative estimate), while the results for the survey of clients in collection can be considered to be accurate within +/- 4.9%, 19 times out of 20 (most conservative estimate).

The following graph (**Graph 3**) shows that 71% of clients with recent interaction with the CSLP were satisfied with the overall quality of service received regarding their Canada Student Loan. Relatively few (11%) expressed dissatisfaction. Most clients (76%) said the service received met or exceeded their expectations.

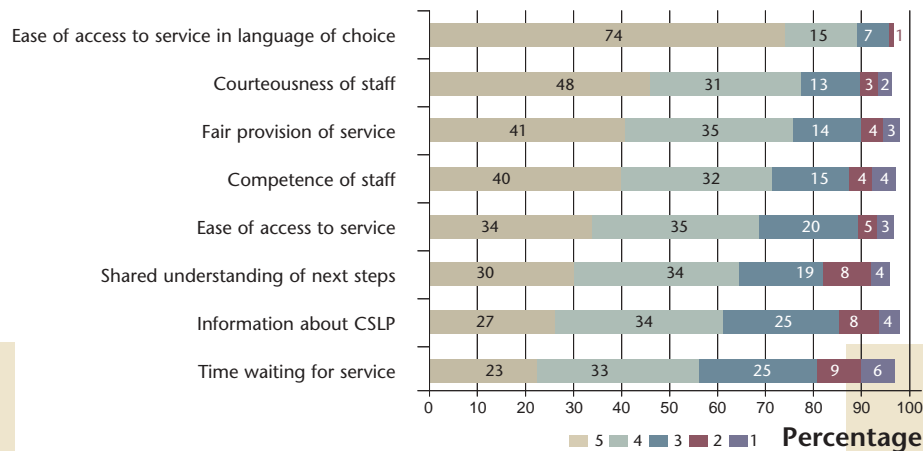
Of all CSLP clients, 72% indicated that the quality of service received with respect to their Canada Student Loan had stayed the same or improved during the past two to three years; 9% said it had worsened. The remaining 16% said this question did not apply to them as they had no previous experience.

Graph 3
Overall Satisfaction with Quality of Service
 (5-point scale: 5=very satisfied; 1=very dissatisfied) N=1608



Clients identified the most satisfaction with the ease of access to services in the language of their choice (89% satisfied), courteousness (79% satisfied) and fairness (76% satisfied) (**Graph 4**). Clients were the least satisfied with the time spent waiting for service (56% satisfied). Of those surveyed, 27% indicated they had encountered problems with their Canada Student Loan. Close to half of those who reported a problem expressed satisfaction with the way the problem was resolved.¹⁸ The CSLP will use these results to focus on appropriate improvements to the program.

Graph 4
Satisfaction with Various Aspects of Service
 (5-point scale: 5=very satisfied; 1=very dissatisfied) N=1608



¹⁸The other 53% was dissatisfied with the way the problem was resolved.

CANADA STUDY GRANTS

Canada Study Grants (CSGs) financially assist borrowers with permanent disabilities, high-need part-time students, women in certain doctoral studies and students with dependants. Unlike Canada Student Loans, CSGs do not have to be repaid.

In 2001-2002, a total of 48,730 CSGs were disbursed at an approximate total value of \$67.4 million. Approximately 14.7% of all Canada Student Loan borrowers received a CSG. Of CSG recipients, the majority (79%) were issued to students with dependants (38,445) for an approximate total value of \$50.4 million (**Table 4**).

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 \$5,000 per loan year to cover exceptional education-related costs associated with their disability.

The number of CSGs issued to students with permanent disabilities accounted for 11% of all CSGs issued in 2001-2002. In 2001-2002, 5,276 grants were issued to borrowers with permanent disabilities for a total of \$12.2 million. Ontario had the highest percentage of borrowers receiving CSGs for students with permanent disabilities at 2.4% of the total borrowers in that province.

High-Need Part-Time Students

This grant provides assistance to low-income students who must study part-time. Up to \$1,200 per loan year may be available to qualified applicants to help cover education-related costs (tuition, books, child care, etc.).

Grants for high-need part-time students were issued to 4,786 borrowers for a total of \$4.1 million, accounting for approximately 10% of all CSGs. There are 4,786 students receiving such grants and only 2,867 part-time Canada Student Loan borrowers. As such, approximately 1,900 Canada Student Loan borrowers received enough high-need part-time grant funds that they no longer required a part-time loan.

Women in Doctoral Studies

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

CSGs for female doctoral students were issued to 223 borrowers in the 2001-2002 loan year for a total of \$636,023.

Students with Dependants

In August 1998, this grant was introduced to assist full-time and part-time students with dependants. Eligible students may qualify for grants of up to \$3,120 per loan year. In 2001-2002, 38,445 grants were issued to students with dependants for an approximate total value of \$50.4 million, accounting for 79% of the total CSG profile. Approximately 11.6% of all Canada Student Loan borrowers were issued a grant for students with dependants. In 2001-2002, 13.3% of all Ontario borrowers received a CSG for students with dependants. The second largest percentage of borrowers receiving a CSG for students with dependants was Alberta at 11.8% of the total borrower population in that province.

Table 4
Canada Study Grant Expenditures for Loan Year 2001-2002

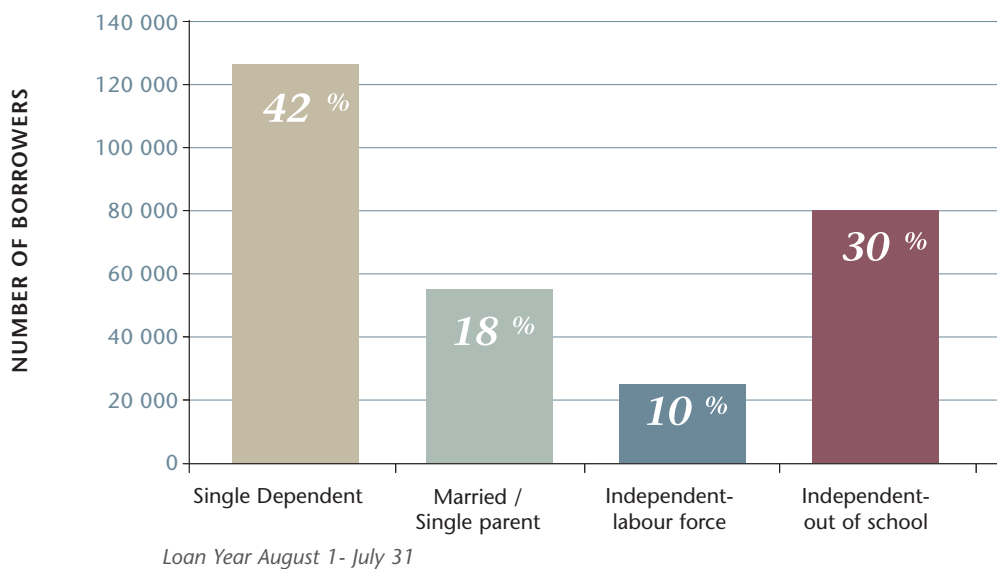
Province/ Territory	Students with Dependants		Students with Permanent Disabilities		High-Need Part-Time Students		Women in Doctoral Studies		Total	
	#	\$ Value	#	\$ Value	#	\$ Value	#	\$ Value	#	\$ Value
NFLD	927	\$ 1,159,375	38	\$ 139,149	7	\$ 7,950	5	\$ 16,500	977	\$ 1,322,974
PEI	165	\$ 201,036	34	\$ 100,870	151	\$ 124,230	4	\$ 12,000	354	\$ 438,136
NS	1,231	\$ 1,726,975	230	\$ 735,899	76	\$ 87,901	4	\$ 11,406	1,541	\$ 2,562,181
NB	1,531	\$ 2,017,275	51	\$ 158,254	50	\$ 54,628	11	\$ 30,124	1,643	\$ 2,260,281
ONT	19,370	\$ 25,600,784	3,522	\$ 7,418,859	455	\$ 440,971	93	\$ 275,369	23,440	\$ 33,735,983
MAN	957	\$ 1,390,147	93	\$ 283,727	33	\$ 34,761	5	\$ 13,627	1,088	\$ 1,722,262
SASK	1,899	\$ 4,188,866	207	\$ 745,783	273	\$ 312,423	8	\$ 20,365	2,387	\$ 5,267,437
ALTA	4,973	\$ 6,877,489	268	\$ 555,772	954	\$ 701,577	11	\$ 31,380	6,206	\$ 8,166,218
BC	7,358	\$ 7,215,668	830	\$ 2,075,759	2,786	\$ 2,295,516	80	\$ 219,252	11,054	\$ 11,806,195
YK	34	\$ 51,314	3	\$ 11,212	1	\$ 1,200	2	\$ 6,000	40	\$ 69,726
Total	38,445	\$ 50,428,929	5,276	\$ 12,225,284	4,786	\$ 4,061,157	223	\$ 636,023	48,730	\$ 67,351,393
Loan Year August 1 - July 31										

PROFILE OF CANADA STUDENT LOAN BORROWERS

BORROWER DEMOGRAPHIC PROFILE

Canada Student Loan borrowers are more likely to be single (90%) than married (10%). Of the Canada Student Loan applicants who qualified for a loan in the 2001-2002 loan year, almost 42% were single and dependent on their parents (**Graph 5**). Approximately 30% were single and independent as they had been out of school for four years prior to attending post-secondary education. A further 10% of borrowers in the 2001-2002 loan year were classified as independent because they had been in the labour force for longer than 24 months.

