



Ontario Undergraduate Student Alliance

POLICY PAPER

Reforming Ontario's Student Financial Assistance System

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ABOUT OUSA

OUSA represents the interests of over 140,000 professional and undergraduate, full-time and part-time university students at seven student associations across Ontario. Our vision is for an accessible, affordable, accountable, and high quality post-secondary education in Ontario. To achieve this vision we've come together to develop solutions to challenges facing higher education, build broad consensus for our policy options, and lobby government to implement them.

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GLOSSARY

Acronym Meaning

CCB Child Care Bursary

Provides supplemental funding to help address child care costs of full-time students who have been assessed as having financial need under the Ontario portion of OSAP.

CESG Canada Education Savings Grant

A grant provided by the federal government that matches parents' contributions to their child's Registered Education Savings Plan.

CLB Canada Learning Bond

A grant provided by the federal government to low-income families' to contribute to their child's Registered Education Savings Plans.

CSG Canada Student Grant (or Canada Student Grant Program)

**(or
CSGP)** A federal government program that gives grants to low-income and middle-income students, in addition to students with disabilities, students with dependants, and part-time students.

CSL Canada Student Loan (or Canada Student Loans Program)

**(or
CSLP)** Student loans provided by the federal government; they compose 60 per cent of the Canada-Ontario Integrated Student Loan.

COISL Canada-Ontario Integrated Student Loan

The combined federal and provincial student loan delivered to students through OSAP.

EI Employment Insurance

A Government of Canada program that provides temporary financial assistance to unemployed Canadians who lose their jobs through no fault of their own.

ESDC Employment and Social Development Canada

The federal government ministry responsible for post-secondary education and student financial assistance. Formerly Human Resources and Social Development Canada (HRSD).

HEQCO Higher Education Quality Council of Ontario

An independent government body that monitors quality, accountability, and accessibility at Ontario post-secondary institutions.

MTCU Ministry of Training, Colleges and Universities

(or TCU) The provincial government ministry that is responsible for post-secondary education and student financial assistance.

NSLSC	National Student Loans Service Centre
	An organization that helps distribute student loans and administrates repayment for the federal and provincial loan programs.
OAG	Ontario Access Grant
	A tuition discount programs from the provincial government that covers between 25% and 50% of tuition for low-income students in first and second year university.
ODSP	Ontario Disability Support Program
	A program that offers financial assistance for essential living expenses, health benefits, and employment assistance services for individuals with disabilities; ran by Ontario's Ministry of Community and Social Services.
OECD	The Organization for Economic Co-operation and Development
	Provides independent analyses and recommendations to develop better understandings of critical global issues and improve economic and social well-being around the world.
OPSSS	Ontario Post-Secondary Student Survey
	The Ontario Undergraduate Student Alliance's biennial membership survey.
OSAP	Ontario Student Assistance Program
	The financial assistance program in Ontario, which coordinates assistance from both provincial and federal governments.
OSOG	Ontario Student Opportunity Grant
	A provincial debt remission program that reduces a student's debt to \$7,400 in 2015/16 if they complete the academic year.
OSL	Ontario Student Loan
	Student loans provided by the provincial government; they compose 40 per cent of the Canada-Ontario Integrated Student Loan.
OTG	30% Off Ontario Tuition Grant
	A tuition discount program delivered through OSAP that gives a 30 percent discount on tuition for direct-entry students whose families make \$160,000 or less annually.
OW	Ontario Works
	A program that offers financial assistance and employment assistance to those with financial need; delivered through Ontario's Ministry of Community and Social Services.
PSE	Post-Secondary Education
RAP	Repayment Assistance Plan
	An assistance program for government loan recipients that are having difficulty repaying their student debt; recipients may have payments subsidized and the

repayment period capped at 15 years.

RESP Registered Education Savings Plan

A type of savings account where money can grow tax-free until it is withdrawn for post-secondary education; federal savings incentive programs supplement savings.

SAG Student Access Guarantee

A partnership between the provincial government and institutions that gives students institutional financial assistance to meet the costs of tuition, fees and books that are unmet by the Ontario Student Assistance Program.

SFA Student Financial Assistance

A general term for any form of monetary aid or assistance provided to students by their families, private lenders, post-secondary institutions, and the government.

TSA Tuition Set-Aside

The portion of tuition that must be set aside—a function of tuition increases—to pay for student supports; more detail in the Appendix.

EXECUTIVE SUMMARY

BACKGROUND

All willing and qualified students in Ontario should be able to access and excel within Ontario's post-secondary education system. This often means that students must seek help to pay the high prices of a university education. The financial assistance system must provide sufficient funding for qualified individuals to attend post-secondary education. What's more, any financial assistance students receive should enable them to devote their attention to their studies.

Ontario's financial assistance mechanisms must also recognize the varying degrees of aid that different students require and the rationale behind providing aid. All financial assistance mechanisms should be structured in ways that facilitate access to post-secondary education and increase the affordability of such an experience. To this end, publicly funded assistance mechanisms should equitably distribute funds, ensuring that individuals and families with the most need receive the most assistance.

THE ISSUES

RELIANCE ON PRIVATE SOURCES

While parents have high expectations of themselves to use savings to fund their children's post-secondary education, few families actually use savings for tuition and living costs and many often borrow money to pay for their children's educations.ⁱ Families' abilities to save for PSE are closely related to income levels,ⁱⁱ and high-income families demonstrate a greater ability to save for post-secondary education.

Students face expectations to contribute towards their education. Some students take on part-time employment to fund their educational costs, however this can be detrimental to their academic success. When students opt to borrow funds from private lenders, they are not afforded the same securities as those who borrow from the government. Private lenders do not offer debt remission or repayment assistance programs and often require students to pay back parts of their bank loans, lines of credit, and credit card balances—at high interest rates—while they are studying.

The OSAP application process is very complicated and this deters students from applying for public financial aid at all. Those who do apply for OSAP sometimes turn to private lenders when their government-provided funding is not enough.

OUT-DATED GOVERNMENT LOAN PROGRAM

Eligibility

Many students with financial need are barred from receiving financial aid because of restrictive Ontario Student Assistance Program (OSAP) eligibility policies. Provincial financial aid is very limited for part-time students as they are only eligible for \$10,000 for their entire study period, most of which is provided by the federal government. Students who are on academic restriction are required to pay back full-time student loans if their course load falls below 60 percent of a full-time course load. Students who receive loan over-awards must repay over-awards before any additional aid will be issued. Finally, students who spend the majority of their time in Ontario, but move out of province temporarily are sometimes unable to access OSAP when they return.

