

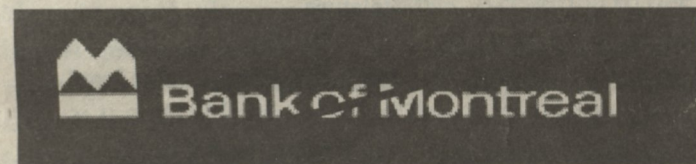
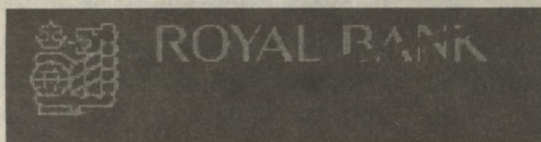
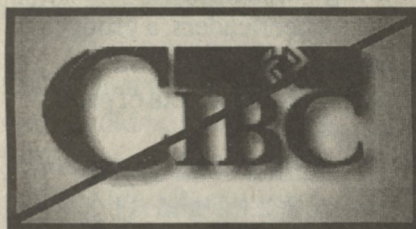
CASA slams national banks

By Gordon Loane

Source: The Brunswickan

FREDERICTON (CUP) -

The federal government is being taken to the cleaners by Canada's big banks, says Jason



handed over to the banks five years ago, the Canadian Imperial Bank of Commerce, Bank of Nova Scotia and the Royal Bank have collected approximately \$75-million per year in risk payments from the government.

But the banks insist \$75-million, based on a five per cent risk premium, is not enough.

"The banks couldn't continue to provide on that basis because the losses for the government

recent years.

But Aebig says the problem lies in the bank's definition of what constitutes a default rate.

"The banks lump late payments in with unrecovered loans to calculate their default rate," he said. "If a student doesn't repay their monthly student loan after three months whether consecutive or individual, then on the 91st day that student is in default of their loan. It doesn't mean the money will not be recovered, it just means it is late on that 91st day."

"By lumping both together you arrive at a default rate that is considerably inflated," he added.

Aebig says university students are also being penalized by the banks in their default rate calculations.

While the student loan default rate for university students averages seven per cent across Canada, Aebig noted the default rate for students who attended vocational colleges and technical institutions is about 13 per cent on average, and the default rate for private vocational schools is at least 18-20 per cent on average.

Aebig said the big banks lump all the post-secondary institutions together to calculate a default rate, which penalizes university students and makes everyone pay for the sins of a few.

"Target those who are not paying back their loans, put whatever measures in place to make sure they pay back their

and for the banks are horrendous," Royal Bank chairman John Cleghorn told the Globe and Mail. The banks are now demanding that risk premiums be boosted another four-and-a-half per cent.

According to Ottawa's proposed deal, the federal government would be required to set aside \$100-million over the next five years to cover the increased risk premium.

The government offer was made after the banks claimed their default rate on student loans had climbed from an expected 18 per cent to 26 per cent in

Aebig, national director of the Canadian Alliance of Student Associations (CASA).

The CASA leader, whose organization represents 275,000 students at 17 universities nationwide, is critical of how the banks interpret the default rate on student loans.

Recently, Ottawa offered to give the banks that lend money to post-secondary students \$100-million in risk premiums - money given by the government to offset the money the banks lose when students default on their loan payments.

Since the Canada Student Loan program was

loans. Don't give everyone a high interest rate, don't give everyone a difficult repayment schedule and don't restrict the availability of student loans just because some people are abusing the program," Aebig said.

The CASA national director also can't believe the banks are trying to get Ottawa to set aside more money to cover a higher default rate, given their overall billion dollar profits in recent years.

"The banks may be losing money on the student loan program, but they must be making up for the loss somewhere else," he said. Aebig adds that losses on student loans should be balanced with the fees students pay to use bank accounts, ATM machines, Visa and Mastercard.

"I think that the banks have to be good corporate citizens as well and learn to balance the positives and negatives," he said.

Aebig also wonders if students might not be better off if the federal government re-assumed management of the Canada Student Loans Program instead of hiving it off to the banks.

But he doesn't see that happening any time soon.

"Human Resources Development Canada officials in Ottawa have told me it is less expensive for the banks to handle student loans than it is for the federal government to administrate it. The current method is too cost efficient for government to ignore," Aebig said.

AD Responds

continued from page 4

continued, because of lack of money and competition. Several other Atlantic universities offer this program.

"We didn't have full time coaches when we won the National Championships," add Mullaly, satisfied by UPEI's coaching team.

Despite the debate, athletics remains an important aspect of UPEI life.

"I think athletics is a real priority for the university, and I will say that, personally this is something I hope we can look forward to in terms of the university's progress, said UPEI President Wade MacLauchlan. "The issue of well-ness, including recreation, is something we should pay more attention too."

"I feel very strongly about the players, and the coaches, and the Athletic Director," said MacLauchlan. "They are my people and I'm standing by them."

They are doing a very important job representing the university, continued MacLauchlan who would like to see more UPEI community members support the university's athletic department.

Mullaly echoes MacLauchlan's opinion of athletes as ambassadors for the university.

"Athletics," said Mullaly, "is the best [public relations] device the university gets." She admits that on rare occasions, mi-

AD Responds

continued on page 7