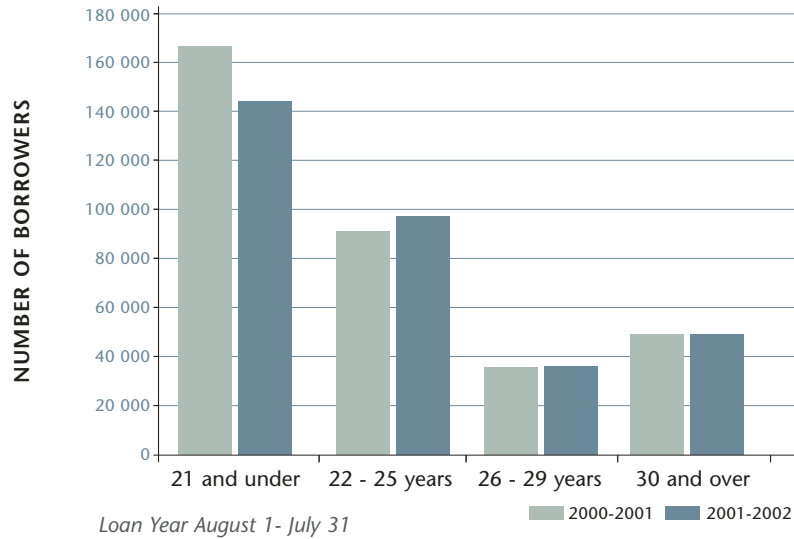
Graph 5
Number of Accepted Applicants by Status (2001-2002)



Full-Time Borrowers by Age

In the 2001-2002 loan year, there were modest or no changes in the number of borrowers in most age categories. The one exception was borrowers under 21 years of age, which saw a decrease of 20,000 borrowers. Nevertheless, borrowers under the age of 21 accounted for 44% of total borrowers in the 2001-2002 loan year (**Graph 6**). However, the average amount borrowed increased with age, as it did in the 2000-2001 loan year (from \$4,110 for those 21 and under to \$5,301 for those 30 and over). (See **Appendix D**.)

Graph 6
Full-Time Borrowers by Age



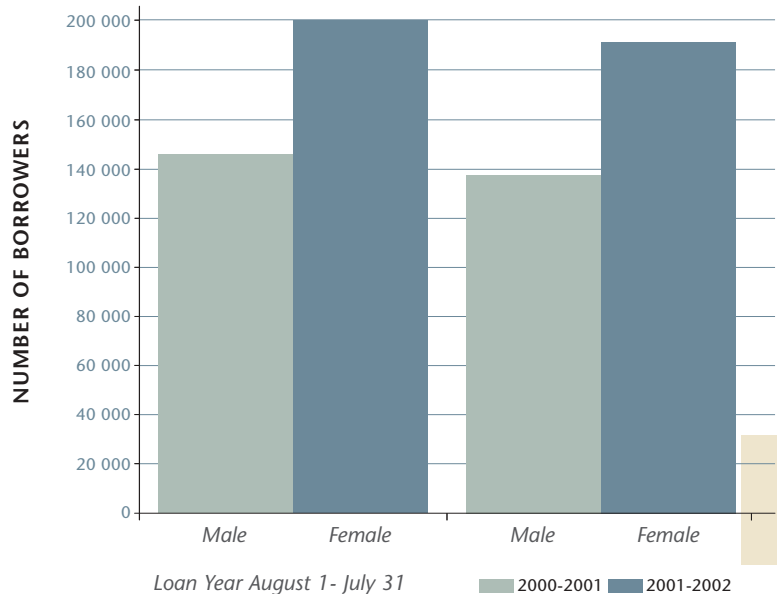
Part-Time Borrowers by Age

Approximately 34.5% of part-time borrowers in the 2001-2002 loan year were over the age of 30, followed by 26.6% between the age of 22 and 25. This has remained relatively stable since the 2000-2001 loan year. The average value of loan per borrower decreased in all age categories. (See **Appendix D** for further detail.)

Full-Time Borrowers by Gender

Women receiving Canada Student Loans continue to outnumber men: 191,568 to 137,106 (**Graph 7**). The value of loans disbursed was \$885.6 million and \$621.8 million respectively they accounted for 58.3% in 2001-2002. In the 2000-2001 loan year, women accounted for 57.4% of borrowers, while they accounted for 58.3% in the 2001-2002 loan year. The average loan for women is approximately \$100 higher than the average loan for men. (See **Appendix E** for further detail.)

Graph 7
Full-Time Borrowers by Gender

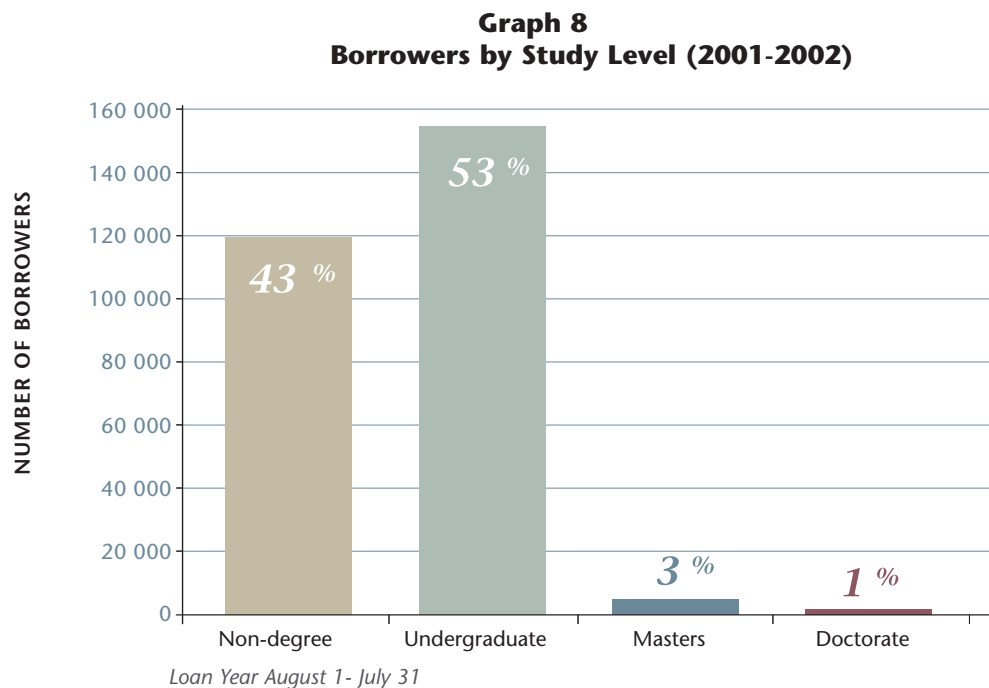


Part-Time Borrowers by Gender

Women comprised 60.9% (1,746) of the part-time Canada Student Loan borrower portfolio, while men comprised 39.1% (1,121) in the 2001-2002 loan year. The average part-time loan for men is \$266 higher than that for women. (See **Appendix E.**)

Borrowers by Study Level

The following graph (**Graph 8**) shows that in the 2001-2002 loan year the majority of full-time borrowers (53%) were enrolled in undergraduate programs. However, approximately 43% of full-time borrowers were enrolled in programs issuing certificates (or non-degree-granting programs) at private institutions, colleges, or universities.



MOBILITY OF BORROWERS

The CSLP assists borrowers in attending the post-secondary institution of their choice by allowing Canada Student Loans to move freely between provinces and territories.

The following tables (**Tables 5** and **6**) identify the number of Canada Student Loan borrowers remaining in, and moving from, their home province/territory to attend post-secondary institutions. Overall borrower mobility has increased slightly over the past loan year (from 11.4% to 11.7%). There was a small increase in the proportion of borrowers moving out of Prince Edward Island (1.7%) and Alberta (1.4%) to study.

Table 5 identifies the percentage of borrowers remaining in their home province/territory and studying outside their home province/territory. Over 80% of borrowers in Ontario, British Columbia, Manitoba, Alberta and Nova Scotia remained within their home province to study. Yukon had the highest percentage of borrowers studying outside the territory (84.8%) followed by Prince Edward Island at 43.3% which is explained by fewer post-secondary institutions offering fewer programs within their home province. A breakdown of mobility by institution type can be found in **Appendix F**.