Assessment

The OSAP cost assessment fails to accurately assess the cost of attending university in Ontario. Not only do the Canada and Ontario portions of the integrated student loan program use different criteria in each of their cost assessments, the provincial government dramatically underestimates students' costs. Dependent students are automatically expected to live with their parents or legal guardians during the pre-study period and often have their living costs estimated incorrectly. Compounding these issues further, Ontario's cost assessment does not accurately reflect increases in professional-program tuition over the past decade, or variances in tuition at different institutions.

Assessments of financial resources tend to over-estimate students' ability to pay for school. The spousal contribution is unreasonably high making most married students ineligible for OSAP. Students who choose to volunteer or pursue unpaid work over the summer are unable to appeal the minimum pre-study contribution. As with the cost assessment, the provincial and federal governments use different criteria to assess financial resources and determine expected parental contributions. This results in unreasonably high expectations of parents in the province's assessment, leaving some middle-income students ineligible for OSAP.

Allocation & Appeals

Insufficient government assistance is the most common reason that students report for choosing to borrow from banks.ⁱⁱⁱ Loan maximums are too low and do not reflect the true costs of a university education. Making matters worse for students, refusals of financial support from family cannot be appealed, causing some students to have insufficient funds.

Repayment

Few barriers are accounted for in the administration of repayment assistance programs. Interest rates on OSAP loans are higher than in peer jurisdictions, resulting in higher costs to borrowers who take longer to repay their loans. However rapid debt payment hinders individual's economic well-being and is associated with decisions to put off marriage or buying a house. Unfortunately students have insufficient knowledge of the provincial government's Repayment Assistance Plan, which limits its effectiveness. It is difficult to propose solutions to these problems given the lack of research and understanding of the effects of student debt and loan repayment.

IMPRECISE GOVERNMENT GRANTS AND BURSARIES

Many students are unaware of the government grant and bursary programs available to them or how these interact with each other. Ontario's grant programs are not cumulative, sometimes displacing each other when they are awarded to students. Additionally, Ontario's tuition discount grants (the 30% Off Ontario Tuition Grant and the Ontario Access Grant) do not provide discounts on actual tuition fees. These things make it difficult for students to anticipate the amount of non-repayable aid they are eligible for.

On top of this, the most well-known aid programs are not inclusive of all high need student groups. Students' eligibility for the 30% Off Ontario Tuition Grant and the Ontario Access Grant is dependent on the time between completing secondary school and beginning university. This means that some of the most vulnerable students are not eligible for tuition discounts—Indigenous students, adult learners, students with disabilities, or any student who takes a break between secondary school and university. The Ontario Access Grant is also only available for the first two years of students' programs. Tuition, textbook, and education tax credits disproportionately benefit higher income individuals and families, and are not delivered at the time of year when students need assistance the most.

The non-repayable funding available to students is inadequate. The cap on the Ontario Student Opportunity Grant is set to increase with annual increases in the maximum Ontario Student Loan, further limiting the availability of non-repayable aid. Additionally, students with dependents do not receive enough funding through the Child Care Bursary.

UNRELIABLE INSTITUTIONAL FINANCIAL AID

The provincial government's SAG is meant to fulfill students' unmet need determined in the OSAP need assessment and only assures students' access to resources for tuition, books, and mandatory fees. There are students with financial need who do not qualify for OSAP. Due to the limitations of the Student Access Guarantee (SAG), these students may not receive all of the funding they need.

For the most part, the SAG is funded through institutions' tuition set-aside, however its purpose can be fulfilled with private loans for second-entry students.

Some universities prioritize their recruitment goals, rather than need, when they distribute financial aid funds. The majority of institutional aid—outside of the SAG—is delivered through merit-based scholarships instead of targeting student need. In the worse cases, universities are using tuition set-aside funds to pay for merit-based entrance scholarships.

LIMITED ACCESS TO INFORMATION

Students have insufficient knowledge of financial assistance systems and have trouble accessing the information they need. High school guidance programs fail to provide sufficient information about financial assistance to students. This limits students' access to the financial aid mechanisms that would best meet their needs, while also limiting their access to university. Limited knowledge continues to affect students when they start to borrow money from the government; a lack of awareness about how to ensure the continuation of interest free status can cause students to default on their loans.

RECOMMENDATIONS

HELP FAMILIES SAVE FOR EDUCATION

Families should not be unduly burdened by the costs of post-secondary education and government savings incentives should be more accessible to low-income families. When students need help paying for post-secondary education, the government should be the main source of financial aid—lessening their reliance on part-time employment or private lenders. In order to better serve students and their families:

- Reforms to the student financial assistance system must be enacted to reduce financial pressures on families;
- Provincial government leaders should lobby the federal government to increase the value of the Canada Learning Bond and ensure more families are benefiting from it;
- Ontario should develop its own savings incentive program similar to the Canada Education Savings Grant (CESG);
- The CESG should match RESP contributions at a higher rate for low-income families;
- Ontario should ensure that there is adequate promotion of savings opportunities to new parents;
- The Student Financial Assistance System must be improved so that students do not have to work during full-time studies;
- Government should ensure that those who are eligible for public financial aid are not discouraged from applying for OSAP by the complexity of the application process; and
- OSAP should expand eligibility criteria.

ENSURE OSAP REFLECTS ACTUAL COSTS

Eligibility

To ensure equitable access to post-secondary education, public financial aid must be available to all students who need it. To do this, the public financial aid system should be flexible enough to address individual circumstances and assist those with the greatest need first. With the intention of broadening eligibility, the provincial government should:

- Remove regressive policies that make it difficult for part-time students, students with loan over-awards, and students with specific academic requirements to qualify for OSAP;
- Allow students to submit a form of notification in the event that they are going to the province temporarily;
- Hold part-time students to the same standards as full-time students;
- Make provincial financial aid available for part-time students;
- Allow students who are on academic restriction to access financial aid;
- Add over-awarded money to students' loan principles;
- Deem students who receive loan over-awards eligible for continued financial aid; and
- Separate funding eligibility from academic achievement.

