

Feds turn eye to career college students in effort to collect more student loans

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OTTAWA — Federal officials, as part of the government’s latest efforts to crack down on bad debts, are trying to figure out why graduates from private career colleges are more likely to have problems repaying their student loans.

Roughly nine per cent of the almost half-million students who receive federal assistance each year through the Canada Student Loans program go to private schools, including career colleges.

A federal research proposal from last year says these students are at a “higher risk of defaulting on their student loans” and face more problems making payments on time.

Answering the question of why that might be will be the focus of a project expected to start this summer that will create a detailed view of private career college students and feed into federal efforts to collect more of the billions in outstanding loans and avoid writing off debts that can’t be collected.

Serge Buy, CEO of the National Association of Career Colleges, said career college students are usually older than community college and university graduates and more likely to have children that can strain their finances.

His association and the schools it represents want students to be equipped with the financial tools needed to repay loans, but privacy issues mean schools never know who is having repayment problems.

“For us to try to help them, which we would love to, we can’t because we have no way to find out who is in default and who is facing challenges,” he said.

The research proposal is among pages of documents obtained by The Canadian Press under the access-to-information law that outline efforts over the last two years to reduce write-offs of loans like the recently announced \$203.5 million from 34,240 students in this fiscal year.

Officials have put a particular emphasis over the last two years on projects designed to see what does and doesn’t work when prodding, or nudging, borrowers to get on top of their repayments.

For instance, Employment and Social Development Canada found private career college graduates were more likely to use a repayment assistance program if they received a letter with a graphic outlining some repayment decisions. Another project found that harshly worded, “more consequence-based” letters worked better than a gentler message at pushing borrowers to get their loans back into good standing.

A third test yielded a 73 per cent, year-over-year, bump in on-time payments from a small group of borrowers simply by having Canada Revenue Agency collection agents mention the availability of a repayment assistance program on the phone.

The rate at which borrowers miss their first payment was just under 15 per cent last year, raising questions about whether borrowers understand the repayment terms and the “consequences of those decisions,” according to a 2016 presentation on default rates.

Many students don’t know that they can qualify for repayment assistance that can reduce or delay payments to make them more manageable, said Michael McDonald, executive director of the Canada Alliance of Student Associations.

In their first budget, the Trudeau Liberals increased the minimum annual income required before payments are necessary, meaning graduates now start loan repayments once they earn over \$25,000.

McDonald said he was cautiously optimistic that default rates should decline with the extra repayment help the Liberals have provided.

At an event on Tuesday in Vancouver, Finance Minister Bill Morneau argued the Liberals have “made some significant inroads” towards making post-secondary education more affordable, by providing more grants and loans to low- and middle-income students. He said

the government would “keep thinking about how we can make a difference.”

CASA and the Canadian Federation of Students say the Liberals could make a difference by eliminating interest on those loans. CFS treasurer Peyton Veitch said interest-free loans would ease the financial burden on students from lower-income families.

Veitch said if the Liberals gave an interest-free loan to aerospace giant Bombardier, the government could do the same for students.

“It’s not right or justifiable that the government should be profiting on the interest paid by students on their loans and we think it’s high time for that practice to end,” he said.