Table 5 Mobility of Canada Student Loan Borrowers: Within Home Province/Territory vs. Outside Home Province/Territory										
Provinces and Territory	2000-2001					2001-2002				
	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	
NFLD	12,846	80.5%	3,107	19.5%	15,953	11,120	79.9%	2,792	20.1%	13,912
PEI	1,780	58.4%	1,267	41.6%	3,047	1,739	56.7%	1,329	43.3%	3,068
NS	13,601	80.5%	3,302	19.5%	16,903	13,962	81.0%	3,272	19.0%	17,234
NB	11,960	76.1%	3,748	23.9%	15,708	11,924	76.4%	3,690	23.6%	15,614
ONT	147,848	93.4%	10,408	6.6%	158,256	135,954	93.6%	9,333	6.4%	145,287
MAN	9,032	83.2%	1,828	16.8%	10,860	8,591	83.7%	1,676	16.3%	10,267
SASK	13,087	80.0%	3,271	20.0%	16,358	12,982	79.9%	3,264	20.1%	16,246
ALTA	38,223	88.3%	5,071	11.7%	43,294	36,787	86.9%	5,536	13.1%	42,323
BC	56,046	89.0%	6,907	11.0%	62,953	57,109	88.6%	7,358	11.4%	64,467
YK	49	10%	207	80.9%	256	39	15.2%	217	84.8%	256
Total	304,472	88.6%	39,116	11.4%	343,588	290,207	88.3%	38,467	11.7%	328,674

Loan Year August 1 - July 31

Table 6 also shows interesting mobility flows: from Newfoundland and Labrador to Nova Scotia, from Prince Edward Island to both Nova Scotia and New Brunswick, between Nova Scotia and New Brunswick, from Saskatchewan and British Columbia to Alberta, and from Alberta to British Columbia.

Borrower flows from Ontario, Alberta and British Columbia to the United States are relatively higher than from other provinces. These patterns have not changed considerably over the past year, with the exception of the number of Ontario borrowers studying in the rest of the world (excluding the USA) which was reduced by almost a half (from 1,607 to 904).

Table 6 Mobility of Canada Student Loan Borrowers: Province to Province 2001-2002																	
Province/Territory of Issue	CANADA Province/Territory of Study													USA	Rest of World	Total	
	NFLD	PEI	NS	NB	ONT	MAN	SASK	ALTA	BC	YK	QUE	NWT	CANADA				
NFLD	11,120	129	1,279	456	550	27	10	141	49	0	64	0	13,825	59	28	13,912	
PEI	25	1,739	540	417	190	6	9	32	19	0	35	0	3,012	47	9	3,068	
NS	97	314	13,962	1,215	766	22	23	148	99	**	175	0	16,822	352	60	17,234	
NB	78	214	1,485	11,924	839	37	18	89	52	**	653	0	15,390	194	30	15,614	
ONT	101	44	912	332	135,954	316	165	680	960	**	1,534	0	140,999	3,384	904	145,287	
MAN	7	**	67	21	403	8,591	223	358	172	0	72	0	9,916	306	45	10,267	
SASK	7	**	100	12	304	226	12,982	1,921	272	0	97	0	15,925	281	40	16,246	
ALTA	32	10	333	78	1,403	213	500	36,787	1,257	**	298	0	40,915	1,196	212	42,323	
BC	46	14	327	126	2,059	269	335	2,454	57,109	9	518	0	63,266	885	316	64,467	
YK	0	**	13	**	18	**	8	81	74	39	5	**	243	8	5	256	
Total	11,513	2,471	19,018	14,583	142,486	9,708	14,273	42,691	60,063	55	3,451	**	320,313	6,712	1,649	328,674	

Loan Year August 1 - July 31
** Counts lower than 5 have been suppressed for privacy reasons.

LOOKING BACK: MOBILITY

The Social Union Framework Agreement (SUFA) states: "*The freedom of movement of individuals is central to the notion of Canadian citizenship and is crucial to succeeding in the knowledge-based economy.*"¹⁹ The CSLP contributes to this by assisting borrowers to move freely between provinces and territories to pursue post-secondary education.

It is thus important to examine the extent to which the CSLP enables the migration of borrowers between provinces and territories. Mobility has many shapes and forms, such as rural borrowers moving to the nearest university town; urban students moving from one city to another within the province; and students leaving their home province/territory, or studying abroad. However, this analysis deals only with inter-provincial/territorial movements,²⁰ and could be regarded as an indicator for overall student mobility in Canada. This analysis covers the period between 1998-1999 and 2000-2001.

It is important to note that the portability of a Canada Student Loan is not the only factor affecting a student's choice of educational institution; other barriers such as family obligations, living and travel expenses, and academic requirements may prevent students from attending the school of their choice or foregoing post-secondary education altogether.

Overall mobility levels of post-secondary students have been relatively constant for most of the past two decades.²¹ However, mobility for Canada Student Loan borrowers has decreased by 40% from the 1998 level of 15.9%. In 2000-2001, just under 40,000 Canada Student Loan borrowers studied outside their home province/territory.

Institutions and Mobility

Despite the overall 40% decline in mobility since 1998, both universities and colleges have had mobility gains since 1998 (from 13.0% to 15.8% and from 4.5% to 5.3% respectively). The overall decline appears to be contained in borrowers' movement to private institutions outside their home province/territory which fell from 39.9% to 10.4%. In 1998-1999, private institutions were the destination for three times as many borrowers out of home province (proportionally) as universities, whereas in 2000 this proportion was a third below the universities. The variation in mobility between institution types is considerable; borrowers are more likely to leave their home province/territory to attend universities than they are for colleges.

Provinces and Mobility

Since 1998, the mobility of borrowers in all jurisdictions has decreased; with the exception of Yukon. Historically, Ontario has been the most self-contained province with a 10.4% outward borrower mobility in 1998-1999 which dropped to 6.6% in 2000. This has been the smallest decrease (3.8%) among the provinces. Mobility among borrowers in both Western and Eastern provinces decreased by 6%. The traditionally high mobility in the Atlantic provinces decreased from 32% to 26%, and mobility in Western provinces has decreased from 21% to 15% since 1998-1999.

Age and Mobility

Age has a significant impact on borrower mobility. Of the borrowers under the age of 30, the least mobile borrowers are those under 22 – only 9.6% leave their home province/territory to study. Those between 22 and 25 are more mobile (14.1%) than borrowers in the 22 and under age group, and those 26 to 29 are the most mobile at 15.3%. This may represent mature borrowers attending graduate and professional study at the few schools that specialize in the discipline of their choice. Mobility decreases drastically for borrowers over the age of 30 (to 9.4%). Many factors contribute to this decrease: borrowers may have moved as undergraduates, and then proceeded toward a second degree indicating the new place of study as home. Borrowers over the age of 30 may also be less mobile due to personal commitments such as spouses and children, requiring them to pursue another degree at an institution close to home.

Gender and Mobility

Men are more likely to be mobile than women (12.2% vs. 10.8%). This gap has remained relatively constant (as a percentage) in recent years.

¹⁹A Framework to Improve the Social Union for Canadians: An Agreement between the Government of Canada and the Governments of the Provinces and Territories, February 4, 1999.

²⁰It covers the participating jurisdictions for the three loan years from 1998-1999 to 2000-2001.

²¹Trends in Higher Education. AUCC 2002, p.8.

MANAGING THE LOAN REPAYMENT PROCESS

INDEBTEDNESS

Borrowers must begin repaying their Canada Student Loans six months after they have completed their studies. Upon completion of studies, interest begins to accrue on the loan, but no payment is required until the end of the six-month grace period.

Indebtedness refers to the amount borrowers owe the Canada Student Loans Program (CSLP) once they have entered repayment. Average indebtedness (amount owing at consolidation²²) was \$9,539 – slightly lower than the level of indebtedness in 2000-2001 loan year (**Table 7**).²³

This change was expected as the average loan amount has declined in recent years. The majority of borrowers (65%) have an average Canada Student Loan debt of less than \$10,000 at consolidation.

Debt Load	2000-2001	2001-2002*
Less than \$5,000	31%	30%
\$5,000-\$ 9,999	34%	35%
\$10,000-\$14,999	5%	16%
\$15,000 and more	20%	15%
Average Debt	\$9,655	\$9,539
Loan Year August 1 - July 31		
*2001-2002 numbers are preliminary		

Indebtedness by Institution Type

The average debt at consolidation for university borrowers was \$2,897 higher than the total average indebtedness amount (**Table 8**). However, since the 2000-2001 loan year, average indebtedness for university borrowers decreased by approximately \$400.

Average indebtedness at consolidation for college borrowers was approximately \$1,500 lower than the total average indebtedness - with a \$279 increase since the 2000-2001 loan year.

Since the 2000-2001 loan year, the average debt for private institution borrowers decreased by \$220.

Institution Type	2000-2001	2001-2002*
University	\$ 12,849	\$ 12,436
College	\$ 7,768	\$ 8,047
Private	\$ 8,082	\$ 7,862
Total	\$ 9,655	\$ 9,539
Loan Year August 1 - July 31		
* 2001-2002 numbers are preliminary		

INTEREST RELIEF

The purpose of Interest Relief (IR) is to assist borrowers who are experiencing undue hardship in meeting their repayment obligations due to periods of unemployment or low income. A borrower may apply for IR at any time during the loan repayment period. While the borrower is on IR, the Government of Canada pays the interest on behalf of the borrower and the borrower is not required to make any payments on the loan.

To simplify the administration of debt relief measures for borrowers, the CSLP worked with the Service Providers and financial institutions. Since November 30, 2001, a new IR application has been in effect whereby all direct loan borrowers, even those with previous risk-shared or guaranteed loans, need

²²Consolidation refers to the time at which a borrower enters repayment.

²³Preliminary numbers published in the 2000-2001 Annual Report have been updated and revised upward from \$9,588 to \$9,655.

only apply to the Service Provider for IR. This new process allows Service Providers to obtain the information needed from financial institutions in order to assess the borrower's eligibility for IR.