Assessment

The need assessment must be accurate, fair, and transparent with the provincial and federal governments using the same criteria. OSAP assessment could be improved by:

- Combining federal and provincial need assessments into one, allowing the federal and provincial governments to truly split their responsibilities 60% and 40% respectively;
- Changing monthly living allowances to reflect the rising costs of living in different regions in Ontario;
- Asking dependent students to report where they live during the pre-study and study periods;
- Calculating allowable professional-program tuition and ancillary fees using actual costs on the provincial side of the assessment; and
- Calculating allowable costs for academic materials by program, not category.

Allocation & Appeals

An effective public financial aid system should reliably cover the gap between available financial resources and the costs of post-secondary education for students with high financial need. Both governments must be accountable to their responsibilities in providing financial aid to university students. OSAP appeals should be readily available to students in exceptional circumstances. In reforming assistance allocation, students would like the government to:

- Allow for a substantial one-time adjustment of the loan maximum to reflect current costs of university education; and
- Ensure OSAP proactively provides specific information on the process for filing an appeal to every applicant.

Repayment

The repayment process should provide relief and flexibility for those who experience difficulty making regular payments while being structured in a fair and progressive manner. Students make the following recommendations for streamlining the repayment process:

- Students should not begin repayment of their debt until six months after ceasing studies;
- Government should lower interest rates to prime, for student loans in repayment;
- Governments should continue to support the Repayment Assistance Plan (RAP) ensuring graduates benefit from acceptable debt-to-earnings ratios and guaranteed debt forgiveness;

- RAP should be based on after-tax income and not expect Employment Insurance recipients to pay;
- Government should better and more frequently advertise RAP;
- Loan repayment should only begin when an individual has the economic means to do so; and
- Research should be conducted on debt aversion, the long-term effects of student debt, and the effects of wage inequalities on graduates' abilities to manage and repay their student loans.

INCREASE EFFECTIVENESS OF GRANTS AND BURSARIES

Students with the most financial need should have access to extensive non-repayable government funding that makes post-secondary education more affordable. Grants should be made available to students while they are studying. Grant and bursary programs could be made more effective by:

- Increasing the amount of non-repayable financial aid available to students;
- Distributing non-repayable financial assistance in an equitable manner;
- Ensuring students are aware of non-repayable aid;
- Combining the Ontario Access Grant and the 30% Off Ontario Tuition Grant;
- Increasing the value of tuition discount grants to cover proportional amounts of actual tuition fees;
- Extending the eligibility for tuition discount grants for the duration of students' programs at any time;
- Keeping the Ontario Student Opportunity Grant (OSOG) cap at the 2015/16 level;
- Informing students of their OSOG eligibility at the start of each academic year;
- Making the Child Care Bursary (CCB) available to all students with any dependent children under 12;
- Ensuring CCB amounts reflect the actual costs of childcare in Ontario;
- Re-instating a technology grant for independent students; and
- Redirecting funds used to honour tuition, education, and textbook tax credits.

MAKE INSTITUTIONAL FINANCIAL AID MORE TARGETED

Institutional financial assistance should be available to all students with financial need, but prioritize those with the greatest need. The Student Access Guarantee (SAG) must ensure that students receive fair and sufficient amounts of financial aid. Institutional assistance could be strengthened by:

- Making some assistance available to students who do not qualify for OSAP;
- Allowing the provincial government to take over the distribution of tuition set-aside funds;
- Ensuring the SAG is exclusively met through non-repayable grants that are not reduced by exempt resources;
- Ensuring funds derived from operational sources and the tuition set-aside are used to meet students' financial need;
- Distributing institutional assistance funded by the tuition set-aside on a priority basis, with unmet need addressed first; and
- Eliminating the use of public funding to pay for merit-based scholarships at all universities.

IMPROVE AVAILABILITY OF SYSTEMIC INFORMATION

Students must be able to easily understand and navigate the student financial assistance system. It is crucial that students have adequate access to information; the provincial government and institutional financial aid offices should:

- Create an effective and user-friendly website that empowers students to access information about all types of financial aid;
- Publish an annual report for OSAP on the OSAP website;
- Provide more resources to guidance counsellors or teachers in the secondary school system to help prepare students to manage their money independently; and
- Provide sufficient counsellors and easily accessible information on personal finances for university students and recent graduates.

INTRODUCTION

Those who earn post-secondary credentials are more likely to gain full-time employment and decrease their odds of experiencing prolonged unemployment.¹ In fact, “there is a marked job advantage in employability and earnings for university graduates over the population as a whole.”² Higher education facilitates skills retention and development and makes individuals more likely to pay close attention to their health.³

A university education is still an important mechanism for individuals to improve their quality of life and for the government to maintain economic productivity and a healthy population. As such, any changes made to the post-secondary landscape must serve the public good. We believe that all willing and qualified students should be able to participate in higher education.

While post-secondary enrolment has grown more in Ontario than any other province, there are still groups who are not accessing higher education in appropriate numbers⁴—namely adult learners, students with dependants, Indigenous students, students from rural or northern communities, and students with disabilities. On top of this, a forecasted decline in the number of 18 to 24 year olds is about to pass through the sector.⁵ Any maintenance or increase of enrolment (and, by extension, the province’s educated human capital) will have to come from growth in the participation rate.

Now more than ever, it is crucial to reach deeper into the pool of qualified applicants by removing as many barriers as possible. It is important to recognize that students experience multiple and intersecting barriers in accessing post-secondary institutions. However, experiencing some type of financial barrier is a common experience. Only a third of our membership was able to report accumulating no debt in our 2013 Ontario Post-secondary Student Survey,⁶ suggesting that these students did not borrow any money to overcome financial barriers. An even smaller proportion, about a quarter of our membership, anticipates accumulating zero debt by the time they graduate.⁷

As the primary system that provides the resources for people to attend post-secondary education, the student financial assistance system is a major component of Ontario’s social safety net. It is therefore essential that this system supports all qualified students’ access to higher education to the best of its abilities. It is our collective responsibility to help create the best student financial assistance system possible, for reasons of equality of opportunity as well as for the future economic prosperity of the province.

The student financial assistance system is immensely complex. This policy paper presents a view of the system as a whole (see the appendix) and combines this with research conducted by experts, academics, government agencies, and the experiences of undergraduate students. This policy paper is intended to articulate students’ concerns and recommendations for improving the student financial assistance system.

1 Craig Alexander and Shahrzad Mobasher Fard, *Special Report: Post-Secondary Education is the Best Investment You Can Make* (Toronto: TD Economics, 2011).

2 Martin Hicks and Linda Jonker, *Still Worth It After All These Years* (Toronto: Higher Education Quality Council of Ontario, 2015).

