

# Business booming because of loan defaulters

By John Gushue  
of Canadian University Press  
OTTAWA (CUP) — Business is booming for the credit agencies the federal government employs to collect outstanding student loan debts.

The number of students who have failed to make payments has doubled since 1982, when 12,000 defaulted on their loans. According to Ted Kubacki, manager of the Canada Student Loans Programme, as many as 25,000 students could default this year alone.

To retrieve missing payments, the government uses three collection agencies — Associated Credit Bureaus of Canada, FCS International Limited, and Canadian Bonded Credits — to track down defaulting students and ask them to come up with the money.

With fewer grants, higher loans, increased costs, and slimmer job prospects upon graduation, the situation for students threatens to become worse.

But for Kevin Belgrave, manager of Associated Credit Bureaus'

head office in Toronto, business is brisk. "We're probably dealing with about 13,000 cases right now. We have at least one person, and maybe two or three in larger centres, handling Canada Student Loans in each of our 114 offices. Things are working out very well for us indeed," he said.

Because the federal government guarantees its loans, banks are less interested in helping debtors pay off an outstanding balance. Instead, says Hugh O'Reilly, assistant to NDP MP Dan Heap, "the banks seem a little trigger happy, in turning the loans over to a collection agency."

As soon as a bank turns a student's account over to a collection agency, the bank collects its money from the government.

The federal government sets guidelines that collection agencies must respect when dealing with debtors. "First of all, they have to gain the co-operation of the debtor," Kubacki said. Students cannot be verbally harassed, called at work, called at parents' homes, or encouraged to take out more loans.

But Barb Donaldson, chair of the Canadian Federation of Students, said collection agencies are repeatedly profiting at the expense of students.

"At the best of times, they operate on this side of the law," said Donaldson, who worked for a credit company one summer.

"Yet they somehow manage to get away with those things because students don't know their right under the law," she said.

Donaldson said a common violation many credit companies make is listing a client's student loan history in her or his credit file. "They're not supposed to do that, and they know it," she said.

In the House of Commons March 11, Liberal MP Lloyd Axworthy (Winnipeg-Fort Gary) asked if the government endorses "a general pattern of harassment of those who are benefiting from student loans."

Youth minister Andree Champagne said, "I am not aware of this being a policy in any way," and promised to bring matter to Secretary of State Benoit Bouchard's attention.

Axworthy heard several cases of debtor harassment, including a complaint laid by "a young woman with a small child (who) had repeatedly tried to negotiate a long-term loan payment schedule with the bank and collection agency" but was still being harassed.

"This is not an isolated case," Axworthy told the House.

Donaldson said most banks are intolerant of student clients. "There are a few banks I can name that are very patient, but I think the majority would rather not give you the time of day, let alone the same amount of counselling you'd receive if you were someone else," she said.

A former York University student who asked not to be identified said one collector tracked her down to an office where she was working, although she said he had "absolutely no idea who they found that one out."

Belgrave said his collectors "find telephone work elicits the best response. It's long and tedious work, and the largest hurdle is to locate the debtor. That's our big problem."

Belgrave insisted his collectors remain with in legal jurisdiction.

"They have guidelines over what we can and can not do," he said.

Kubacki said it's "unfortunate" when a collector harasses a debtor, but "it's not a common problem. It happens from time to time (and when it does) we conduct ourselves in the proper manner.

According to Belgrave, collection agencies are working to everyone's benefit. "Things have improved, certainly because the government has put this in the hands of private industry, which in the long run benefits everybody."

He said even debtors are helped. "The graduating student today has a much bigger loan than five years ago, and has a much greater debt to pay. The cost of everything has risen ... but things are happening very well right now," he said.

Donaldson said student lenders don't like to talk about defaulters "because it makes students look bad. But it can be connected to other things — unemployment, low income jobs, and enormous debt loads.

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