

Students portrayed as loan cheats, despite falling default numbers

By Chris Bodnar
Ottawa Bureau Chief

OTTAWA (CUP) - Student leaders say the Ontario government is unfairly demonizing students as cheaters trying to bilk the student loan system, and they add that the government's own numbers prove that portrayal is wrong.

Figures released on Monday by Ontario's Minister of Training, Colleges and Universities indicate the province's overall student loan default rate has decreased by almost four per cent in 1999 to 18.2 per cent.

But student leaders say the Ontario government's announcement is unfair to students and diverts attention from larger issues regarding core funding to post-secondary education in Canada.

"The Ontario government is using a crime and punishment model on student loans," said Elizabeth Carlyle, the deputy chairperson for the Canadian Federation of Students. "They're portraying students like people trying to cheat the system. But the proof is to the opposite. Students are concerned about dealing with public money."

The

announcement follows a revelation that the federal government is considering giving \$100-million in retroactive risk premiums to the three Canadian banks administering student loans. Government officials are calling the proposal the "best deal" available in order to keep the banks interested in the student loan business.

Human Resources Development Canada handed over the administration of the Canada Student Loan Program to the banks in 1995, saying the program was too large to administer alone.

And the announcement of Ontario's declining default rates comes on the heels of harsh new policies on handling student loans by the province's government. Students are now subject to credit checks prior to being approved for a student loan. The government also began deducting loan repayments from student tax returns, and forcing universities to share default costs.

Still, Ontario's Minister of Training, Colleges and Universities Diane Cunningham says the

most recent results aren't good enough.

"It's encouraging that more students are paying back their loans, but default rates are still too high. More can and must be done," she said.

In the midst of Ontario's announcement, and the revelation that the banks may be getting a hefty bail-out, Carlyle said Ottawa's justification that the student loan portfolio is getting too large to handle alone is misleading. She added that the Ontario government is being allowed to get away with unjustly cracking down on its own loan system.

"The federal government says on one hand the portfolio is so large they need the help of the banks," said Carlyle. "Why is the portfolio so large? It's because they cut education. The provinces had to pass this on through increased tuition fees. Now students need more loans to go to school."

According to the CFS, there are numerous definitions of what a student loan default is. The model the banks and governments use is to declare a loan in default whenever a student misses three loan payments. Nonetheless, banks can still hold loans and eventually collect after they've been declared

as default.

And Ontario government figures show university loan defaults at only 8.4 per

cent in 1999. The overall number of default rates is increased, however, when loans to students at private institutions are included. These default rates are over 30 per cent for private vocational schools.

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