3 Alexander and Fard, *Special Report*.

4 Higher Education Quality Council of Ontario, “Higher Education Quality Council of Ontario (HEQCO) Research Plan 2013-2014 Draft,” *Higher Education Quality Council of Ontario*, accessed October 20, 2015.

5 Statistics Canada, “Table 052-0005 – Projected population, by projection scenario, age and sex, as of July 1, Canada, provinces and territories,” Government of Canada CANSIM database, accessed October 14, 2014, last modified September 16, 2014.

6 CCI Research Inc., *Ontario Post-secondary Student Survey: Summary Report* (Toronto: Ontario Undergraduate Student Alliance, 2013).

7 *Ibid.*

Except where otherwise noted, discussion primarily focuses on financial assistance available to undergraduate students from Ontario who are enrolled full-time in a public post-secondary institution. The availability of financial assistance varies significantly for part-time students, students who attend private institutions, and students from other provinces or countries, and therefore will only be discussed when relevant. We tend to use examples relevant to single students in two-term, first-entry programs that live either at home with their parents or away from home in the communities where their universities are located. Many mechanisms for financial assistance take into consideration the unique needs of students in three-term programs, second-entry programs, students who are married, and students who have dependants. Again, these considerations will only be discussed when relevant.

Most of the recommendations contained within this policy are primarily directed at the Ontario government under the assumption that they have purview over the funding sources used by the largest proportion of students. In making recommendations, we also assume that the basic design of the student loan system will remain largely unchanged.

BACKGROUND

Principle: All willing and qualified students in Ontario should be able to access and excel within Ontario's post-secondary education system.

OUSA believes that all willing and qualified individuals should have access to the post-secondary education pathway of their choice. However, this commitment to PSE access in Ontario has brought with it a dependency on student financial assistance, especially repayable assistance through student loans. Although increases in student debt loads have been relatively moderate in Ontario, and although the Government has provided increasing amounts of non-repayable assistance (through grants and bursaries), undergraduate debt loads remain substantial.⁸

The average debt owed to any source upon graduation was \$26,900 in 2010 for bachelor's degree holders.⁹ While this is slightly higher than the national average, Ontario had the third lowest average student debt load in Canada that year.¹⁰ More recently, in a 2013 survey of our membership, students reported an average anticipated debt load at graduation of \$26,887.¹¹ According to the Ministry of Training, Colleges, and Universities, average repayable debt owed to the government for students in four-year university programs was \$22,207 in 2012/13.¹²

The number of new government loans issued each year is increasing; 46,621 students entered the system in 2010/11 compared to 55,489 students in 2013/14.¹³ About 79 percent of the new loans

8 Joseph Berger, "Student Debt in Canada," in *Price of Knowledge: Access and Student Finance in Canada Fourth Edition*, by Joseph Berger, Anne Motte, and Andrew Parkin, 181-206 (Montreal: The Canada Millennium Scholarship Foundation, 2009).

9 This value is not in constant dollars. "Table 477-0068 - National graduates survey, student debt from all sources, by province and level of study, every 5 years (percent unless otherwise noted)", Statistics Canada CANSIM database, last modified November 28, 2014, accessed June 8, 2015, <http://www5.statcan.gc.ca/cansim/a47>.

10 Ibid.

11 This value is not in constant dollars. This value is not weighted for representativeness. Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way: A Look At Student Financial Assistance Usage in Ontario* (Toronto: Ontario Undergraduate Student Alliance, 2014).

12 This value is not in constant dollars. "Average OSAP debt: Average debt of Ontario Student Assistance Program recipients, by postsecondary sector," Ontario Ministry of Training, Colleges and Universities, last modified August 12 2014, accessed June 2, 2015, <http://www.ontario.ca/data/average-osap-debt>.

13 Ministry of Training, Colleges and Universities, special query of 2010-11 to 2014-15 OSAP data as of June 2015.

issued in 2013/14 were to students in their first year of study, so it can be said that the majority of students carry debt for the duration of their academic career.¹⁴

If other conditions of PSE funding remain constant—decreases in provincial contributions and increases in students' contributions to university operating budgets—questions about the impacts of student debt will also remain. Students are increasingly required to rely on loans to fund their post-secondary education and government-run financial assistance programs are becoming unable to keep up with demand. When asked if they were worried about being able to pay off their debt after graduation, 78 percent of our student members indicated that they were concerned—almost half (45 percent) indicated they were *very* concerned.¹⁵ Similarly, 66 percent of our students indicated they were concerned about having enough money to complete their education.¹⁶ Students are uncomfortable with the amounts of money they are required to borrow to attend university.

Furthermore, there are quite substantial differences between estimates of students' actual costs and governments' allowable living costs as will be discussed in the OSAP Assessment of Costs section. We estimate the average costs for a student in Ontario to be between \$16,858 and \$26,644—depending on their living situation.¹⁷ This estimate includes the cost of tuition, fees, textbooks, technology, living expenses, and transportation (a more detailed description of student costs can be found in the appendix). The discrepancy is found in the difference between these estimates and the \$12,410 COISL loan maximum for single student. This is problematic when government aid is the most popular source of funding for domestic students; 60 percent of OUSA students say they applied for OSAP in 2013.¹⁸

Financial need for OSAP is determined by subtracting a student's financial resources from their anticipated costs. However, again as described in the appendix, the government makes many assumptions regarding students' costs and has specific expectations of the amount of resources students and their families should contribute. Complicating the process further, students are first assessed under the federal government's need assessment, followed by the provincial government's assessment before their OSAP allocation is determined.

Financial resources can be organized into four broad categories. Assistance from private sources refers to students' own savings, support from their families, and any loans, lines of credit, or credit cards they may seek from banks. Government loans and non-repayable government aid include OSAP and all associated grant, bursary, and scholarship programs provided by the federal and provincial governments. Finally, institutional financial assistance includes all grants, bursaries, scholarships, and work opportunities available through students' universities. A detailed description of financial resources can be found in the appendix.

RATIONALE

Principle: The financial assistance system must provide sufficient funding for qualified individuals to attend post-secondary education and devote their attention to their studies.

While the ideal solution may be to reduce the upfront costs of higher education—tuition, fees, and materials—reforms to the student financial assistance system offer more realistic and actionable improvements in the short, medium, and long term. For the student financial assistance system to be effective, it must provide sufficient resources to meet the true needs of students and attempt to

¹⁴ Ibid.

¹⁵ CCI Research Inc., *Ontario Post-secondary Student Survey*.

