

Students ill-informed on Bankruptcy

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While the federal government cracks down on the rising number of students who are turning to bankruptcy as a last-ditch solution to their financial woes, critics say the real issues behind the bankruptcies are being ignored.

Bill C-5, passed in the House of Commons on Oct. 23, changes federal laws so that students declaring bankruptcy within two years of completing or discontinuing their studies will no longer be released from paying back their student loan debt unless they successfully prove to the courts that special circumstances apply in their case.

Svend Robinson, NDP

critic for postsecondary education, calls the changes appalling and cites massive federal spending cuts as a major factor in the increase of student bankruptcies.

"It's [the government's] bankrupt policies, their massive cuts in federal transfer payments to the provinces for postsecondary education that have driven up tuition fees and increased the debt burden that students are facing," he said.

"And instead of responding to those concerns by strengthening student aid, particularly a national grants plan, or by moving to create jobs, they're simply cracking down and punishing students. It's an appalling policy."

Moriss Bodnar, Liberal MP for Saskatoon-Dundurn, the member who introduced

the legislation, says the changes are meant to deter students from using bankruptcy as an easy way out of paying back their loans.

"Our statistics show that 70 per cent of students who claim bankruptcy are doing so within the first two years of graduation. Under the student loans program, students have a six month moratorium on which they do not have to pay back their student loans. They may also have this period extended to a total of two years. They are claiming bankruptcy during a period when there is no financial pressure for them to do so."

Bodnar also says the decision to make it a two-year period where bankruptcy will not discharge student loans is

actually a compromise.

"There were people who presented to the [Bankruptcy and Insolvency Advisory] Committee that were pushing for five years or even more," he said.

The committee, which directed the formation of C-5, represented consumers, business, lenders, insolvency practitioners, and governments. Over its three year course, it heard from more than 100 private sector insolvency experts but virtually no students.

Brad Lavigne, national chairperson of the Canadian Federation of Students, says the government's changes reflect a lack of understanding as to why students are going bankrupt.

"By making it more dif-

ficult for students to claim bankruptcy, the federal government is forgetting the fundamental reasons why bankruptcies occur -- unemployment, underemployment, and high debt," he said.

Lavigne says there has been a significant increase in the amount of debt that postsecondary students incur. He says prior to 1990, the debt load of the average student was \$16,000. After that, the average debt load rose to over \$24,000 per student.

"The government hasn't taken away the problem. It has only taken away the statistic," Lavigne said.

Bill C-5 is currently between second and third reading in the Senate and has been referred to a Senate Committee for further debate and revision.

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