



Human Resources
Development Canada

Développement des
ressources humaines Canada

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



CANADA STUDENT LOANS PROGRAM 2000-2001

Canada 

HRIC-025-2-11-02

Further Information on Student Financial Assistance

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

<http://www.canlearn.ca>

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

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

Alternatively, please contact the Canada Student Loans Program at:

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Available in alternate formats, upon request, at 1-800-788-8282 on Touchtone phone.

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Cat. No. RH34-6/2000

ISBN: 0-662-66402-7

2000-2001 FOREWORD

I am pleased to present the 2000-2001 Annual Review of the Government of Canada's Student Financial Assistance Programs.

An investment in learning is one of the most important investments we can make. The Government of Canada is committed to helping Canadians participate fully in today's knowledge-based economy by providing access to post-secondary education through a variety of programs such as the Canada Student Loans Program, Canada Study Grants, and the Canada Education Savings Grant.

Nearly 450,000 post-secondary students receive financial assistance each year from the Canada Student Loans Program. The Program is managed in co-operation with provincial and territorial governments, and significant progress has been made in integrating federal and provincial loan programs as well as developing a common set of procedures and services to streamline and simplify the delivery of student financial assistance.

In August 2000, the Government of Canada introduced a new direct financing approach to the provision of Canada Student Loans. Directly financed loans from the Government of Canada have now replaced the previous arrangement under which loans were provided and administered by financial institutions. The National Student Loans Service Centre was established in March 2001 to enhance service to student borrowers and to provide administrative and management services for the Canada Student Loans Program.

The CanLearn Interactive Web site was launched in 1999 to complement the Canada Student Loans Program and to enhance communications to individuals seeking information on post-secondary education. The Web site is a resource for information, products and services regarding lifelong learning opportunities. It delivers on-line interactive planning tools to help Canadians of all ages explore career possibilities, identify learning requirements, develop learning strategies and create the financial plans to achieve their goals.

Knowledge matters. Skills and learning hold the key to better jobs, higher incomes and individual security. *The Knowledge Matters: Skills and Learning for Canadians* paper confirms that the Government of Canada will continue to work with provincial and territorial governments, college and university administrators, student groups, and other partners to ensure that Canadians can reach their skills development and learning goals.

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

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HIGHLIGHTS

- The Canada Student Loans Program is a Canadian success story. Since 1964, the program has helped millions of Canadians to finance the cost of their post secondary education. Without it, our country would not enjoy the standard of living that comes from a well-educated population and work force.
- A key achievement of the Government of Canada was the uninterrupted delivery of student financial assistance while moving through the complex transition period from the delivery of student financial assistance through financial institutions, to the direct financing of student loans by the Government of Canada.
- Through investments like the Canada Student Loans Program and Canada Study Grants, the Government of Canada helped more than 440,000 Canadians access a post-secondary education in 2000-2001.
- In 2000-2001, the Canada Student Loans Program provided \$1.57 billion in student loans at an average of \$4,554 per full-time student.
- The Government of Canada provided over 55,000 Canada Study Grants totaling over \$81 million in 2000-2001. Canada Study Grants financially assist post secondary students with permanent disabilities, high-need part-time students, women in certain doctoral studies and students with dependants.
- The Government of Canada is pleased to announce that the popularity of the CanLearn Interactive Web site (www.canlearn.ca) exceeded all expectations by receiving one million visits during its second year of operation. The Web site continued to grow with the addition of new tools and options to assist Canadians in planning and financing their learning goals.
- Starting in 2000-2001, the Canada Student Loans Program created a provisional account to offset potential future losses due to the disbursement of Canada Student Loans through direct financing. The account, entitled 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 of 17% includes Interest Relief and Debt Reduction in Repayment as well as bad debt expenses.

INTRODUCTION



INTRODUCTION



This report is intended to provide Parliament and Canadians with information on the performance of the Canada Student Loans Program (CSLP) for the 2000-2001 loan year (August 1, 2000 to July 31, 2001) as well as providing detailed financial information for the 2000-2001 fiscal year (April 1, 2000 to March 31, 2001).

The first section of the report discusses the major events that occurred in the CSLP over the past reporting year: the challenges and opportunities presented by the CSLP's move towards direct financing of student loans; efforts to integrate Government of Canada and provincial student financial assistance programs; and issues arising in the management of the CSLP and related financial assistance measures during 2000-2001.

The second section of the report outlines the CSLP's performance, focusing on measures and key indicators in the 2000-2001 loan year as compared to the previous year.

The third section provides program expenditures and revenues for the 2000-2001 fiscal year.

MISSION STATEMENT

The purpose of the Canada Student Loans Program is to promote accessibility to post-secondary education for students with demonstrated financial need. The CSLP lowers financial barriers through the provision of loans and grants which help ensure that Canadians have an opportunity to develop their knowledge and skills to participate in the economy and in society.