¹⁶ Ibid.

¹⁷ See Appendix.

¹⁸ CCI Research Inc., *Ontario Post-secondary Student Survey*.

eliminate upfront financial barriers to accessing higher education. However, the solution is not to simply pour more money into the system; the billions of dollars that are spent must be used in the right way.

All stakeholders have their own priorities in the fight to improve student financial assistance. We would like to be forthright in presenting the assumptions, values, and beliefs that underlie our recommendations for reform.

Equitable Distribution

Financial assistance dollars should be distributed in an equitable and student-centred manner. In order to ensure this equitable distribution, students believe that financial assistance should be allocated primarily on the basis of financial need. We must recognize that the student financial assistance system has limited resources to disperse. This is especially the case for publicly delivered programs.

The government in particular should prioritize reforms that target and expand access for students with the least resources and greatest need instead of blanket solutions applied to all students, like tax credits for example. The government has the unique ability to run financial aid programs on a society-wide level. This system should be administered as a social good, where the needs and interests of students are prioritized.

Affordability

The provision of financial assistance to students must hold affordability as a central tenet. The system at large should ensure all students have access to sufficient resources that cover all of their education-related costs at the same time as it avoids over burdening students post-graduation. Non-repayable forms of assistance should most heavily target individuals with the highest financial need. Loans and other repayable forms of assistance should ensure their repayment policies are realistic and manageable. The majority of financial assistance should be made available to students when they need it the most, typically at the start of each academic term.

The provincial government must provide sufficient funding to the public financial aid system in order to ensure that it can provide adequate assistance to students who choose to use it. In this regard, it is important that systemic reforms seek to alleviate students' concerns and burdens rather than achieve cost-recovery or partisan support. The provincial government must recognize cost of living disparities between regions in Ontario in seeking to support all of students' education and related costs.

Access

The student financial assistance system is an important tool in increasing access to post-secondary education, particularly amongst individuals who are barred from education for purely financial reasons. The federal and provincial governments, along with post-secondary institutions, must commit to developing fair and effective student financial assistance programs that eliminate financial barriers to access. This should include reducing both real and perceived barriers.

Reducing financial barriers is only one piece of a greater access puzzle and supporting students with limited financial resources necessitates the consideration of social factors that may compound their lack of resources. This consideration means that public aid programming must

target social groups who have historically accessed post-secondary education at rates lower than they exist in the general population, in addition to low-income earners.

Everyone that plays a role in higher education—the federal government, the provincial government, post-secondary institutions and the public—must work together to ensure that the whole of student financial assistance programs work together to ensure that no qualified student is barred from pursuing and excelling in post-secondary education for financial reasons. In this endeavour we must ensure that students and their families are aware of the different types of financial assistance available to them. They must also be educated on how each mechanism works. Better access to information will empower students to choose the assistance mechanisms that are the best for them and their financial situation.

PRIVATE SOURCES

PARENTAL CONTRIBUTIONS

Principle: Families should not be unduly burdened by the costs of post-secondary education.
Principle: Government savings incentives programs should be accessible to low-income families.
Concern: Low-income families use government savings incentive programs less than families with higher incomes.
Concern: Many parents are not aware of the importance of saving for their children's education.
Recommendation: Reforms to the student financial assistance system must be enacted to reduce the financial pressures on families.
Recommendation: The provincial government should lobby the federal government to increase the value of the Canada Learning Bond and ensure more families are benefiting from it.
Recommendation: The provincial government should develop its own savings incentive program similar to the Canada Education Savings Grant.
Recommendation: Improve the CESG to give a higher rate of matching funding for low-income families.
Recommendation: The provincial government should ensure that there is adequate promotion of these opportunities to new parents upon having children.

Many Canadian parents feel that providing financial assistance for their children's post-secondary education is their responsibility.¹⁹ Accordingly, these parents are twice as likely to give their children money for their tuition than to loan it to them.²⁰ Unfortunately, this responsibility does not come easily to all Canadian families.

According to the HSBC, nearly seven in 10 parents think that university is unaffordable for most people.²¹ "Parents recognize the need to save to help pay for their child's university education – but many do not put this into action."²² While parents have high expectations of themselves to use savings to fund their children's university when they are young, in reality much fewer families actually use savings for tuition and living costs.²³ Surveys have found that families often borrow money to cover post-secondary education costs,²⁴ while also expecting their children to make their own contributions to the costs of education.²⁵

Families' abilities to save for PSE are closely related to income levels.²⁶ In Canadian households with annual incomes at or below \$30,000, 44 percent of children have postsecondary savings compared to households with incomes at or above \$100,000 where 82 percent of children have savings.²⁷ Similarly, children in higher income households are more often beneficiaries of RESPs than children from low-income households. Amongst the children with PSE savings in

19 Abacus Data and Canadian Alliance of Student Associations, *Parental Views on Post-Secondary Education: A survey of 604 Canadian Parents*, (Abacus Data and Canadian Alliance of Student Associations, 2014).

20 Ibid.

21 HSBC, *The Value of Education: Learning for life Canada Report*, (London: HSBC Holdings plc, 2015): 10.

22 Ibid.

23 Ibid.

24 HSBC, *Value of Education*. Abacus Data and Canadian Alliance of Student Associations, *Parental Views*.

25 HSBC, *Value of Education*, 11.

26 Abacus Data and Canadian Alliance of Student Associations, *Parental Views*.

27 Statistics Canada, "Table 477-0075 – Postsecondary savings for children 0 to 17 years old, by parental characteristics, occasional," Government of Canada CANSIM database, last modified October 29, 2015, accessed October 21, 2015.

households with annual incomes at or below \$30,000, 72 percent had RESPs; amongst those in households with annual incomes at or above \$100,000, 83 percent had RESPs.²⁸

The correct supports need to be put in place to enable students and families with financial need to save for PSE. The federal government needs to make it easier to use RESPs to help narrow the gap between beneficiaries from higher income families and those from lower income families. It should also make the incentives for using RESPs more generous for low-income families. To this end, the provincial government should lobby the federal government to improve the reach and increase the value of the Canada Learning Bond. This program has seen increased participation over the last two years and additional investments will help to improve PSE access and affordability.²⁹

The provincial government might also create its own savings plan, similar to the Saskatchewan Advantage Grant for Education Savings and the British Columbia Education and Training Savings grant program. Such a plan would further incentivize families to save for PSE while also providing the provincial government greater flexibility to improve the program when Ontarians need assistance. This savings program would be offered in addition to the Canada Education Savings Grant that families already receive when they open an RESP for their children.