The following IR data represent borrowers in all loan regimes (guaranteed, risk-shared and direct) from any given year as borrowers apply for IR in the repayment stage.

In the 2001-2002 loan year, 146,285 borrowers applied for IR. Of these, 140,461 qualified for and received IR. On average, borrowers remained on IR for 6.41 months (**Table 9**).

Table 9 IR Borrower Statistics for Loan Year 2001-2002				
Loan Year	No. of Applicants	Qualifying Borrowers	Average Months*	Average Outstanding Principal
2001-2002	146,285	140,461	6.41	\$12,526
Loan Year August 1 - July 31				
*Represents average duration within the year				

Table 10 Interest Relief for 2000-2001 & 2001-2002 Loan Years		
Loan Year	IR Recipients	IR Expense (\$ Millions)
2000-2001	154,895	\$ 106.8
2001-2002	140,461	\$ 76.7
Loan Year August 1 - July 31		

The average outstanding principal was \$12,526. IR expenses decreased from about \$107 million in 2000-2001 to about \$77 million in the 2001-2002 loan year (**Table 10**).

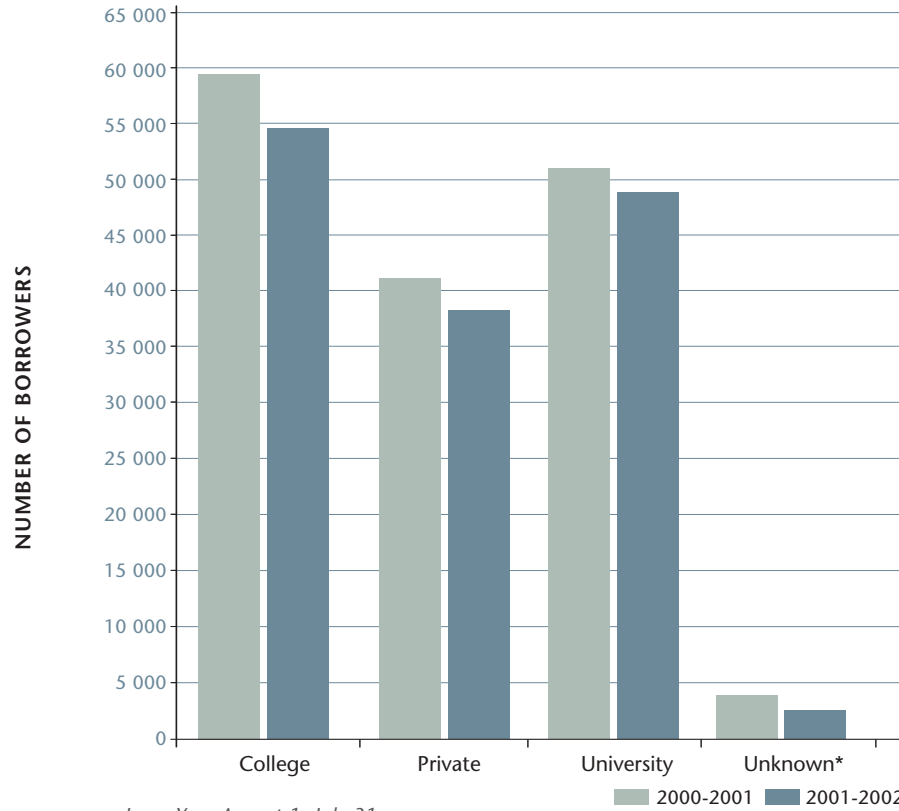
Interest Relief Recipients by Institution Type

The following graph (**Graph 9**) shows the number of borrowers receiving IR by institution type. The number of college borrowers receiving IR decreased by 5,991. IR recipients who attended private institutions decreased by 3,580 since the 2000-2001 loan year. There was also a decrease of 3,617 in the number of IR recipients who attended universities.

Most significant is that university students (the largest percentage of borrowers in the portfolio) were second in IR uptake in the 2001-2002 loan year. In 2000-2001, university borrowers accounted for 33% of IR recipients, compared to private institutions (27%) and colleges (39%). In 2001-2002, university borrowers were second at 34%, private institution borrowers were at 27% and colleges had the highest percentage (38%) of Canada Student Loan borrowers on IR.

It is worth noting that university borrowers on IR have a significantly higher debt at consolidation (approximately \$17,000) than those from colleges and private institutions (approximately \$10,000).

**Graph 9
IR Recipients by Institution Type**



Loan Year August 1- July 31

**Unknown refers to data that may not have been captured when categorizing IR recipients.*

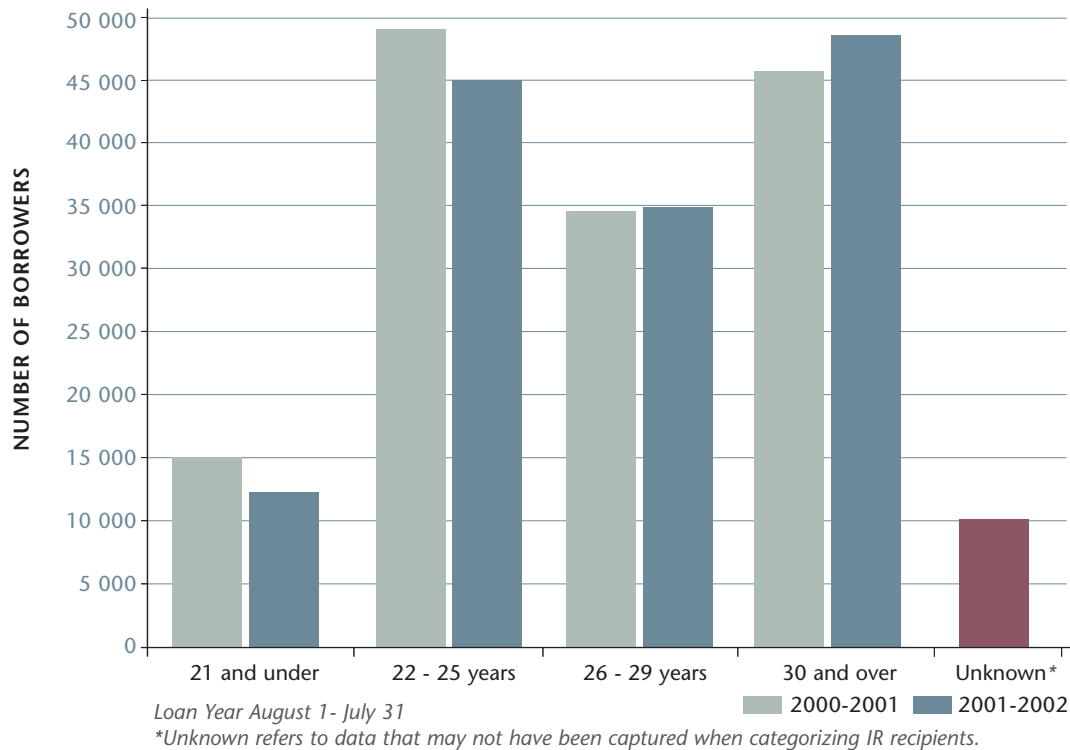
Interest Relief Recipients by Gender

There are more women receiving IR than men. In the 2001-2002 loan year, 88,357 women were on IR compared to 51,269 men. The total number of IR recipients decreased for both women (by 8,110) and men (by 4,049) since the 2000-2001 loan year. (See **Appendix G** for further detail.)

Interest Relief Recipients by Age

In the 2000-2001 loan year, borrowers between the ages of 22 and 25 accounted for the highest number of IR recipients, compared to 2001-2002, where borrowers over 30 accounted for the majority of IR recipients (49,091) (**Graph 10**). The number of IR recipients in the over 30 category increased by 2,236 since the 2000-2001 loan year, while the number of borrowers aged 22 to 25 on IR decreased by 3,283 since the 2000-2001 loan year. (See **Appendix G** for further detail.)

Graph 10
IR Recipients by Age



INTEREST RELIEF ANALYSIS - 1998-2002

INTEREST RELIEF RECIPIENT DEMOGRAPHICS

Under the 1998 expansion of the IR program (Canadian Opportunities Strategy), income thresholds of IR recipients were lowered and maximum allowable duration of stay was increased. As a result, between 1998-1999 and 2000-2001, the number of IR recipients grew by 33% and their average outstanding principal increased 16% to \$12,500. This has resulted in an increase in IR costs (from \$56 million in 1998-1999 to \$107 million in 2000-2001, as reported in the 2000-2001 Annual Report).

In 2001-2002 the number of IR recipients has declined by 11% (to approximately 140,000), with IR program costs declining to \$77 million, due to lower IR uptake and lower interest rates in that year.²⁴

Gender

In the 2001-2002 loan year, 63% of IR recipients were women. This high proportion of female IR recipients has remained relatively constant since 1998-1999. This number is disproportionately high, even when taking into account that the majority of students and borrowers in the 1990s were women. A possible explanation could be women's lower earnings after graduation leading to a higher incidence of financial difficulties.²⁵ Women stay on IR slightly longer than men (approximately 0.3 month), but men carry a higher principal (by about \$800). No changes have occurred on both accounts since 1998-1999.