LEGAL MANDATE

Currently, the CSLP is governed by two Acts of Parliament and their regulations. Guaranteed student loans are disbursed pursuant to the *Canada Student Loans Act 1985* while risk-shared and directly financed student loans are disbursed pursuant to the *Canada Student Financial Assistance Act 1994*.

RATIONALE

The Government of Canada has reaffirmed its commitment to ensure access to post-secondary education on numerous occasions. In its continuing efforts to address the educational and learning needs of Canadians, the Government of Canada committed itself in the February 28, 2000 Budget to take the necessary action to help Canadians to finance their learning goals.

In the 2001 Speech from the Throne the Government of Canada declared that it would:

(invest) aggressively in the skills and talents of its people (and)...make it easier for Canadians to finance their learning.

The CSLP is an integral part of this commitment. Each year, the CSLP provides loans to nearly 350,000 Canadians, enhancing access to post-secondary education and ultimately providing Canadians with a better future in the knowledge-based economy.

***P**ROGRAM ACTIVITIES 2000-2001*



PROGRAM ACTIVITIES

2000-2001

DIRECT FINANCING: CHALLENGES AND OPPORTUNITIES

Since the inception of the Canada Student Loans Program (CSLP) in 1964, the Government of Canada has either guaranteed Canada Student Loans or paid a risk premium to participating financial institutions. In the last few years, lenders signalled their unwillingness to continue delivering Canada Student Loans. As a result, the CSLP was confronted with the challenge of moving through a complex transition to direct financing without interrupting service to Canada Student Loan borrowers.

The challenge presented by a dramatically changed student loan environment also provided an opportunity for the Government of Canada to implement its commitment to the principal of "one student – one loan." The CSLP provided provinces with access to service providers for the administration of provincial loan programs. Integration of the student loan process enhanced the quality of service to borrowers and reduced multiple access points.

Given that previous arrangements with financial institutions expired July 31, 2000, the Government of Canada announced it would put in place a new arrangement, as of August 1, 2000, for the administration of Canada Student Loans.

Under the new arrangement, the Government of Canada would directly finance Canada Student Loans. The Government announced its plan to enter into contractual arrangements with private service providers to administer the loans while students were in study and throughout repayment.

A Request for Proposal (RFP) to contract with a private service provider was issued September 14, 2000 and closed October 16, 2000. In developing the RFP, the Government

of Canada decided to split the portfolio between public and private institutions, allowing potential bidders to customize and tailor their specific services to meet the needs and requirements of student borrowers. Following the formal procurement process, the Government of Canada announced on December 1, 2000, that two service providers had been contracted to handle the administration and management of the Canada Student Loans portfolio.

In the interim, financial institutions were asked to provide funds to students and to hold their loans until a private service provider could be established. The service providers have been fully operational since March 1, 2001, under the name of the National Student Loans Service Centre.

SOLIDIFYING RELATIONSHIPS WITH OUR PARTNERS

The CSLP is a model of federal/provincial co-operation. To ensure that student borrowers received accurate, consistent and current information during the transition to direct financing, provinces and stakeholders worked collaboratively and cooperatively with the CSLP.

The provinces shared the CSLP's goal of ensuring uninterrupted delivery of student financial assistance. As well, they were committed to the successful implementation of direct financing. At the federal level, many stakeholders endorsed the Government of Canada's decision to proceed with the implementation of the direct financing regime and were actively engaged in the implementation process. Detailed information on proposed regulatory amendments was provided to stakeholders as well as participating and non-participating provinces. By enhancing these stakeholder relationships, the CSLP was provided with an opportunity to better serve students.

COMMUNICATION WITH STUDENTS

As a result of the collaboration between all parties, several notices and posters were developed and distributed in the fall of 2000 in co-ordination with the provinces and the Yukon to ensure all changes to the CSLP were properly communicated to students. As well, a one-page insert was provided to the provinces and the Yukon as a template that could be tailored according to their particular student loan programs. The CSLP also put into place various communication campaigns to ensure that students were aware of the recent changes to the program.

DIRECT FINANCING

The CSLP signed contracts with two service providers on December 1, 2000, to administer directly financed Canada Student Loans. The contracts with the service providers include a clause requiring that they be willing and capable of providing a similar administrative platform to provinces wishing to integrate the administration of their student loans program with that of the CSLP.

INTEGRATION

The objective of integration is to simplify and streamline the student loan application and repayment processes. In June and July 2001, integration agreements were signed between the Government of Canada and the provinces of Saskatchewan and Ontario respectively. In these provinces, the concept of one student-one loan now applies. The Government of Canada is continuing to pursue discussions with other provinces in order to bring similar benefits to additional students.

The implementation of direct financing and the ability to use a common administrative platform has provided an opportunity to synthesize front-end and back-end administrative processes, including repayment.