According to the CESP annual statistical review nearly half of new Canada Education Savings Grant (CESG) beneficiaries also received the Additional Canada Education Savings Grant (ACESG), which only middle and low income families are eligible for. The Additional Canada Education Savings Grant helps and incentivizes middle and low income families to save for Post-Secondary Education and improvements to the program should further increase savings for middle and low income families. Since 2004, there has been almost no increase to the number of beneficiaries receiving basic CESG, at the same time the A-CESG was created in 2005 and the number of beneficiaries increased to 900,000.

Finally, in order for parents to have adequate information about these important programs, there needs to be better promotion to new parents after they have a child. Once parents leave the hospital or have their new child, the provincial government should ensure they promote these programs along with other information they provide to new parents. For example, when mothers are learning to do the basic necessities with their babies, there could be structured programs in place to also educate parents about the benefits of saving early.

STUDENT EMPLOYMENT

Principle: Students should not be forced to work during full-time studies due to financial need.

Concern: Students are required to take on part-time employment to fund their educational costs, which can be detrimental to their academic success.

Recommendation: The student financial assistance system must be improved such that students should not have to work during full-time studies.

Employment offers students several opportunities during their studies. Namely the chance to gain hands-on career experience, evaluate personal fit within a potential career path, and an understanding of how to articulate their developing occupational skills. However, no student should be forced to work during their full-time studies to make up for a lack of financial resources.

²⁸ Ibid.

²⁹ Employment and Social Development Canada, *Canada Education Savings Program: Annual Statistical Review 2014*, (Ottawa: Her Majesty the Queen in right of Canada, 2015).

In 2013, 37 percent of our members reported working while taking courses; most of these students reported working for 10 hours per week at minimum wage.³⁰ The majority of these students indicated that their employment hurt their academic performance and almost 60 percent said they would not work while in school if they had enough money to cover their costs.³¹ Worse still, 65 percent said their job was not related to their field of study.³² These data imply that students are not working by choice, but rather out of necessity.

OUSA survey data also suggests that students who typically experience multiple barriers to PSE access are more likely to work while studying than other students; this includes mature students, students with dependants, students with disabilities, first generation students, and students from rural communities (including students from northern communities and First Nations Reserves).³³ Mature students and students from rural communities are also more likely than other students to say that they would not work while in school if they had the money to pay for tuition and living costs.³⁴ While students welcome exemptions of their in-study employment income from the OSAP needs assessment, the system should not expect students to work while studying as a result.

BANK LOANS AND CREDIT CARDS

Principle: The government should be the main source of financial aid for students in PSE.
Concern: Private lenders do not offer debt remission or repayment assistance programs to borrowers.
Concern: The OSAP application process is so complicated that it deters some students from applying for public financial aid.
Concern: Students are often required to pay back bank loans, lines of credit, and credit cards at high interest rates while they are still in university.
Concern: Students sometimes use bank loans, lines of credit, and credit cards to finance their education when their government-provided funding is insufficient.
Recommendation: The provincial government should ensure that those who are eligible for public financial aid are not discouraged from applying for OSAP by the complexity of the application process.
Recommendation: OSAP should expand eligibility as discussed in the OSAP eligibility section.

Borrowing money through government financial aid programs is a better option for students than taking on debt from private banks. Unfortunately, the process for applying for financial aid can be very complex and might discourage people from applying for financial aid. Bank loans, lines of credit, and credit cards from private lenders are not distributed for the public good, and as such are not delivered under principles of maximizing university access while minimizing the negative impacts of student debt. More specifically, private lenders offer fewer safety nets than the government. Banks will not forgive portions of their borrowers' debt based on income, nor will they offer repayment assistance or interest relief if borrowers struggle to repay their debts.

Additionally, banks often do not allow students to postpone their debt payments while they are in school. Minimum payments usually cover the interest accrued, but the interest rates charged on bank credit can often be very high. This is the case with most credit cards where interest rates can be 20 percent or higher.³⁵ About 92 percent of graduating students have at least one credit card,

30 CCI Research Inc., *Ontario Post-secondary Student Survey*.

31 Ibid.

32 Ibid.

33 Ibid.

34 CCI Research Inc., *Ontario Post-secondary Student Survey*.

35 Financial Consumer Agency of Canada, "Credit Card Selector Tool," Government of Canada last modified October 23, 2015, accessed November 13, 2015, <http://itools-ioutils.fcac-acfc.gc.ca/STCV-OSVC/ccst-oscc-eng.aspx>.

of which 23 percent do not pay off their balance each month; of those 23 percent the average unpaid balance is \$2,224.³⁶

In 2013, 16 percent of OUSA members applied for a loan or line of credit from a bank to help pay for their education.³⁷ Insufficient government assistance was the most common reason for choosing to borrow from a bank amongst students who received the loan or line of credit they applied for.³⁸ Not qualifying for government assistance was the second most common reason for borrowing money from a bank.³⁹ These data imply that there are gaps in the government financial aid system and that students turn to private lenders to fill them.

It is important that the provincial government strives to educate students on the benefits of public aid over private credit. As is discussed in the appendix and the OSAP Loan Repayment section, the government offers interest free grace periods, extensions of the repayment period, and the Repayment Assistance Plan for borrowers who experience difficulty making payments on their student loans. There are also many government-funded grant and bursary programs that students are often automatically assessed for. These grants and bursaries supply students with government funds that they do not need to pay back and will be discussed in Non-repayable Government Aid section as well as in the appendix. It is these types safety nets and additional sources of funding that make public aid superior to private credit.

Students believe that public aid has the ability to target the need of potentially vulnerable students. This is important in light of OUSA's own research that has found mature students, students with dependants, students with disabilities, students from rural or northern communities, and self-identified First Nations, Inuit, and Métis students to be more likely to apply for bank loans or lines of credit.⁴⁰ While each of these groups of students experiences their own unique financial barriers,⁴¹ these students can experience compounding barriers to access; for example students who self-identify with an Indigenous group may also be mature students, may also have dependants, and may also be from a rural or northern community.

Ahead of accessing private funding, it is imperative that students are aware of their eligibility for public financial assistance. As such, they can avoid taking on high-interest loans when it is unnecessary to do so. This presents a number of advantages, including lower interest rates and more flexible repayment.

