

Government, banks mum about key student loan info

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OTTAWA (CUP) - Both government and banking officials cannot provide key information about Canada's student loan system, a Canadian University Press (CUP) investigation has revealed.

Last week, three of Canada's largest banks - the Royal Bank, CIBC and Scotia Bank - announced they were no longer administering the Canada Student Loans program for the federal government.

Monetary losses and lack of financial guarantees from Ottawa for defaulted loans were cited as reasons for the pullout.

These three banks had administered the program since 1995, when Human Resources

Development Canada transferred the loan system from their department to the private sector.

Yet immediately following the bank announcement, conflicting reports began to circulate about the real cost of the program and the true demands of the banks.

Media reports said the loan system cost anywhere from \$1-billion to \$1.8-billion a year to administer.

Other stories said the banks wanted \$75-million

more in risk premiums from Ottawa, while other pegged the number at \$100-million.

And questions about the true number of student loan defaults were rampant, as critics accused the banks of inflating the default rate numbers.

But clarifying details with those involved isn't easy.

"Have you called the government?" asked Shannon Bonus, a representative from CIBC, responding to an inquiry about how many student loans the banks financed. "That sounds like an industry number. Have you called the Canadian Bankers Association?"

Sharron Wilks, of the Canadian Bankers Association, replied that only Human Resources Development Canada and the three banks involved with the program keep these numbers.

"Only three of our members are involved, so we don't keep those numbers," said Wilks. "You'll have to contact the member banks involved."

Meanwhile, Steve Dyck, a representative from the Royal Bank, cited figures as reported in the media. He said the default rate on student loans is at 27 per cent, citing HRDC figures he said he saw.

"I think that's an accurate number," said Dyck.

Dyck also said his bank may have lost between \$100- to \$160-mil-

Reminder for Potential Graduates for May 2000

If you are planning on graduating this year, the deadline for application for degrees/diplomas is March 15th. You can obtain this application from the Registrar's Office.

Many 4th Year students have not updated their local addresses. The Senior Class will be sending out a package to each potential graduate; and if your address has not been updated, you will miss out on this very beneficial information.

The Senior Class will be receiving mailing labels from the Registrar's Office during the week of March 13th, so please let the Registrar's Office know of any changes in your local mailing address as soon as possible, or you can change your local address on the registration web pages, accessed with your student and PIN numbers.

lion annually in administering student loans, but he couldn't provide specific numbers.

When asked how much the banks spent in administering the program, Dyck wouldn't commit to numbers.

Upon suggestion that some media outlets reported the amount to be \$1-billion, he responded, "I don't know if that's an accurate number."

The government wasn't being any more helpful than the banks.

Gino Trifiro, an HRDC spokesperson, told CUP he didn't know how much the student loan system cost the banks to administer.

"We can't calculate the cost last year because we were not administering the system," he said.

"What we can say is

that starting August 1 we will have to raise the capital to run the program, and that is \$1.8 billion."

Current figures kept by Statistics Canada show that Canadian banks had a total of \$3.6-billion lent out in the form of government-guaranteed loans.

Government critics say this figure points to the fact that the system is likely losing money, and that a vital trust was broken between the banks and the government.

"This program was a disaster and the banks realized the situation wouldn't improve," said Henri Sader, a researcher for New Democratic Party MP Lorne Nystrom. "The banks wanted to be perceived as white knights for financing education. Instead they became the arm twisters forcing students into debt."

If the \$3.6-billion figure is correct, said Sader, and you assume that 20 per cent of students default on their loans, then you can conclude that the three banks were collectively losing \$700,000 annually.

But accurate default rates are also hard to come by.

The latest figures from Ottawa show 80 per cent of students repay their Canada Student Loans without incident, while 13 per cent repay their loans after defaulting at least once.

In other words, 93 per cent of students eventually repay their federal loans.

These numbers, however, date back to 1995 - the same year the three major banks began administering the student loan system.