IMPROVING SERVICE TO STUDENTS

The move to direct financing of student loans also provides the potential of reducing the complexity of multiple loan products. Additionally, direct financing provides significant long-term opportunities for innovation and cost-efficiencies through the use of service providers. Previously, financial institutions held information regarding the administration and servicing of student loans and were responsible for all aspects of the loan product. Currently, the contractual relationships with third party service providers include incentive payments for the administration and servicing of student loans, encouraging a high level of service to student borrowers and allowing additional opportunities to improve all facets of the CSLP. They include:

- Improved capacity to target and deliver assistance to those students in repayment through improved communication and service levels;
- Increased information flow and improved performance monitoring;
- Strengthened capacity to report on the programs that support access to post-secondary education as a result of fewer information gaps;
- Utilization of innovative technologies in the financing of post-secondary education;
- Increased capacity to integrate student financial initiatives with other Government public policy initiatives such as lifelong learning; and,

- Reduction of duplication between the federal and provincial programs allowing for more efficient service delivery, with less confusion for financial aid administrators and students.



GOVERNMENT ON-LINE INITIATIVES AND CANLEARN INTERACTIVE

One of the primary objectives of the new directly financed CSLP is to improve service levels for borrowers through the optimal use of technology. An important early deliverable supporting the Government of Canada's Government On-Line initiative, the CanLearn Interactive Web site is a one-step internet-based resource designed to help Canadians make informed decisions in the selection and financing of learning opportunities.

The Web site targets all Canadian learners, but is specifically designed to help those at key decision points in their lives with tools like the *Student Planner*, the *CanLearn Interactive Web Directory*, the *Debt-free Guide* and the *Student Financial Planner*.

In its second year of operation, user visits to CanLearn Interactive exceeded all expectations by reaching the one millionth user in March 2001. Building upon the initial success of CanLearn Interactive, new information tools and products have been developed in order to provide continued support to individual learners in achieving their learning goals (See Appendix A for more detail).

CSLP PROGRAM PERFORMANCE



CSLP PROGRAM PERFORMANCE

This section provides information on the Canada Student Loans Program (CSLP) for the 2000-2001 loan year (August 1, 2000 to July 31, 2001). The following data for the CSLP represents **only the federal share** of a student loan.

LOANS DISBURSED

- In the 2000-2001 loan year, 346,534 students received loans from the CSLP, showing a slight increase over the previous loan year.
- **Table 1** displays the number of students who received a Canada Student Loan between the 2000-2001 loan year and two preceding years in each participating province and territory.* The table is also divided between the value of loans disbursed in those years.¹
- Under the Canada Student Loans Program, full-time and part-time students are eligible to obtain student loans. Out of a total of 346,534 students who received loans, 2,946

	1998-1999	1999-2000	2000-2001
Full-Time	\$4,630	\$4,624	\$4,554
Part-Time*	\$2,507	\$2,671	\$1,814

**Part-time numbers for 1999-00 and 2000-01 are preliminary. Loan Year August 1 to July 31.*

were part-time students representing approximately 1% of the total number.

- The average dollar value of the Canada Student Loans was similar to the previous year with little difference between provinces. (See Table 2).
- Full-time students borrowed an average of \$4,554 in the 2000-2001 loan year for a total of \$1.57 billion.
- The average part-time student loan was \$1,814.

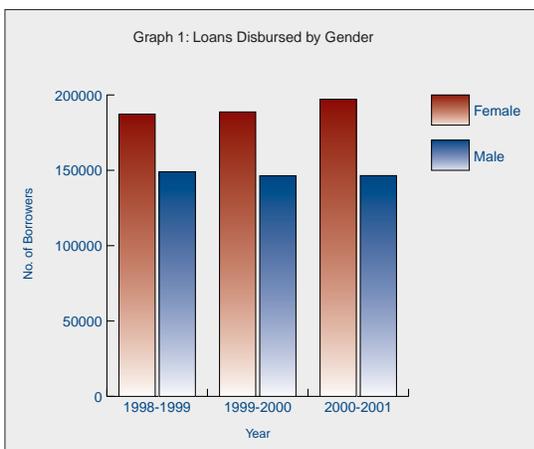
¹1998-1999 numbers have been adjusted due to change of methodology since the release of the 1998-1999 report.

	Actual 1998-1999		Actual 1999-2000		Actual 2000-2001	
	Value of Loans (\$ M)	No. of Students	Value of Loans (\$ M)	No. of Students	Value of Loans (\$ M)	No. of Students
Full Time						
Newfoundland	88.8	17,645	70.0	14,842	69.5	15,953
Prince Edward Island	11.9	2,650	10.1	2,306	13.5	3,047
Nova Scotia	94.7	17,463	90.2	16,553	90.7	16,903
New Brunswick	67.6	14,448	61.9	13,782	77.6	15,708
Ontario	817.3	177,451	780.9	169,990	704.5	158,256
Manitoba	38.2	9,957	44.3	10,558	46.9	10,860
Saskatchewan	67.3	13,865	72.8	15,203	78.2	16,358
Alberta	146.9	36,141	170.5	39,683	184.2	43,294
British Columbia	223.4	46,493	247.7	51,918	298.6	62,953
Yukon	1.0	229	1.1	268	1.2	256
Total**	1,557.2	336,342	1,549.6	335,103	1,564.7	343,588
Part-time***	7.6	3,036	3.2	1,184	5.3	2,946
Grand Total**	1,564.8	339,378	1,552.8	336,287	1,570.0	346,534