³⁶Prairie Research Associates, *2015 Graduating University Student Survey Master Report* (Ottawa: Canadian University Survey Consortium, 2015).

³⁷CCI Research Inc., *Ontario Post-secondary Student Survey*.

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ CCI Research Inc., *Ontario Post-secondary Student Survey*.

⁴¹ Barriers unique to these groups of students are discussed in other OUSA Policy Papers; all of which can be found on the OUSA website: www.ousa.ca.

GOVERNMENT LOANS

OSAP ELIGIBILITY

Principle: To ensure equitable access to post-secondary education, public financial aid must be available to all students who need it.

Principle: The public financial aid system should incorporate flexibility to address individual circumstances.

Principle: The public financial aid system should assist those with the greatest need first and foremost.

Concern: Many students with financial need are barred from receiving assistance because of OSAP eligibility policies.

Concern: Students who spend the majority of their time in Ontario, but take a gap year or move out of province, are unable to access OSAP when they come back.

Recommendation: The provincial government must remove regressive policies that make it difficult for part-time students, students with loan over-awards, and students with specific academic requirements.

Recommendation: Students should be able to submit a form of notification to the government in the event that they are going to leave their home province for a significant amount of time with the intent of coming back to attend post-secondary education.

The purpose of the public financial aid system should be to fill the gap between financial resources and costs of acquiring a post-secondary education. Eligibility should first and foremost be based upon financial need, and therefore should primarily help those with the most financial need. Students come from a wide array of backgrounds and circumstances, and therefore have different levels of financial need. Those students who differ from the “traditional” high school student (who typically receives financial assistance from their parents) should not be barred from using OSAP based on restrictive policies. The financial aid system should be flexible enough to address unique conditions so that it fills need regardless of a student’s circumstances should they choose to pursue post-secondary education. The government financial aid system should be based upon a system of fairness and equity so that shortfalls of financial resources are addressed without the barrier of regressive policies. Based upon the recommendations below, policies that limit students’ access to public aid based on part-time status, academic achievement, or receipt of a loan over-award should be replaced by ones that recognize students’ unique needs and backgrounds.

Additionally, the current eligibility requirements of OSAP require students to be residents of Ontario for 12 consecutive months before they apply for financial assistance from the government. However, some students either find them in circumstances that bring them outside of Ontario directly before they intend on attending post-secondary. Students should be able to provide a notification form to the government upon their exit of Ontario stating their intent to return and attend post-secondary education. Similar to this idea, OHIP allows Ontario residents to leave Canada but continue their OHIP coverage while they are gone⁴². If the resident is studying, working, or doing charitable work outside of Canada, they are eligible for this continued coverage⁴³.

⁴²Ontario Ministry of Health and Long-Term Care, *Fact Sheet: Travelling Outside Canada* (Toronto: Queen’s Printer for Ontario, 2012).

⁴³Ibid.

Students should be afforded the same ability to notify the government should they be leaving their permanent residence in Ontario and will not be back for 12 consecutive months before their studies.

Part-time Students

Concern: Provincial financial assistance is very limited for part-time students.
Concern: Part-time students are only eligible for funding if they successfully complete all courses in the previous semester that they received funding for.
Concern: Part-time students are only able to access \$10,000 for the duration of their study period from the Canadian student loan system (federal portion).
Recommendation: Part-time students should be held to the same standards as full-time students.
Recommendation: The provincial government must make financial aid available for part-time students, such that students do not only have to rely on the federal loan system.

Currently, OSAP eligibility is restricted to full-time students who are taking a minimum 60 percent course load as defined by the institution in each term, or 40 percent for students with permanent disabilities.⁴⁴ Students who are below this threshold are restricted from accessing Ontario Student Loans (OSLs), and are only provided federal loans and grants. Additionally, these students are only able to access a total of \$10,000 for their entire study period, which is solely provided by the federal government.⁴⁵ This is concerning as part-time students have unique reasons for why they are pursuing studies. Some students are facing challenges in their personal lives, which make it hard for them to commit to full-time academics, such as having dependants or contributing to familial responsibilities. Some part-time students pursue education as a means of improving their lives, while they work full-time and are unable to afford education costs, along with their other costs of living. Part-time students are still paying the same tuition as full-time students, just over a longer period of time and with increased living costs and ancillary fees. Part-time students should be able to access provincial government loans the same way full-time students are, with their eligibility assessed according to the money made while not in class.

In order for part-time students to continue receiving aid as part of the Canada Student Loan Program, they must successfully complete all of the courses that they received aid for.⁴⁶ If they do not successfully complete all of their funded courses, they will have to complete one semester of self-funded studies before they can be considered for future aid.⁴⁷ This is a regressive policy that makes it difficult for some part-time students to continue in their programs. Full-time students are eligible for continued funding dependent upon them achieving passing grades in a minimum of 60 percent of a full course load.⁴⁸ Therefore, in a full course load scenario of 100 percent, full-time students would be allowed to not complete 40 percent. Part-time students, as they usually have other priorities and financial responsibilities, should be held to the same standards as full-time students. They should not be held back by regressive policies that hinder their continued studies at an institution.

Academic requirements

Concern: Students who are on academic restriction are required to pay back full-time studies loans if their course load falls below 60 percent.

44 Student Financial Assistance Branch, *2015-2016 Eligibility, Assessment and Review Manual Part I: Eligibility and Assessment* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2015).

45 OSAP, *Part-time Canada Student Loan (PTCSL)* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2015).

46 Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

47 OSAP, *Part-time Canada Student Loan (PTCSL)*.

48 Ibid.

Recommendation: Students should not be required to pay back loans while on academic restriction.

Recommendation: The government should allow students who are on academic restriction to access financial aid.

Recommendation: Funding should not be tied to academic achievement.

If a student is placed on academic probation or academic restriction by their institution, they are unable to take a full course load, resulting in them dropping below the 60 percent minimum. Since these policies are tied to academic achievement, and OSAP is dependent upon these academic policies, financial aid is therefore dependent on academic achievement. The fundamental principle of placing students on academic probation or restriction is to have them focus their time and efforts on those classes in which they are enrolled. Those students who are placed on academic probation are usually prioritizing their studies to get back on track and should not have the added burden of employment placed on them in order to pay back loans. Students should be able to access financial assistance in order to further their education regardless of their academic standing, and the institution should be the one determining their eligibility for continuing in the system, and not the financial assistance office.

Students with loan over-awards

Principle: The need assessment used in the public financial aid system should be accurate, transparent, and predictable.