Institutions

Of the total borrowers in the 2001-2002 loan year, those who attended universities (the majority of students enrolled in post-secondary institutions and Canada Student Loan borrowers) were second in IR uptake. Thirty-four percent of borrowers on IR went to university, which was more than those who went to private institutions (27%) but less than the number of IR recipients who attended colleges (38%).

²⁴Please refer to the graph in the text for more information.

²⁵Earl, Louise, and Diane Galarneau, "Women's Earnings / Men's Earnings," Statistics Canada. Winter 1999 Perspectives.

This represents a change from 1998 when borrowers who went to private institutions were leading the IR count at 36%, while borrowers from colleges on IR were second at 34%. University borrowers on IR carry a significantly higher principal; growing by almost \$3,000 in 1998 to about \$17,000 in 2001. This number is approximately \$10,000 for college and private institution borrowers.

Provinces

The provincial differences in IR were less pronounced than the above findings. There is evidence that Western jurisdictions (including Manitoba) had a lower-than-average increase in both average stay and principal on IR. This coincides with recently increased lending in these provinces and may indicate a shift in opportunities and demographics in favour of the Western jurisdictions.

Other Factors

Among the 140,000 IR recipients in the 2001-2002 loan year, 65,000 (46% of the population) had family incomes of less than \$10,000. Two thirds of IR recipients were single and 80% were younger than 35.

INTEREST RELIEF RECIPIENTS – UPTAKE PATTERNS

The duration of the regular IR period changed in 1998 from three months to six months. Continuous financial problems would imply back-to-back applications and several periods of uninterrupted stay on IR. Of the population analyzed (over 430,000 IR recipients since 1993), about 80% had stayed on IR continuously, or with very little interruptions between their successive IR periods (six months or less). More than 35% of all IR recipients (over 150,000) needed only short-term relief – they took IR for one period and never returned to the IR program.

The average lifetime duration for borrowers on IR increased from an eight-month lifetime average (for those ending IR in 1998-1999) to 15 months in 2000-2001. The average lifetime duration exceeded 18 months in 2001-2002.

INTEREST RELIEF RECIPIENTS AND DEFAULT – FOLLOW-UP ANALYSIS

The CSLP is aware that borrowers in financial difficulty due to unemployment or temporary/low-paying jobs are more likely to default on their Canada Student Loans in the absence of IR. Thus, one of the measures of IR's success in achieving its objectives is its effectiveness in preventing default.

An initial analysis of IR recipients from 1993 and 1994 who are no longer on IR²⁶ indicated that IR was less than effective in preventing default. Up to 57% of those borrowers who ceased to receive IR in 1993 and 1994 eventually defaulted. This high number may be due to the difficult economic conditions at the time - in particular high youth unemployment. Other reasons include greater restrictions on IR eligibility during that time, shorter IR time periods of 18 months, and the restriction of IR eligibility to unemployment only. The picture has improved since the initial analysis. By 1996, the proportion of defaulters among IR recipients had fallen to 42%.

The early ineffectiveness of IR showed a need for improved debt management measures. In 1998, significant improvements were introduced to IR to assist borrowers experiencing long-term repayment difficulty and who required more assistance than that of the existing IR program. Improvements included increasing IR income eligibility thresholds by 9% and extending the maximum duration of IR from 30 months to 54 months to enhance the effectiveness of the program. Because of these improvements, default rates among IR recipients decreased by more than a third (from 35% in 1997 to 22% in 1998). Since 1998, default rates for IR recipients have continued to decline.

Currently, the 22% default rate for IR recipients is comparable to the default rate of borrowers in repayment. Considering that IR recipients are, by definition, in financial difficulty, a default rate comparable to that of the overall number of borrowers in repayment shows the effectiveness of the enhancements made in 1995 and 1998.

²⁶The analysis was performed on the repayment history of IR recipients who ended their IR between the 1993-1994 and the 2001-2002 loan years.

DEBT REDUCTION IN REPAYMENT

In 1998, the CSLP introduced Debt Reduction in Repayment (DRR) to assist borrowers who continued to have repayment difficulties after having exhausted the terms of Interest Relief. DRR is designed to provide borrowers with affordable loan payments by reducing the borrowers' principal loan. This helps borrowers avoid default and a poor credit rating. Once borrowers have exhausted the terms of IR, and are still experiencing repayment difficulties, they may be eligible for DRR. Under DRR, the CSLP pays off a portion of the borrowers' outstanding loan to a maximum of \$10,000 or 50% of the principal of the loan, whichever is less.

The following DRR numbers represent borrowers from any given year, in all loan regimes (guaranteed, risk-shared and direct) as borrowers apply for DRR in the repayment stage. In the 2001-2002 loan year, there were 876 DRR recipients compared to 614 recipients in the 2000-2001 loan year (**Table 11**). Although DRR numbers are low, there has been a significant percentage increase in DRR since its inception in 1998. This, coupled with greater participation in the IR program attributable to the 1998 changes, will result in greater participation in and effectiveness of the program. However, since borrowers can only make use of DRR once IR is exhausted and it has been five years since they completed their studies, its effectiveness will not be felt for some time. Nevertheless, DRR uptake and value has grown significantly since the 2000-2001 loan year.

Loan Year	DRR Recipients	DRR Amount
2000-2001	614	\$ 2,958,661
2001-2002	876	\$ 5,315,825
Loan Year August 1- July 31		

DEFAULT

Under the guaranteed and risk-shared regimes, a Canada Student Loan is deemed in default when payments are in arrears for three months or more. Directly financed Canada Student Loans are deemed in default when in arrears for more than 270 days. If payment on a loan is not received within 270 days (and the borrower is not on IR or DRR), the loan is returned to the government by the Service Provider. At this point, the borrower's loan is considered to be in default.

Three-Year Blended Default Rates

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

The blended default rates for the three loan regimes (guaranteed, risk-shared and direct) are calculated using the weighted average based on consolidation volume under the three regimes. As well, the default rates only represent the federal portion of a defaulted loan.

The actual three-year default rates can be calculated only up to consolidations during the 1999-2000 loan year as the full three years' data is currently available. For 2000-2001 and 2001-2002, the three-year rates are forecasted based on how many had gone into default by the end of the 2001-2002 loan year (**Table 12**).

Table 12 Three-Year Blended Default Rates		
Blended Guaranteed, Risk-Shared and Direct Loans Default Rates		
1999-2000	2000-2001 F	2001-2002 F
23.64%	20.67%	25.83%
Loan Year August 1 - July 31 F - Denotes forecast		

The overall default rate across Canada has increased since the 1999-2000 loan year. In 2001-2002, the forecasted three-year blended default rate for borrowers who attended universities was 19.08%, 30.64% for those who attended colleges, and 35.50% for private institution borrowers (**Table 13**).

Once a borrower's loan is defaulted, collection activities commence. Loans that cannot be collected are written off.

Table 13 Three-Year Blended Default Rates by Institution Type			
Institution	1999-2000	2000-2001 F	2001-2002 F
University	14.42%	14.73%	19.08%
College	27.67%	23.84%	30.64%
Private	38.69%	32.31%	35.50%
Loan Year August 1 - July 31 F - Denotes forecast			

CSLP PROVISION RATE

In accordance with generally accepted Accounting Principles, a provisional account entitled Bad Debt Expense has been created to offset potential future losses 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 the year's provision rate. The provision rate is determined by using the best estimate of losses in light of past 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 17% of the loan amount disbursed in 2001-2002.²⁷

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. More than half of the defaulted amount is recovered, while the remainder is written off. It is estimated that 11.3% of the amount disbursed will eventually be written off.

Interest Relief: While on Interest Relief (IR), borrowers are not required to make interest payments on their Canada Student Loans or to make any payments toward the principal. The OCA has estimated that the Government of Canada will eventually have to pay about 5% of the amount disbursed as the interest cost for IR.

Debt Reduction in Repayment: It is estimated that 0.7% of the loan amount disbursed will be eventually be forgiven as DRR.

²⁷Office of the Chief Actuary. Actuarial Report on the Canada Student Loans Program as of July 31, 2001.

BUILDING RELATIONSHIPS WITH BORROWERS AND PROSPECTIVE BORROWERS

Ensuring Canadians are informed of the programs and services that can help them access post-secondary education is a priority for the Canada Student Loans Program (CSLP). In 2001-2002, the Government of Canada worked to ensure that all aspects of the CSLP were clearly and frequently communicated to borrowers and prospective borrowers, including the benefits and consequences of taking out a loan. The responsibility of repaying a loan and the impact of defaulting on a loan were key messages communicated to borrowers.

These messages were communicated through various channels. The CSLP produced and distributed the CSLP Information Guide and fact sheets on: *How to get a loan*, *How to maintain in-study status*, and *How to repay your loan*. As well, a national radio ad campaign was conducted in August 2001 to inform students about receiving a Canada Student Loan and to announce the launch of newly integrated programs. Advertisements in student newspapers and posters were developed to inform students about how to maintain their in-study status.

A quantitative post-test on the effectiveness of CSLP ad campaigns (conducted by Ispos-Reid) found that over one in three (35%) Canadians 18 years and older living outside Quebec claimed to remember hearing this advertisement. Further, 40% of the CSLP's target audience (ages 18 to 34) claimed awareness of the campaign.²⁸

CANLEARN INTERACTIVE

CanLearn Interactive (www.canlearn.ca) is Canada's one-stop on-line resource for information and interactive planning tools. These tools assist Canadians in exploring learning and education opportunities, researching occupations, developing learning strategies, and creating financial plans to achieve their goals.