**The Province of Quebec and the Northwest Territories do not participate in the CSLP.
**Totals may not be equal to the sum of the columns due to rounding.
*** Part-time numbers are preliminary.
Loan Year August 1 to July 31.*

PARTICIPANT DEMOGRAPHICS

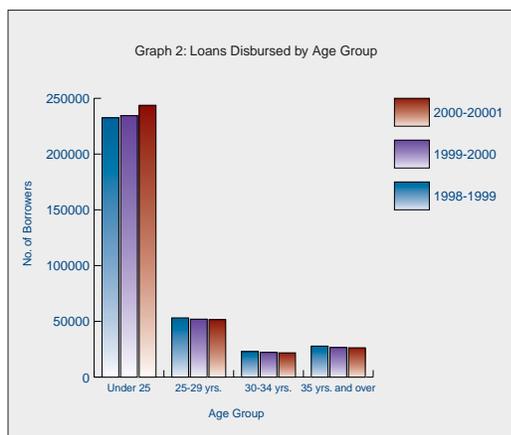
- As illustrated in **Graph 1**, 57% of full-time students who obtained loans in the 2000-2001 loan year (197,118) were female, which was comparable to the proportion of female students in the previous two years. The total value of the loans disbursed to women was \$903 million while the average loan disbursed was \$4,581. This has changed little from the previous year.



Loan Year August 1 to July 31.

Note: See Appendix C for actual numbers.

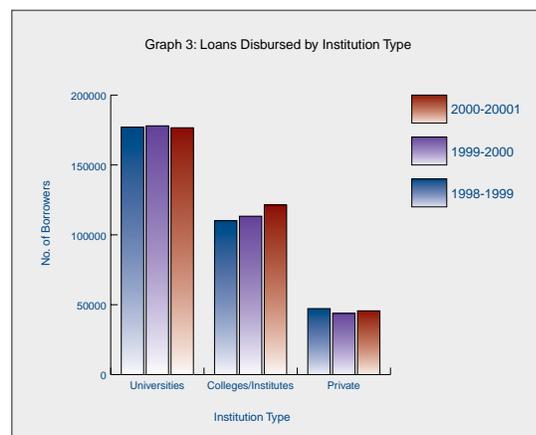
- In 2000-2001, a total of 146,470 males obtained loans for full-time studies, for a total value of \$661.7 million. The average loan value for men was \$4,518, only slightly less than that for women.
- Graph 2** illustrates the distribution of students by age.



Loan Year August 1 to July 31.

Note: See Appendix C for actual numbers.

- Close to 71% of all Canada Student Loan borrowers enrolled in full-time post-secondary education were under 25 years of age, while most of the remaining were between 25-29 years of age. This is similar to the previous year.
- Graph 3** compares the distribution of full-time students by the type of institution attended. Fifty-one percent of students enrolled in university and 35% enrolled in college. Those students attending private institutions accounted for 13% of all full-time loan borrowers. The profile of borrowers by institution remains stable as compared to the previous year.



Loan Year August 1 to July 31.

Note: For actual numbers refer to Appendix C.

Note: For a provincial breakdown, see Appendix D.

OUTSTANDING LOANS—FEDERAL SHARE

Student loans are composed of a federal portion (60% of assessed need to a maximum of \$165 per week) and a provincial portion. The following figures represent only the federal portion of the total student loans accumulated by the end of course studies.

Table 3 provides a percentage breakdown of participants based on the size of their debt consolidated over three loan years: 1998-1999, 1999-2000 and 2000-2001.

Table 3 Distribution of CSLP Indebtedness at Consolidation			
Debt Load	1998-99	1999-00	2000-01*
Less than \$5000	31%	32%	31%
\$5000-\$9999	34%	33%	34%
\$10000-\$14999	17%	16%	16%
\$15000 and more	18%	19%	20%
Average Debt	\$9,348	\$9,518	\$9,588

*2000-2001 numbers are preliminary.
Loan Year August 1 to July 31.

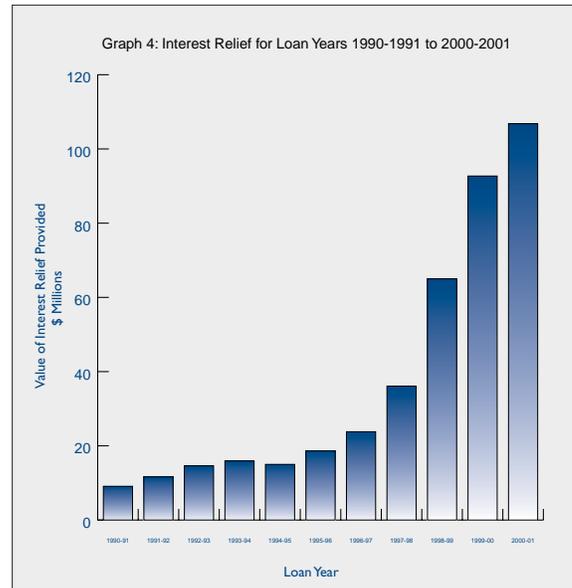
- Since 1998, the average Canada Student Loan debt load at consolidation has remained fairly constant at approximately \$9,500.
- Sixty-five percent of students accumulated less than \$10,000 in Canada Student Loan debt at consolidation. These amounts are comparable to student debt load at consolidation in the 1998-1999 and 1999-2000 loan years.

