

Fear and Loaning:

On the trail of the Canada Student Loan Program

By Kent J. Bruyneel

IT IS ASTONISHING THAT MOST STUDENTS CONTINUE TO SEE SCHOOLING AS A PRIVILEGE RATHER THAN A TRANSACTION IN WHICH THEY HAPPEN TO BE GETTING A ROTTEN DEAL.

JERRY FARBER, *THE STUDENT AS NIGGER*

A student at the University of Prince Edward Island has been waiting in line outside the school's business office for about five minutes; he is waiting to obtain a 'permission to pay later' slip. His student loan has yet to arrive.

"Same as last year," he says. "I know I'll get it eventually."

But what he does not know, indeed what no one truly knows, is where the Canada Student Loan Program (CSLP) is headed. He is not concerned, or even aware that the program, which assists hundreds of thousands of Canadian students, has reached perhaps the most important cross-roads in its long history.

Since 1995, the government and several financial institutions have participated in a risk sharing agreement that was hoped to make the CSLP more accessible, more streamlined, and most importantly a matter for financial institutions as much as government.

The banks—including the Royal Bank, CIBC, Scotia, National Bank and many caisses populaires in Quebec—and the federal government failed to reach a long term agreement.

The federal government, represented principally by the Human Resources Development Canada ministry (HRDC) believes the banks were apparently frustrated by higher than expected default rates and a perceived lack of public respect for the losses they were incurring.

But the banks will tell you another story.

The burden of the CSLP, some 1.5 billion dollars a year effecting over 300 thousand students, has now fallen back to the federal government. This past change in philosophy, the partial-privatisation of the student loan system that took place between 1995-2000, has been, according to all the stakeholders at one time or another, (the banks, the government and the students) an abject failure. There is no doubt about this failure, all parties agree to it even if their reasons for doing so are sometimes different and occasionally in direct conflict, and even if they have re-engineered their position on the matter recently.

What is not immediately clear is how the government ended up selling the banks on funding something with such a limited return on investment or "hurdle rate", and what exactly the government plans to do with the program in the future

People in government, at an academic institution and in an administrative role in this equation will tell you the primary priority is keeping the CSLP open and accessible to all.

But that is not the entire picture. Accessibility and openness must be balanced with what Thomas Townsend, the director of the CSLP, calls a "reasonable expectation of repayment."

It is this kind of creeping practicality that has altered the root core of the CSLP. It has also lead to recognition that not all students, and not all institutions of learning, can be analysed on the same scale.

Townsend is extremely emphatic that it must be the students who choose which institution they attend, and therefore which institution is funded by the CSLP

The situation is further complicated by the exclusion of students from the Bankruptcy Act. Students can now be grouped with

prisoners and ex-convicts as the only groups so excluded.

Finance Minister Paul Martin classified the exclusion as a way to "help" students pay back their debts without going into bankruptcy.

In an interview this past April Martin said: "Essentially the whole purpose of this (the exclusion of students from the Bankruptcy Act) is to help students to not have to go into bankruptcy. We recognize that some students won't be able to pay that (their debt) back all at once and essentially they need help."

But no one, with a straight face, can reasonably claim that this move was done for any other reason than to buttress the taxpayer's/risk sharers' "reasonable expectation of repayment."

All the interested parties agree that the student should have no more difficult time processing, receiving or re-paying their loans. A press release from the HRDC entitled: "The CSLP is ready for the year 2000/20001 school year" attempts to assure students that, in fact, they will see no interruption in service.

The press release glosses over the reason for the end of the relationship between the banks and the government. It claims that the relationship between the government and the banks ended simply: "because too few financial institutions showed an interest in continuing to participate."

The financial institutions all eschew any possibility of divulging default rates and real losses, and are reluctant to enter into any meaningful discourse on a subject that is so hot-branded—especially since they can reasonably view the CSLP as none of their business any more.

Ken Brown, a Senior Advisor in Corporate Communications at the Royal

advised repeatedly that the bank: "responded favourably to the government's request for funding."

"We are saddened to no longer be a part of the program. Educating young people, and not just young people, is, obviously in our best interest. We did have some problems with the previous program...we would rather a 'one student, one loan' program."

Brown went on to insist that the Royal never wanted, nor were they given any say over government policy.

Though unwilling to divulge rates, Brown did agree that the default rates for public institutions were far less than that of private, for profit, institutions.

This latest stance from Canada's largest bank comes as a surprise to student leaders.

Michael Conlon, president of the Canadian Federation of Students (CFS) believed that this last round of negotiations between the government and the funding agencies was killed because the Royal Bank backed out.

Conlon further stated that the CFS had knowledge that the only groups involved in this last round of negotiations were the Royal Bank, the CIBC and the federal government.

Conlon also disputes both Brown's and Townsend's assertions that the banks had no say in the forming of public policy. He cites a meeting in Ottawa in December 1998, which he attended along with representatives from all levels of government and all of the financial institutions involved, where the banks argued for credit checks and other changes to the loan system.

All parties involved have achieved the most enviable of public political stance on the debate. They all have plausible deniability. That is each stakeholder can comfortably lean on another in order to