The Web site targets all Canadian learners, but is specifically designed to support those at key decision points in their lives. Through tools like the Student Planner, the Online Counsellor, the Debt-free Guide and the Student Financial Planner, CanLearn Interactive is intended to help learners make informed decisions in the selection and financing of their learning opportunities.

Between the time it was launched in October 1999 and March 2002, CanLearn Interactive served over 2.7 million Canadians (in unique user visits). Working in collaboration with many organizations from across Canada, the Web site helps to strengthen the Government of Canada's commitment to preparing its citizens for participation in the 21st century's knowledge-based economy.

²⁸Quantitative Post-test: August-September 2001 CSLP Ad Campaign; Ispos-Reid: September 2001.

CanLearn Interactive tools and resources were featured in the 2001 Maclean's Guide to Canadian Universities, Jobboom's Top 100 Internet Sites insert, the Association of Universities and Colleges of Canada's Directory of Institutions, and the national supplement on post-secondary education published by the Association de la presse francophone. In 2001, CanLearn Interactive received media exposure in a number of newspapers across Canada, including the *London Free Press*, *New Brunswick Telegraph Journal*, and *CP Wire*.

CanLearn Interactive was also honored at the 2001 GTEC (Technology in Government Week) Distinction awards, which recognize leadership, innovation, and excellence in the management and use of information and communication technologies within the public sector. In recognition of its success, CanLearn Interactive was awarded a gold medal for *Managing of Human Dimensions of IM/IT* and one for *Leadership – Annual Achievement*.

SUSTAINING RELATIONSHIPS

FEDERAL/PROVINCIAL INTEGRATION AGREEMENTS

The new direct financing regime allowed the Canada Student Loans Program (CSLP) to improve performance and build on its relationship with borrowers and prospective borrowers by streamlining the student loan process under the principle of "one student – one loan."

In June and July 2001, Integration Agreements were signed between the federal government and the provinces of Saskatchewan and Ontario respectively.

The objective of Integration is to simplify and streamline the student loan application and repayment process. Integrating and simplifying federal and provincial student loan programs through a common administrative platform means one application, one needs assessment, one loan certificate, and a common repayment assistance measure for borrowers. As a result, direct loan borrowers have one student debt and make one single payment when repaying their student loans. Borrowers holding direct loans under integrated provinces have one point of contact for their account information and, if needed, they fill out one application for repayment assistance.

In addition, integration is consistent with the principles espoused in the *Social Union Framework Agreement* regarding cooperation between federal and provincial governments.

COLLABORATIVE WORK WITH PROVINCIAL AND TERRITORIAL PARTNERS

On April 8, 2002, provincial and territorial Deputy Ministers of Education and the Deputy Minister of Human Resources and Skills Development Canada (HRSDC) established a joint senior level Federal/Provincial/Territorial (FPT) Committee to provide short-term and long-term recommendations and options on the future of student financial assistance.

This mandate offers an opportunity for governments to work together to explore short-term and more far-reaching issues on changes to student financial assistance as it relates to accessibility, affordability and repayment/debt management, in an environment of shared responsibility, partnership, and accountability.

As well, the CSLP constantly strives to improve communication and service to students. In doing so, various working groups have been set up in collaboration with provinces 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 formulate basic administrative criteria and coordinate their respective programs and policies. In addition, ICCSFA establishes federal/provincial working groups to deal with specific issues pertaining to student financial assistance.

STAKEHOLDER COMMUNICATIONS

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

The CSLP continues to work with the provinces/territories and stakeholders on communications initiatives to ensure that messages and information reach targeted audiences. Ensuring that the application, assessment, disbursement, and repayment assistance portions of the Program are delivered through all participating jurisdictions in a coordinated manner is also a priority.

The Canadian Association of Financial Aid Administrators (CASFAA) represents financial aid administrators at universities, colleges, and technical institutions across Canada. Their members oversee the administration of both the needs-based and merit-based financial aid programs at public and private post-secondary institutions.

The CASFAA works with the CSLP in a consultative capacity by providing feedback and recommendations to the CSLP with regards to process and administrative issues. One of CASFAA's major concerns is the widening gap between student need and the availability of government assistance, which is commonly referred to as "unmet need."

MANAGING RISK

ORGANIZATIONAL RISK

The Government of Canada's management framework *Results for Canadians* seeks to strengthen risk management practices within the federal public service. To pursue this commitment, the Treasury Board Secretariat of Canada released the *Integrated Risk Management Framework* in April 2001. This framework seeks to facilitate a corporate and systematic approach to risk management; build a risk-smart work environment that allows for innovation and responsible risk taking while ensuring the appropriate preventative measures are taken; and propose risk management practices for organizations.

The Canada Student Loans Program (CSLP) is committed to integrated risk management approaches which support decision making, foster strategic thinking and the development of common priorities, and enable staff to develop skills that strengthen their ability to anticipate, assess and manage risk. As program integrity is key in managing risk, the CSLP is currently:

- integrating modern comptrollership principles into daily operations including ongoing compliance audits, program effectiveness reviews in partnership with the provinces/territory and service providers, and aggressive management of loan default rates;
- designing a Results-Based Accountability Framework to provide comprehensive performance reporting that supports annual and ongoing reporting to the public; and
- completing an actuarial review (this year and for the next four years), which provides accurate information on portfolio growth as well as program cost forecasting for the next 15 years.

In 2001-2002, following the introduction of direct financing, the CSLP established a risk management cycle and organized Risk Self-Assessment sessions. The CSLP conducted a number of audits and reviews in key risk areas associated with the introduction of direct lending, such as the loan disbursement process and the use of service providers for program delivery. Current activities include:

- an assessment of the integrity and security of information across program systems;
- annual attest audits of Service Providers for year-end financial information, internal control, and specific contract clauses;
- an actuarial review forecasting future costs of the CSLP;
- financial and compliance audits of service providers; and
- contact management with students by service providers.

PORTFOLIO RISK

Since the shift to direct financing, the Government of Canada has been very committed to ensuring sound governance and integrity of the CSLP portfolio. The unique attributes of the CSLP present several challenges in meeting this commitment. The CSLP is delivered through multiple partners including provincial/territorial governments, service providers, and educational institutions, which must work collaboratively to strengthen and improve portfolio integrity and performance.

The CSLP's activities have several distinct phases from the application process, to the end of borrower repayment, which constitute the loan life cycle. The CSLP approaches the challenge of improving portfolio integrity and performance, and managing risk through the lens of the loan life cycle. The loan life cycle has four distinct phases:

1. Application and disbursement;
2. In-study account management;
3. Repayment and debt management; and
4. Collections.

In managing portfolio risk, the CSLP uses a holistic approach by addressing each of the above phases. This strategy is composed of two distinct but interrelated streams: Portfolio Integrity Measures and Portfolio Performance Improvement Measures. These two streams apply a range of initiatives in each loan life cycle phase. The measures reflect advice and best practices from experts in the financial services and student loan industry.

The Portfolio Management Strategy represents a significant step forward in ensuring the integrity and performance of the CSLP as well as creating new efficiencies in the delivery of student financial assistance. In order to further address the challenge of improving portfolio performance, the CSLP continues to explore future opportunities that will ultimately lead to improved performance and cost savings across the student loan portfolio.

FINANCIAL DATA

EXPLANATION OF EXPENDITURES AND REVENUES²⁹

Reporting Entity

The entity detailed in this report is for the fiscal year March 31, 2001 to April 1, 2002. Expenditures in the figures are primarily statutory in nature, made under the authority of the *Canada Student Loans Act* and the *Canada Student Financial Assistance Act*.

Basis of Accounting

The financial figures are prepared in accordance with 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

The CSLP has two sources of revenue: interest earned on direct loans and recoveries on guaranteed and direct loans. Government of Canada 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) and the Government of Canada.

- **Interest Earned on Direct Loans** – Student borrowers are required to pay simple interest on their student loans once they leave full-time studies. At the time they leave school, students have the option of selecting a variable (prime + 2.5%) or fixed (prime + 5%) interest rate. The amounts in the figures represent the interest accrued on the outstanding balance of the government-owned direct loans only; borrowers continue to pay the interest accruing on the guaranteed and risk-shared loans directly to the private lender holding these loans.
- **Recoveries on Direct Loans** – The amounts in the figures represent the recovery of principal and interest on these direct loans.
- **Recoveries on Put-Back Loans** – The Government of Canada reimburses the private lenders for any loans issued prior to August 1, 1995 that go into default (i.e., lenders claim any amount of principal and interest not repaid in full, after which HRSDC attempts to recover these amounts). The amounts in the figures represent the recovery of principal and interest on these defaulted guaranteed loans.

Canada Study Grants

Canada Study Grants improve access to post-secondary education. Four grant programs assist: (1) students with permanent disabilities in order to meet disability-related educational expenses (up to \$5,000 annually); (2) students with dependants (up to \$3,120 annually); (3) high-need part-time students with educational expenses (up to \$1,200 annually); and (4) women in certain fields of Ph.D. studies (up to \$3,000 annually for up to three years).