MECHANISMS FOR DEBT MANAGEMENT

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 and must be in good standing with the Canada Student Loans Program.

Graph 4 shows the value of Interest Relief provided to students by the CSLP.



Loan Year August 1 to July 31.

- For the 2000-2001 loan year, the value of IR provided was \$106.8 million. As well, the annual average growth rate over the 1990-1991 to 2000-2001 period was 27.9%. Most of this growth has occurred since 1997-1998 when changes were made to IR.
- In 2000-2001, there were 154,895 individuals who benefited from IR, an approximate increase of 11% from the previous loan year.²
- The increase in students using IR can be attributed to the IR provisions of the CSLP that were substantially improved under the 1998 *Canadian Opportunities Strategy*, and the extension of the period of eligibility for borrowers who have exhausted IR and have a very high debt-to-income ratio.

²This does not include Direct Loan IR recipients.

Debt Reduction in Repayment

Debt Reduction in Repayment (DRR) was introduced in 1998 and is intended to assist borrowers who experience long-term repayment difficulty above and beyond the terms provided by Interest Relief. DRR is intended to provide the individual with manageable student loan payments, while maintaining a basic standard of living. It operates as a one-time reduction in the principle of a student loan, to a maximum of 50% of the principal or \$10,000, whichever is less.

Table 4 details how many borrowers have benefited from DRR since its inception in 1998.

Table 4 - Debt Reduction in Repayment		
Loan Year	DRR Dollars	DRR Recipients
1998-99	\$177,581	44
1999-00	\$1,253,542	277
2000-01	\$2,958,661	614

Loan Year August 1 to July 31.

- DRR is geared to ensure that loans without the prospect of repayment do not go into default, but are reduced in mutual accord between the borrower and the government, allowing the borrower to pay as much as he/she can afford.
- Since its inception in 1998 the use of DRR has been increasing. This, coupled with greater participation in the Interest Relief program due to improvements announced in 1998, will result in greater participation and effectiveness of the Debt Reduction program. Since a student can only make use of DRR once the IR is exhausted, the full effect of the program may not be felt for a number of years.

CANADA STUDY GRANTS

- Canada Study Grants (CSGs) financially assist post-secondary students with permanent disabilities, high-need part-time students, women in certain doctoral studies and student loan recipients with dependants. Unlike Canada Student Loans, CSGs do not have to be repaid.
- In the 2000-2001 loan year, an estimated 55,830 CSGs were issued in the amount of \$81 million. This number is slightly lower than that for the 1999-2000 loan year.
- The Canada Study Grant for Students with Dependants was introduced in the 1998-1999 loan year. In the 2000-2001 loan year, grants were provided to 45,563 students with dependants totalling \$65 million, with an average grant of \$1,400 per student. This newly introduced CSG was responsible for an average of approximately 80% of the total spending under the program in the 1999-2000 and 2000-2001 loan years.
- CSG's for Students with Permanent Disabilities were provided to 4,636 students amounting to \$11.2 million, with an average grant amount of \$2,400 per student.
- Numbers and values of CSGs for High Need Part-Time Students and Women in Doctoral Studies were fairly consistent from 1999-2000 to 2000-2001.

2000-2001 CSLP PROVISION RATE

In accordance with Generally Accepted Accounting Principles, a provisional account entitled Bad Debt Expense has been created to off-set potential future losses due 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). The total of these three elements adds up to 17% of the loan amount disbursed in 2000-2001.

The Office of the Superintendent of Financial Institutions, operating through the independent 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 and are not required 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 forgiven as DRR.

Table 5 Provisions For Bad Debt, Interest Relief and Debt Reduction in Repayment Loan Year 2000-01				
Loan Negotiated* (million \$)	Provisions			
	Bad Debt	IR	DRR	Total
	11.3%	5%	0.7%	17.0%
\$1,570.0	\$177.4	\$78.5	\$11.0	\$266.9
*Includes preliminary part-time loan amounts. Loan Year August 1 to July 31.				

