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IN BRIEF

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Canada Student Loans Program

INTRODUCTION

The Government of Canada established the Canada Student Loans Program (CSLP) to help post-secondary students pay for their education. Canada Student Loans (CSLs) are available in all provinces and territories except Quebec, the Northwest Territories, and Nunavut. These jurisdictions receive alternative payments from the federal government to offer their own Student Assistance Programs.

The CSLP provides loans to full- and part-time students. Collateral or loan security is not required, although a credit check may be completed.⁽¹⁾ Students are generally eligible provided their income, or that of their families, does not exceed a certain amount each year. Non-repayable grants are available; however, they are limited to specific groups, particularly those who have traditionally had difficulty accessing post-secondary education.

HISTORY

The CSLP was introduced in 1964.⁽²⁾ It was designed to supplement the resources of individuals and their families by providing loans to full-time students who could demonstrate need. The Government of Canada set the interest rate, and paid the loan interest during the period of student enrolment and for six months afterwards (grace period). Borrowers were given up to 9.5 years to repay their loans.

Limited changes were made to the CSLP in 1981. Loans were made available to students enrolled in classes shorter or longer than the previous window of 26-32 weeks. This benefited persons taking courses at community colleges and technical/vocational institutions. Further, a weekly loan limit of \$56.25 replaced the earlier system whereby students could borrow a maximum amount per semester or academic year.

More significant changes were made in 1983. The policy of limiting borrowers to a fixed lifetime amount, regardless of the length of their program of study, was abolished. Instead, students were now eligible to borrow up to \$100 per week (adjusted annually to account for increased education costs) for up to 520 weeks. This benefited graduate students. Loans for part-time students were introduced, and an Interest Relief Program was established. Low-income borrowers who were unemployed, sick or disabled could now apply to have the federal government pay the interest on their loans for an additional 18 months. Weekly loan limits rose to \$105 in 1985, but were frozen at that level.

The CSLP was completely restructured in 1994 with the passage of the *Canada Student Financial Assistance Act*. The weekly loan limit was increased to \$165, and the way in which financial need was assessed was changed to better reflect differences among the provinces (e.g., cost of living). These changes allowed students to receive larger loans. Special Opportunity Grants (now Canada Study Grants) were also introduced at this time; however, assistance was initially limited to students with permanent disabilities.

Borrowers were now expected to be enrolled in a program leading to a degree, diploma or certificate, and to make "satisfactory progress" each year. Loans were limited to the normal length of the program plus one additional study period, and most students were limited to a lifetime borrowing maximum of 340 weeks.

The Government of Canada stopped guaranteeing new loans in 1995. This meant that financial institutions were now liable when borrowers defaulted, although they were paid a fee or "risk premium" equal to 5% of the value of loans they consolidated each year. Special Opportunity Grants for high-need, part-time students and for women enrolled in doctoral programs

in fields of study targeted for increased participation by women were also implemented at this time.

In 1997, the CSLP was changed to extend the maximum period for interest relief from 18 months to 30 months. Additional changes were made in the following year. Income thresholds were increased so that interest relief would be more widely available, and interest relief could now be obtained at any point during the life of the loan. Also, it became possible to extend the loan repayment period from 10 to 15 years and extend interest relief to a maximum of 54 months. A new Debt Reduction in Repayment Measure provided that up to \$10,000 of the CSL could be forgiven once interest relief had been exhausted. Canada Study Grants for students with dependents also became available at this time.

Financial institutions largely withdrew from the CSLP in 2000, and the federal government introduced directly financed loans as a result. Administration and management of the reworked CSLP was contracted out. Two separate corporations now handle loans made to students attending either public or private post-secondary institutions, although both operate under the umbrella of the National Student Loans Service Centre (NSLSC).

In 2003, the CSLP was changed to allow protected persons, including convention refugees, to apply for loans and grants.

Budget 2004 resulted in a number of changes to the CSLP, effective August 2005. The weekly loan limit was increased to \$210, and parental contributions expected from middle-income families were reduced. A new grant of up to \$3,000 is now available to first-year students from low-income families to assist with tuition costs, and the Canada Study Grant for students with permanent disabilities was replaced by a similarly named Canada Access Grant. Income thresholds for interest relief rose by 5%, and the Debt Reduction in Repayment Measure now allows borrowers to have up to \$26,000 of their loan forgiven.⁽³⁾

Budget 2005 announced that borrowers who die, or who become permanently disabled and are experiencing exceptional financial hardship, will be eligible to have the remainder of any CSL received after 1 August 2000 forgiven.⁽⁴⁾

FINANCIAL BENEFITS

Full-time students are eligible for a loan of up to \$210 per week. Part-time students may also receive loans; however, borrowers are limited to a maximum outstanding balance of \$4,000 and must pay interest even while in school. Grants are available as follows:

Canada Access Grants	
Students From Low-income Families	<ul style="list-style-type: none"> Up to 50% of tuition costs to a maximum of \$3,000 for first-time, first-year dependent students only
Students With Permanent Disabilities	<ul style="list-style-type: none"> Up to \$2,000 per year

Canada Study Grants	
Students With Permanent Disabilities	<ul style="list-style-type: none"> Up to \$8,000 per year for exceptional costs (e.g., attendant care)
High-need, Part-time Students	<ul style="list-style-type: none"> Up to \$1,200 per year
Students With Dependents	<ul style="list-style-type: none"> Up to \$3,120 per year
Women in Doctoral Studies	<ul style="list-style-type: none"> Up to \$3,000 per year for up to three years if enrolled in a field of study targeted for increased participation by women (e.g., engineering)

STUDENT DEBT

In 2002-2003 a total of 328,991 full-time students received a CSL.⁽⁵⁾ The average loan obtained by these borrowers was \$4,695. Average CSL indebtedness (i.e., amount owing at loan consolidation) was \$10,265, and the three-year default rate⁽⁶⁾ was forecast at 24.13%.

- (1) Credit checks are completed only if the borrower is 22 years of age or older and applying for a CSL for the first time.
- (2) Historical information regarding the CSLP is drawn from earlier research by Grant Purves, Parliamentary Information and Research Service, Library of Parliament.
- (3) Human Resources and Skills Development Canada, *Canada Student Loans Program for Full-time Students – Investing in Your Future 2005-2006*, 2005, pp. 4-5, available at: http://www.hrsdc.gc.ca/asp/gateway.asp?hr=en/hip/csl/p/Publications/01_pu_publications.shtml&hs=exp.
- (4) NSLSC, *What's New*, "Budget 2005 Update: Investing in People,"

<http://www.canlearn.ca/NSLSC/support/new/nlwhane/w15.cfm?langnslsc=en> (date accessed: 10 January 2005).

- (5) Human Resources and Skills Development Canada, *Canada Student Loans Program Annual Report 2002-2003*, 2004, pp. 2, 4, available at:
http://www.hrsdc.gc.ca/asp/gateway.asp?hr=en/hip/cslp/Publications/01_pu_publications.shtml&hs=exp.
- (6) 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. Although default may occur at any time during repayment (usually 10 years), the cut-off of three years is based on the fact that most defaults (i.e., 75%+) occur within the first three years after consolidation.