²⁹HRDC Report on Plans and Priorities 2002-2003 Estimates. http://www.tbs-sct.gc.ca/est-pre/20022003/rHRL_e.pdf p. 80-85.

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 amounts in the figures represent the cost attributed to the CSLP in support of direct loans.

Collection Costs

These amounts represent the cost of using private collection agencies to collect defaulted Canada Student Loans. The loans being collected include guaranteed loans issued prior to July 31, 1995 that have gone into default and for which the government has reimbursed the private lender; and direct loans issued after July 31, 2000, which are returned to HRSDC by the third-party Service Provider as having defaulted. In accordance with HRSDC accounting practices, collection costs are charged to a central departmental account and do not appear among the other CSLP expenditures.

Interim Arrangements

The government entered into interim contracts whereby the lenders for the former risk-shared loans disbursed 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 with possible adjustments upon completion of a full audit of the supporting documentation. 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 part-time direct loans. The Interest Costs to Financial Institutions (Interim) and Transition Fees to Financial Institutions (Interim) items identify the cost of these interim arrangements.

- **Interest Costs to Financial Institutions (Interim)** – This expense represents the interest costs, calculated at prime, paid by the CSLP on a monthly basis to the lending institutions on the outstanding advances made to full-time students with direct loans.
- **Transaction 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 students by participating lending institutions. Transaction 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 students.

Service Bureau Costs

Since March 1, 2001, the CSLP has been using third-party Service Providers to administer direct loans disbursement, in-study loan management and post-studies repayment activities. This item represents the cost associated with these contracted services.

Risk Premium

Risk premium represents part of the remuneration offered to lending institutions participating 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 students), calculated and paid at the time students 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 student loans that have been 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 repayments. The amount paid is set at 5% of the value of the loans in question.

Administrative Fees to Provinces and Territories

Pursuant to the *Canada Student Financial Assistance Act*, the government has entered into arrangements with participating provinces and the Yukon Territory to facilitate the administration of the CSLP. They administer the application and needs assessment activities associated with federal student assistance and, in return, they are paid an administrative fee.

In-Study Interest Subsidy

A central feature of federal student assistance is that student borrowers are not required to pay the interest on their student loans as long as they remain students 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 paid the interest to the lending institutions on behalf of the students. Under direct loans, the government forgoes any interest on the loans while the students remain in studies. Because of this change in practice, no interest subsidy item for direct loans appears in the financial figures.

Interest Relief

Assistance may be provided to cover loan interest 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 amount of loans under IR. For loans issued after August 1, 2000, the loans of borrowers receiving IR do not accrue interest.

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 borrower's outstanding Canada Student Loans principal to an affordable amount after all other IR measures are exhausted. 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. Prior to the 2000-2001 fiscal year, expenditures and forecasts related to debt reduction and repayment have been included with IR. For loans issued after August 1, 2000, the government forgives a portion of the loan principal. Because student borrowers cannot be eligible for DRR until they have exhausted IR (5 years), amounts presented in the financial tables are associated with loans negotiated prior to August 1, 2000.

Claims Paid and Loans Forgiven

From the beginning of the program in 1964 up to July 31, 1995, the government fully guaranteed all loans issued to students 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 HRSDC attempts 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 this loan guarantee.

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

Bad Debt Expense

Under direct loans, the government owns the loans issued to students and must record them as assets. As a result, generally accepted accounting principles require 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 expense item is calculated as a percentage of the value of loans issued in a year based on historical information. The provision pertains only to the direct loans portfolio. This expense item is incorporated into the Department of Finance's general financing operations. The amount presented here is the cost attributed to the CSLP.

Alternative Payments to Non-Participating Provinces and Territories

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

Commitments

As of March 31, 2002, HRSDC had the following commitments for service provider contracts: \$147 million for the 2002-2003 and 2003-2004 years.

CONSOLIDATED FINANCIAL TABLES

Table 14
Consolidated Canada Student Loans Program - Combined Programs

Millions of Dollars	Actual		Forecast	Planned Spending	
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Revenues					
Interest Earned on Direct Loans	0.0	0.3	5.7	19.8	25.4
Recoveries on Guaranteed Loans	154.5	125.7	120.0	120.0	116.8
Total Revenues	154.5	126.0	135.7	139.8	142.2
Expenses					
<i>Transfer Payments</i>					
Canada Study Grants ^a	103.0	56.6	78.0	120.1	120.1
Total Transfer Payments	103.0	56.6	78.0	120.1	120.1
<i>Loan Administration</i>					
Interest Borrowing Expenses (Class A & B) ^b	0.0	0.2	149.2	253.1	362.2
Collection Costs	19.3	16.8	14.2	15.9	17.9
<i>Interim Arrangements</i>					
Interest Costs to Financial Institutions	0.0	41.5	13.0	0.0	0.0
Transaction Fees to Financial Institutions	0.0	25.9	0.0	0.0	0.0
Service Bureau Costs	0.0	1.3	36.1	64.0	82.0
Risk Premium	81.8	88.1	57.6	39.0	22.0
Put-Back	1.6	2.1	1.8	1.8	1.8
Administration Fees to Provinces and Territories	9.1	9.6	14.9	16.9	21.7
Total Loan Administration Expenses	111.7	185.3	286.8	390.7	507.6
<i>Cost of Government Support</i>					
<i>Benefits Provided to Students</i>					
In-Study Interest Subsidy	204.0	180.5	94.5	39.9	9.0
Interest Relief	82.6	107.4	104.3	89.1	68.9
Debt Reduction in Repayment	0.6	2.0	34.0	44.0	44.0
Claims Paid	80.0	72.2	64.6	27.5	15.1
Bad Debt Expense ^{b & c}	0.0	206.7	200.6	212.7	259.7
Total Cost of Government Support Expenses	367.2	568.8	498.0	413.1	396.7
Total Expenses	581.9	810.7	862.8	923.9	1,024.3
Net Statutory Operating Results	427.4	684.7	737.1	784.1	882.1
Payment to Non-Participating Provinces and Territories	126.1	138.9	195.6	191.9	199.1
Final Statutory Operating Results	553.4	823.6	932.7	976.0	1,081.2

a. For 2001-2002, a \$42M unused portion from previous years reduced the forecasted expenses from \$120.1M to \$78M.

b. These costs are related to Canada Student direct loans, but paid by the Department of Finance.

c. This represents Provisions for Bad Debt, Debt Reduction in Repayment, and Interest Relief as required under Accrual Accounting.

APPENDICES

APPENDIX A

Canada Student Loan Portfolio

Canada Student Loans Program (CSLP) Portfolio 1999-2000 to 2001-2002 (Current \$ Millions)									
As at March 31	Guaranteed		Risk-Shared		Direct		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 and in Repayment
2000	\$ 268.4	\$ 1,087.5	\$ 3,741.8	\$ 3,719.2	-	-	\$ 4,010.2	\$ 4,806.7	\$ 8,816.9
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

Source: Comptroller's Office, FAS. As of March 31, 2002

APPENDIX B

Full-Time Loans by Province and Institution Type

In the 2001-2002 loan year, Nova Scotia borrowers had the highest average value of loan (\$5,393 per student), followed by borrowers in Prince Edward Island (\$5,259) and borrowers in Yukon at \$4,999 per student.

Compared to the total borrowers in each province in the 2001-2002 loan year:

- Prince Edward Island had the highest percentage of borrowers attending university (71.2%), followed by Nova Scotia (68.4%), and Manitoba (67.5%). British Columbia had the lowest percentage of borrowers attending university (39.5%).
- The Yukon Territory had the largest percentage of borrowers attending college (42.2%) followed by British Columbia (40.8%) and Alberta (38.9%). Prince Edward Island had the lowest percentage of borrowers attending college (7.8%).
- New Brunswick and British Columbia had the highest percentage of borrowers attending private institutions (19.9%), followed by 16.8% in Newfoundland and 16.1% in Saskatchewan. The Yukon Territory had the lowest percentage of borrowers in private institutions at 9.8%

College attendance for Canada Student Loan borrowers decreased in all provinces in 2001-2002 compared to the 2000-2001 loan year. The largest decrease was in Ontario (4,860 fewer borrowers).

Similarly, the number of borrowers attending private institutions decreased in all provinces with the exception of British Columbia (increase of 1,074). Ontario had the largest decrease of private institution borrowers (4,368 borrowers), followed by a decrease of 811 borrowers in private institutions in Newfoundland.