Table 6 - Canada Study Grants for the 2000-2001 Loan Year										
Province/Territory	CSG for Students with Disabilities		CSG for Part-Time Students		CSG for Female Doctoral Students		CSG for Students with Dependents		Total number of CSGs and Expenditures	
	#	\$\$	#	\$\$	#	\$\$	#	\$\$	#	\$\$
Nfld.	43	\$142,667	9	\$9,400	4	\$12,000	1,186	\$1,476,836	1,242	\$1,640,903
P.E.I.	40	\$116,560	121	\$105,929	2	\$6,000	180	\$223,524	343	\$452,013
N.S.	185	\$671,596	91	\$102,620	4	\$9,159	1,109	\$1,509,896	1,389	\$2,293,271
N.B.	51	\$159,097	62	\$66,012	10	\$30,000	1,601	\$2,047,403	1,174	\$2,302,513
Ontario	3,234	\$7,012,314	412	\$428,186	93	\$273,223	22,636	\$30,067,906	26,375	\$37,781,629
Manitoba	89	\$271,966	51	\$54,906	6	\$17,304	891	\$1,341,080	1,037	\$1,685,256
Saskatchewan	205	\$536,441	296	\$331,636	8	\$22,769	3,100	\$4,204,771	3,609	\$5,095,617
Alberta	263	\$569,570	1,126	\$793,420	15	\$39,830	5,037	\$6,951,590	6,441	\$8,354,410
B.C.	522	\$1,699,125	3,270	\$2,659,004	48	\$135,241	9,796	\$16,919,848	13,636	\$21,413,218
Yukon	4	\$15,000	3	\$3,600	0	0	27	\$39,040	34	\$57,640
CANADA	4,636	\$11,194,336	5,441	\$4,554,713	190	\$545,526	45,563	\$64,781,894	55,830	\$81,076,470

Loan Year August 1 to July 31.

PROGRAM AWARENESS

Communicating with students and stakeholders is integral in solidifying the CSLP's relationship with partners and providing the highest level of service to borrowers possible. To better understand Canadians' opinions of the CSLP, the program conducted a survey in collaboration with Ipsos/Reid in August 2001.

The survey revealed that:

- Twenty-two percent of individuals surveyed have applied for a government student loan.
- When individuals were asked if their children are likely to have a government student loan, 39% of the respondents said YES.
- Forty percent were aware of new or existing Government of Canada programs or initiatives that improve access to post-secondary education.

These results show a continuing demand for student financial assistance in Canada, as well as the need to constantly improve communications efforts about Government of Canada programs that help promote access to post-secondary education.

***C**ONSOLIDATED FINANCIAL STATEMENT*



CONSOLIDATED FINANCIAL STATEMENT

The following table provides financial data on the operation of the Canada Student Loans Program from the 1998-1999 to 2000-2001 period. It is important to note that the data reported are for the fiscal year (April 1 to March 31), rather than the loan year (August 1 to July 31).

CANADA STUDENT LOANS PROGRAM CONSOLIDATED FINANCIAL STATEMENT Combined Programs			
	Actual 1998-1999	Actual 1999-2000	Actual 2000-2001
(millions of dollars)			
Revenues			
Interest earned on Direct Loans	0.0	0.0	0.3
Recoveries on Guaranteed Loans	188.8	154.5	125.7
Total Revenues	188.8	154.5	126.0
Expenses			
<i>Transfer Payments</i>			
Canada Study Grants	108.8	103.0	56.6
Total Transfer Payments	108.8	103.0	56.6
<i>Loan Administration</i>			
Interest Borrowing Expenses (Class A & B) ^{a,b}	0.0	0.0	0.2
Collection Costs	24.9	19.3	16.8
<i>Interim Arrangements</i>			
- Interest Costs to Financial Institutions	0.0	0.0	41.5
- Transaction Fees to Financial Institutions	0.0	0.0	25.9
Service Bureau Costs	0.0	0.0	1.3
Risk Premium	75.5	81.8	88.1
Put-Back	0.5	1.6	2.1
Administration Fees to Provinces and Territories	9.5	9.1	9.6
Total Loan Administration Expenses	110.4	111.7	185.3
<i>Cost of Government Support</i>			
<i>Benefits Provided to Students</i>			
In-Study Interest Subsidy	210.2	204.0	180.5
Interest Relief	58.5	82.6	107.4
Debt Reduction in Repayment	0.0	0.6	2.0
Claim Payments	152.2	80.0	72.2
Loans Forgiven	8.3	9.3	9.2
Bad Debt Expense ^{a,c}	0.0	0.0	206.7
Total Cost of Government Support Expenses	429.3	367.2	568.8
Total Expenses	648.5	581.9	810.7
Net Statutory Operating Results	459.7	427.4	684.7
Payment to Non-Participating Provinces	160.9	126.1	138.9
Final Statutory Operating Results	620.5	553.4	823.6

a. The costs are related to Canada Student Direct Loans, but paid by the Department of Finance.
b. Class "A" loans are in-study and Class "B" loans are in repayment.
c. This represents Provisions for Bad Debt, Debt Reduction in Repayment and Interest Relief as required under Accrual Accounting.

