

# An arm and a leg

## Student loans to be privatized?

Everyone knows students are rolling in dough, right? When we're not relaxing in our hot tubs and lighting our Cuban cigars with hundred dollar bills, we're probably out trying to pick just the right colour ferrari to complement our designer clothing. It's all one madcap, whirlwind ride of academic gaiety, right?

If you aren't appreciative of the caustic sarcasm behind the above statements, you've been living on another planet. Students are among the most financially challenged people in this or any country, usually struggling to balance their studies with some means of paying for their schooling, like a part-time job. Whether employed or not, students are still extremely hard-pressed in their efforts to pay for their education. This is not surprising, in light of governmental policies regarding education funding. Since 1986, federal transfer payments to the provinces (which include funds to sustain post-secondary institutions) have not increased with inflation but have instead been cut by over 6.8 billion dollars. With universities' main source of financial support dwindling away, and operating costs steadily climbing, universities have been forced to raise tuition fees and admit fewer applicants, making education steadily less accessible to the non-wealthy. One of the few options open to disadvantaged students up to this point has been the Canada Student Loans program (CSL). This may soon no longer be the case, though, as the federal government has announced revisions to the program which some fear will mean the eventual privatization of student loans, leaving them in the hands of the banks rather than government. What this means is that the government is giving fewer, if any, guarantees of the future of accessible higher education in Canada.

The CSL program aided qualified students by having the government accept the risk for their loans should they be unable to pay them back, leaving students indebted to the government and not to the banks. It involved less red tape than a conventional loan, and among other things provided a six-month, interest-free grace period following the completion of schooling. Like most of Canada's social programs, the CSL has in recent years come under scrutiny as yet another burdensome expense to the taxpayers, and like many other programs it has been

steadily eroded. There has not been an inflation-comparable increase in loan-funding, and this past Spring the government eliminated the six-month grace period on loan repayment, despite intense public outcry by students and a near-revolt in the Tory caucus. Even more troubling are some of the proposed additional reforms that the Tories have laid out in recent weeks. Some proposals, such as the standardization of student financial assistance and a slight increase in the maximum weekly payment available (the first in nine years despite 93-360% increases in tuition), are promising; others, such as further restrictions on eligibility, and especially the proposed "risk-sharing" of student loans by the banks, are somewhat disturbing. This proposed "risk-sharing" means that the banks will be asked to share in the responsibility of guaranteeing student loans, splitting the financial risks between the government and the private sector. This will take some financial heat off the government, but banks will probably be none-too-thrilled with the possibility of student "deadbeats" defaulting on their loans, since banks are, after all, institutions devoted to the pursuit of profit. With the expanded role of the banks, loans may become harder to obtain and harder to pay off if the financial institutions have anything to say about it.

The fears of privatization have been fuelled in part by the government's December 1992 proposal to turn the administration of the CSL over to commercial institutions, inviting bids from banks, trust companies, and credit unions

(in March, only CIBC and the Royal Bank were still in the running). The prospect of one or two banks running the CSL program has a number of inherent dangers: the possibility of a monopoly of the student banking market; a greatly reduced number of banks able to process CSL-type loans

for students; the possible refusal of loans for students deemed "credit risks" (as-yet undefined) by the banks, as detailed in a clause of the government's proposal; and opening the door to increased (and perhaps, eventually, total) private control over student loans. It all adds up to more uncertainty regarding the extent to which government will sub-

sidize higher education in the future.

It is our responsibility as students and as voters to examine the education policies of the Tories and their rivals during this federal election campaign, and to lobby our would-be leaders for recognition of and decisive responses to our concerns, such as student loan guarantees and increased transfer payment funds. Students should then take this into account in their voting. It's our future on the line, and we won't get another chance like this to shape it for at least another four years. If we ignore shrinking (and dangerously variable) government funding for education and stand by while the private sector makes bids on the future of student loans, where will accessible higher education be? Going...going...gone.

Sean McQuaid  
Editor-in-Chief

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