Full-Time Loans by Province and Institution Type 2000-2001

Province/ Territory	University		College		Private		Total		
	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)	Average (\$)
NFLD	9,374	\$ 41.0	3,432	\$ 13.4	3,147	\$ 15.0	15,953	\$ 69.5	\$ 4,354
PEI	2,059	\$ 8.9	590	\$ 2.5	398	\$ 2.1	3,047	\$ 13.5	\$ 4,426
NS	11,336	\$ 59.0	3,485	\$ 18.3	2,082	\$ 13.4	16,903	\$ 90.7	\$ 5,365
NB	8,690	\$ 41.5	3,786	\$ 17.3	3,232	\$ 18.7	15,708	\$ 77.6	\$ 4,938
ONT	85,420	\$ 393.4	57,444	\$ 230.7	15,392	\$ 80.5	158,256	\$ 704.5	\$ 4,451
MAN	6,778	\$ 28.5	2,127	\$ 8.9	1,955	\$ 9.6	10,860	\$ 46.9	\$ 4,319
SASK	9,365	\$ 42.8	4,165	\$ 19.0	2,828	\$ 16.5	16,358	\$ 78.2	\$ 4,779
ALTA	19,808	\$ 84.5	18,677	\$ 74.3	4,809	\$ 25.3	43,294	\$ 184.2	\$ 4,254
BC	23,669	\$ 112.4	27,524	\$ 124.7	11,760	\$ 61.5	62,953	\$ 298.6	\$ 4,743
YK	113	\$ 0.5	114	\$ 0.5	29	\$ 0.2	256	\$ 1.2	\$ 4,691
Total	176,612	\$ 812.6	121,344	\$ 509.5	45,632	\$ 242.6	343,588	\$ 1,564.7	\$ 4,554
% of Total	51.4%	51.9%	35.3%	32.6%	13.3%	15.5%	100.0%	100.0%	
Average (\$)		\$ 4,601		\$ 4,198		\$ 5,317		\$ 4,554	

Loan Year August 1 - July 31

Full-Time Loans by Province and Institution Type 2001-2002

Province/ Territory	University		College		Private		Total		
	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)	Average (\$)
NFLD	8,593	\$ 38.1	3,014	\$ 12.4	2,336	\$ 10.8	13,912	\$ 61.3	\$ 4,408
PEI	2,183	\$ 11.4	545	\$ 2.9	343	\$ 1.8	3,068	\$ 16.1	\$ 5,259
NS	11,796	\$ 61.7	3,437	\$ 18.3	2,012	\$ 12.9	17,234	\$ 92.9	\$ 5,393
NB	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
BC	25,439	\$ 120.6	26,322	\$ 120.1	12,834	\$ 68.8	64,467	\$ 309.5	\$ 4,801
YK	123	\$ 0.6	108	\$ 0.5	25	\$ 0.1	256	\$ 1.3	\$ 4,999
Total	176,528	\$ 814.4	112,240	\$ 476.5	40,238	\$ 216.5	328,674	\$ 1,507.4	\$ 4,586
% of Total	53.70%	54.00%	34.10%	31.60%	12.20%	14.40%	100.00%	100.00%	
Average (\$)		\$ 4,613		\$ 4,245		\$ 5,380		\$ 4,586	

Loan Year August 1 - July31

*Students who attended different institution types during the year appear under each type, but are counted only once in the total.

APPENDIX C

Part-Time Loans by Province and Institution Type

Part-Time Loans by Province						
Province/ Territory	2000-2001			2001-2002		
	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
NFLD	36	\$ 0.1	\$ 1,558	23	\$ 0.0	\$ 1,285
PEI	95	\$ 0.2	\$ 2,494	60	\$ 0.1	\$ 2,293
NS	288	\$ 0.6	\$ 2,097	249	\$ 0.5	\$ 1,821
NB	302	\$ 0.8	\$ 2,665	230	\$ 0.6	\$ 2,614
ONT	730	\$ 1.4	\$ 1,852	802	\$ 1.5	\$ 1,857
MAN	169	\$ 0.3	\$ 1,888	146	\$ 0.3	\$ 1,958
SASK	146	\$ 0.3	\$ 1,808	123	\$ 0.2	\$ 1,633
ALTA	1,008	\$ 1.2	\$ 1,214	1,017	\$ 1.2	\$ 1,186
BC	202	\$ 0.5	\$ 2,592	216	\$ 0.5	\$ 2,401
YK	**	**	**	**	**	**
Total	2,980	\$ 5.4	\$ 1,812	2,867	\$ 4.9	\$ 1,717

Loan Year August 1 - July 31
 **Counts lower than 5 have been suppressed for privacy reasons.

Part-Time Loans by Institution Type						
Institution Type	2000-2001			2001-2002		
	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
University	1,336	\$ 1.9	\$ 1,418	1,392	\$ 2.2	\$ 1,560
College	949	\$ 1.2	\$ 1,281	971	\$ 1.2	\$ 1,242
Private	695	\$ 2.3	\$ 3,295	504	\$ 1.5	\$ 3,068
Total	2,980	\$ 5.4	\$ 1,812	2,867	\$ 4.9	\$ 1,717

Loan Year August 1 - July 31

APPENDIX D

Borrowers by Age

Full-Time Loans by Age						
	2000-2001			2001-2002		
Age Group	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
21 & Under	166,135	\$ 679.9	\$ 4,092	146,079	\$ 600.4	\$ 4,110
22-25 Yrs	93,426	\$ 445.0	\$ 4,764	97,825	\$ 464.3	\$ 4,746
26-29 Yrs	35,906	\$ 184.0	\$ 5,124	36,872	\$ 188.9	\$ 5,122
30 & Over	48,121	\$ 255.8	\$ 5,315	47,898	\$ 253.9	\$ 5,301
Total	343,588	\$ 1,564.7	\$ 4,554	328,674	\$ 1,507.4	\$ 4,586
Loan Year August 1 - July 31						

Part-Time Loans by Age						
	2000-2001			2001-2002		
Age Group	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
21 & Under	733	\$ 1.3	\$ 1,802	703	\$ 1.2	\$ 1,702
22-25 Yrs	795	\$ 1.4	\$ 1,753	763	\$ 1.3	\$ 1,752
26-29 Yrs	495	\$ 0.8	\$ 1,888	413	\$ 0.7	\$ 1,712
30 & Over	1,037	\$ 1.9	\$ 1,835	988	\$ 1.7	\$ 1,691
Total	2,980	\$ 5.4	\$ 1,182	2,867	\$ 4.9	\$ 1,717
Loan Year August 1 - July 31						

APPENDIX E

Borrowers by Gender

Full-Time Loans by Gender						
	2000-2001			2001-2002		
Gender	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
Female	197,118	\$ 903.0	\$ 4,581	191,568	\$ 885.6	\$ 4,623
Male	146,470	\$ 661.7	\$ 4,518	137,106	\$ 621.8	\$ 4,535
Total	343,588	\$ 1,564.7	\$ 4,554	328,674	\$ 1,507.4	\$ 4,586
Loan Year August 1 - July 31						

Part-Time Loans by Gender						
	2000-2001			2001-2002		
Gender	No. of Borrowers	Value of Loans (\$M)	Average (\$)	No. of Borrowers	Value of Loans (\$M)	Average (\$)
Female	1,860	\$ 3.1	\$ 1,685	1,746	\$ 2.8	\$ 1,613
Male	1,120	\$ 2.3	\$ 2,023	1,121	\$ 2.1	\$ 1,879
Total	2,980	\$ 5.4	\$ 1,182	2,867	\$ 4.9	\$ 1,717
Loan Year August 1 - July 31						

APPENDIX F

Mobility of Canada Student Loan Borrowers

Mobility of Canada Student Loan Borrowers by Institution Type										
Institute type	2000–2001					2001–2002				
	Borrowers Remaining in Their Home Province		Borrowers Moving Outside Their Home Province		Total	Borrowers Remaining in Their Home Province		Borrowers Moving Outside Their Home Province		Total
	No. of Borrowers	% of Total	No. of Borrowers	% of Total		No. of Borrowers	% of Total	No. of Borrowers	% of Total	
University	148,715	84.2%	27,897	15.8%	176,612	149,365	84.6%	27,163	15.4%	176,528
College	114,867	94.7%	6,477	5.3%	121,344	106,073	94.5%	6,167	5.5%	112,240
Private	40,890	89.6%	4,742	10.4%	45,632	35,073	87.2%	5,165	12.8%	40,238
Total	304,472	88.6%	39,116	11.4%	343,588	290,207	88.3%	38,467	11.7%	328,674

Loan Year August 1 - July 31
 *Students who attended different institution types during the year appear under each type, but are counted only once in the total.

APPENDIX G

Interest Relief

Borrowers Receiving IR by Gender		
Gender	2000-2001	2001-2002
Female	96,467	88,357
Male	55,318	51,269
Unknown	3,110	835
Total	154,895	140,461

Loan Year August 1 - July 31

Borrowers Receiving IR by Age Category		
Age Category	2000-2001	2001-2002
21 & Under	14,934	11,418
22-25	48,373	45,090
26-29	34,595	34,841
30 & Over	46,855	49,091
Unknown*	10,138	21
Total	154,895	140,461

Loan Year August 1 - July 31
*Unknown refers to data that may not have been captured when categorizing IR recipients.

Borrowers Receiving IR by Province of Issue		
Province/Territory	2000-2001	2001-2002
ALTA	13,309	11,880
BC	24,662	23,759
MAN	4,771	4,212
NB	10,574	8,754
NFLD	10,358	8,754
NS	12,465	11,176
ONT	67,179	61,639
PEI	1,214	1,167
SASK	7,164	6,341
YK	89	89
UNKNOWN	3,110	1,750
TOTAL	154,895	140,461

Loan Year August 1 - July 31

Borrowers Receiving IR by Institution Type		
Institution Type	2000-2001	2001-2002
College	59,722	53,731
Private	41,163	37,583
University	50,900	47,283
Unknown*	3,110	1,864
Total	154,895	140,461

Loan Year August 1 - July 31
*Unknown refers to data that may not have been captured when categorizing IR recipients.