**CANADA STUDENT LOANS PROGRAM
CONSOLIDATED FINANCIAL STATEMENT
Direct Loans Only**

	Actual 1998-1999	Actual 1999-2000	Actual 2000-2001
Revenues		(millions of dollars)	
Interest earned on Direct Loans	0.0	0.0	0.1
Total Revenue	0.0	0.0	0.3
Expenses			
<i>Transfer Payments</i>			
Canada Study Grants	0.0	0.0	56.6
Total Transfer Payments	0.0	0.0	56.6
<i>Loans Administration</i>			
Interest Borrowing Expenses (Class A & B) ^{a,b}	0.0	0.0	0.2
Collection Costs	0.0	0.0	0.0
Interim Arrangements			
- Interest Costs to Financial Institutions	0.0	0.0	41.5
- Transaction Fees to Financial Institutions	0.0	0.0	25.9
Service Bureau Costs	0.0	0.0	1.3
Administration Fees to Provinces and Territories	0.0	0.0	0.0
Total Loan Administration Expenses	0.0	0.0	68.7
<i>Cost of Government Support</i>			
<i>Benefits Provided to Students</i>			
Interest Relief	0.0	0.0	0.0
Bad Debt Expense ^{a,c}	0.0	0.0	206.7
Total Cost of Government Support Expenses	0.0	0.0	206.7
Total Expenses	0.0	0.0	332.0
Net Statutory Operating Results	0.0	0.0	331.7
Payment to Non-Participating Provinces	0.0	0.0	0.0
Final Statutory Operating Results	0.0	0.0	331.7

a. The costs are related to Canada Student Direct Loans, but paid by the Department of Finance.

b. Class "A" loans in-study and Class "B" loans are in repayment.

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

EXPLANATION OF THE EXPENDITURES AND REVENUES

Reporting Entity

The entity detailed in this report is the Canada Student Loans Program only and does not include departmental operations related to the delivery of the CSLP. 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 both guaranteed and direct loans. Government accounting practices require that the revenue 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 Development Canada (HRDC) and the Government.

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 they 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 lenders holding these loans.

Recoveries on Direct Loans: The amounts in the statements represent the recovery of principal and interest on these direct loans.

Recoveries on Guaranteed Loans: The Government reimburses the private lenders for any loans issued prior to August 1, 1995, that go into default (i.e. lenders claim any amount of the principal and interest not repaid in full, after which HRDC will attempt to recover these amounts). The amounts in the statements represent the recovery of principal and interest on these defaulted guaranteed loans.

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

Interest Borrowing Expense: The capital needed to issue the 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: The 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, that are returned to the Department by the third party service providers as having defaulted. In accordance with HRDC accounting practices, collection costs are charged to a central departmental account and do not appear among the other CSLP expenditures.

Interim Arrangements: As noted in the body of the report, interim contracts were entered into with financial institutions formerly providing risk-shared loans to disburse full-time directly financed 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% will be 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 Cost 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 the student by the participating lending institutions. Transition fees also include payments made to Canada Post for each fully completed part-time loan made during the interim period. The cost is calculated on the basis of certificates of eligibility negotiated by the student.

Service Bureau Costs: Beginning March 1, 2001, the CSLP uses 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), being calculated and paid at the time students leave studies and go into repayment. In return, the lenders assumed all risks 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 are in default of payment for at least twelve months and that, in aggregate, do not exceed 3% of the average monthly balance of the lender's outstanding student loans in repayment. The amount paid is set at 5% of the value of the loans in question.

Administrative Fees to Provinces and Territories:

Pursuant to the Canada Student Financial Assistance Act, the Government of Canada has entered into arrangements with participating provinces and the Yukon for the administration of the CSLP. Participating provinces and the Yukon administer the application and need 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 are in study and, in the case of loans negotiated prior to August 1, 1993, for six months after the completion of studies. Under the guaranteed and risk-shared programs, the Government paid the interest to the lending institutions on behalf of the student. Under direct loans, the Government forgoes any interest on the loans while the student remains 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 loan distress from the borrower's perspective, however, the method of recording associated costs has 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 will 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 student's outstanding Canada Student Loan principal to an affordable

amount after all other interest relief measures have been 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 1999-2000 fiscal year, expenditures and forecasts related to debt reductions in repayment have been included with Interest Relief. For loans issued after August 1, 2000, the Government of Canada forgives a portion of the loan principal. Because a student borrower cannot be eligible for DRR until they have exhausted Interest Relief (5 years), expenses 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 HRDC will attempt to recover the 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 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 now 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: Payments to non-participating provinces are transfers to provinces and territories that choose not to participate in the CSLP. In return, these provinces and territories are entitled to alternative payments to assist in covering the costs of operating a similar program.

APPENDICES



APPENDIX A

Highlights of CanLearn Interactive (www.canlearn.ca)

Launch of Additional CanLearn Interactive Products - July 31, 2000

Online Learning

CanLearn Interactive has partnered with cutting-edge experts in online learning to gather together the best Internet resources to help students survive and thrive in their learning careers. These resources include everything from reference materials (dictionaries and encyclopedias) to an online database of distance education courses.

Long-term Planner

The Long-term Planner has been revised and expanded to provide parents with more information on education saving plans, student debt management, teaching children about money, and tools to encourage children to save and invest.

The Integrated Network of Disability Information & Education (INDIE)

CanLearn Interactive is proud to announce that INDIE, the Integrated Network of Disability Information and Education, has been added to the Accessibility Guide. INDIE is a source for information about disability organisations, education, adaptive technologies and a wide range of other resources concerning accessibility on the Web.

The CanLearn Insider

The CanLearn Insider brings education news and commentary to the Canadian learning community. The CanLearn Insider, published every two months at <http://thenode.canlearn.ca/insider>, is researched and written by the Node Learning Technologies Network with the support of CanLearn Interactive and Human Resources Development Canada.

March 2001 – CanLearn Interactive surpasses 1 millionth user and becomes eServices Management and Development within the Canada Student Loans Program

In March 2001, CanLearn Interactive achieved two major milestones; it reached 1 million users and the CanLearn Interactive Information Products Group became a Division of the Canada Student Loans Program. To ensure that the communication needs of CSLP were met, CanLearn Interactive was originally developed as an integrated component of CSLP. As the CSLP moved into a new role, so did CanLearn Interactive Information Products Group. eServices Management and Development, the former CanLearn Interactive group, supports a range of activities including CanLearn Interactive, the National Student Loans Service Center Website, and Government On Line implementation for the CSLP.

APPENDIX B

CSLP PORTFOLIO FISCAL YEARS 1998-2001

Canada Student Loans Portfolio Fiscal Years 1998-99 to 2000-2001 Current (\$M)							
Fiscal Year	Guaranteed		Risk Shared		Total (Guaranteed and Risk Shared)*		
	Loans in Study	Loans in Repayment	Loans in Study	Loans in Repayment	Loans in Study	Loans in Repayment	Total
1998-99	445.5	1301.0	3483.7	2719.2	3929.2	4020.2	7949.4
1999-00	268.4	1087.5	3741.8	3719.2	4010.2	4806.7	8816.9
2000-01	178.3	885.8	2326.4	4671.7	*	*	*

**Direct loans portfolio data is not yet available.*

APPENDIX C

DISTRIBUTION OF FULL-TIME LOANS NEGOTIATED

Distribution of Full-Time Loans Negotiated						
	Actual 1998-1999		Actual 1999-2000		Actual 2000-2001	
	No.	%	No.	%	No.	%
Loans Negotiated by Age Group						
Under 25	232,513	69	234,413	70	243,757	71
25-29 yrs.	53,114	16	51,981	16	51,525	15
30-34 yrs.	22,894	7	22,188	7	21,789	6
35 yrs. and over	27,821	8	26,521	8	26,332	8
Total	336,342	100	335,103	100	343,588	100
Loans Negotiated by Institution Type*						
Universities	177,031	53	177,995	53	176,612	51
Colleges/Institutes	110,083	33	113,338	34	121,344	35
Private	47,228	15	43,770	13	45,632	13
Total	336,342	100	335,103	100	343,588	100
Loans Negotiated by Gender						
Female	187,299	56	188,736	56	197,118	57
Male	149,043	44	146,367	44	146,470	43
Total	336,342	100	335,103	100	343,588	100

*For a provincial breakdown see Appendix D.

APPENDIX D

A STATISTICAL PROFILE OF THE CANADA STUDENT LOANS PROGRAM

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

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

Number of Canada Student Loans Borrowers for
2000-01 Loan Year by Province
(Full-Time Students only)

Province/Territory	Institution Type			Total 2000-2001
	University	College	Private	
NFLD	9,374	3,432	3,147	15,953
PEI	2,058	590	398	3,047
NS	11,336	3,485	2,082	16,903
NB	8,690	3,786	3,232	15,708
ONT	85,420	57,444	15,392	158,256
MAN	6,778	2,127	1,955	10,860
SASK	9,365	4,165	2,828	16,358
ALB	19,808	18,677	4,809	43,294
BC	23,669	27,524	11,760	62,953
Yukon	113	114	29	256
Total	176,612	121,344	45,632	343,588
% of Total	51%	35%	13%	100%

APPENDIX E

Tax Relief for Student Borrowers

The Government of Canada also continues to improve tax measures to further ease student debt. To provide tax relief for Canadians repaying their student loans, the federal income tax provisions were changed to allow individuals from taxation year 1998 onward, to claim a tax credit of 17 percent on interest paid on all government student loan (federal, provincial and territorial).

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

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

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

APPENDIX F

The Canada Millennium Scholarship Foundation

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

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

Canada Millennium Scholarships supplement the resources available to students under the CSLP and the various provincial and territorial student assistance programs. The first scholarships were issued for the 1999-2000 academic year. The Foundation distributed approximately 90,000 bursaries to students across Canada for the 2000-2001 academic year. This represented a \$285 million investment for students with financial need. They are available in jurisdictions throughout Canada, including in those that do not participate in the CSLP. One important result for the beneficiaries will be substantially reduced debt load upon graduation.