Principle: The public financial aid system should avoid over-awarding loans to students.

Concern: Students who are awarded too much money by OSAP must repay their over-award before any additional aid will be issued.

Recommendation: Students should not be required to repay their over-award while in-study.

Recommendation: Students should have over-awarded money added to their loan principle.

Recommendation: Students should not be deemed ineligible for continued financial aid if they receive an over-award.

In order to function properly and for students to determine how much money they will be receiving, the public financial aid system should be predictable for students. In being predictable, there should be checks in place so that students are getting the amount they realistically need to cover the gap between their costs and resources. The financial aid system should be accurate enough so that students are not being over-awarded money that they are not entitled to. If this does occur however, the responsibility should not be placed on students to pay back their over-awards.

If in the case of multiple severe discrepancies between estimated and actual income, students should be responsible for their mistakes. Students should be made aware of the consequences for misreporting their income to their institutions and the government. However, students should not be required to pay back their aid while in-study. This places an unnecessary burden on the student to make more money to pay back aid that they have most likely already used. The student then must record their in-study financial resources as higher than expected, and then they may be deemed ineligible due to this increase. At the end of their study period, the student should be required to pay back their loan over-award just as they would their principal loan.

Currently, the financial aid system requires students to pay back their over-awards before they are eligible for more funding⁴⁹. We do not believe students should pay back any part of their loan while in-study, and so students should not be deemed ineligible for additional financial aid due to a loan over-award.

⁴⁹ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

OSAP ASSESSMENT OF COSTS

Principle: The OSAP cost assessment should reflect true education and living costs within the study period.

Concern: The Canada and Ontario portions of the integrated student loan program use different criteria for the assessment of costs.

Recommendation: The Canada and Ontario portions of the integrated student loan program should be synchronized so that one needs assessment is done wherein the federal and provincial governments split the need 60 percent and 40 percent respectively.

When assessing students' costs, the Canada and Ontario assessments are typically different. For example, the books, supplies, equipment and computer allowance categories use different caps in the provincial and federal assessments. To be transparent and predictable, the same criteria should be used for both levels. Additionally, the assessments of costs are done at two different times. The needs assessments should be aggregated so that all costs are assessed at once, irrespective of jurisdiction. This way the process is simplified and the provincial and federal government could split the need 60-40.

Living Costs

Concern: The OSAP cost assessment fails to accurately assess the financial costs of students attending university in Ontario.

Concern: Dependent students are automatically expected to live with their parents or legal guardians during the pre-study period.

Recommendation: The monthly living allowances assessed by the financial aid system should be changed to reflect the rising costs of living in different regions in Ontario.

Recommendation: Dependent students should be asked to report where they live during the pre-study period and the study period, and this should be accepted regardless of the distance to their parents' residence.

In order to be effective in truly assessing what the costs of post-secondary education are for a student, the financial aid system needs to be reflective of increases in inflation. Within the study period, the current framework fails to assess the reality of student costs. Currently, the Ontario portion of the financial aid system assesses monthly living costs at \$486 if a student lives at home and \$1168 if they live away⁵⁰. Annually, this is \$3888 for a student at home and \$9344 for a student who lives away. In 2008/09 the national average annual living costs for a student living at and away from home were \$5,814 and \$12,369 respectively. At the time, the monthly living allowance was assessed quite accurately to reflect the costs students managed.

However, the costs of living have risen since 2008/09, which is reflected in Table 1 below. The annual living costs for a student living at home are estimated to be \$6,487 and \$13,633 if they are living away from home, when adjusted for inflation. There are discrepancies of \$2599 and \$4289 (for students who live at home and away from home) between estimated actual costs and the OSAP living allowance. Clearly, the estimated costs that OSAP uses are drastically different from the realities students are facing. The loan system must increase their monthly living allowance in order to reflect the changes in cost over the past 7 years.

Table 1: Comparison of 2008 and 2014 Average Annual Living Costs, at the National Level.

	Students Living at Home		Students Living Away from Home	
	2008	2014	2008	2014
Shelter	N/A	N/A	\$4,837	\$5,241

⁵⁰ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

Utilities	N/A	N/A	499	567
Food (purchased from stores)	\$2,139	\$2,518	2,662	3,133
Personal and health care	859	940	1,125	1,230
Transportation	720	800	720	800
Clothing	998	930	1,309	1,219
Other	1,098	1,300	1,217	1,441
Total	\$5,814	\$6,487	\$12,369	\$13,633

Costs of household goods have drastically risen, even when just comparing 2012 to 2013. Average total household expenditures in Ontario were estimated to be \$78,495 in 2012.⁵¹ In 2013, the average household expenditure in Ontario was \$82,267.⁵² These averages were well above the Canadian averages and this almost five percent increase is much higher than the Canadian inflation rate of 1.24 percent at the time.⁵³ Expectations of students' costs, as determined by the living allowance and allowable costs, should be assessed according to the province they live in.

The issue continues when we compare regional differences in costs of living for students within Ontario. For example, the costs of renting an apartment can be examined in Toronto versus Windsor. For a one-bedroom apartment in Toronto, the average rent in 2014 was \$1,067 a month.⁵⁴ For that in Windsor, the average was a much lower \$664.⁵⁵ OSAP only gives students a maximum living allowance irrespective of the geographic location in which they reside. This restriction is favourable to those who pay lower rents and those students who wish to study in more expensive municipalities are disadvantaged in comparison. The living allowance and allowable costs must also reflect regional differences in the cost of living. Table 2 below shows the regional differences in rent across Ontario.

Table 2: Average rent for private apartments, by bedroom type and city.⁵⁶

	Bachelor	1 Bedroom	2 Bedroom	3+ Bedroom
Barrie	\$731	\$986	\$1,118	\$1,305
Brantford	648	782	855	946
Guelph	674	868	988	1,146
Hamilton	592	792	959	1,173
Kingston	662	888	1,070	1,411
Kitchener	667	815	975	1,106
London	586	767	943	1,111
Niagara Region	586	745	892	1,014
Oshawa	724	885	1,010	1,153
Ottawa	780	936	1,132	1,415
Peterborough	638	803	952	1,149
Sudbury	577	744	927	1,059
Thunder Bay	574	738	888	1,099
Toronto	896	1,067	1,251	1,458
Windsor	518	664	798	912
Average	\$657	\$832	\$984	\$1,164

⁵¹ Statistics Canada, "Average household expenditure, by province (Ontario)," *Government of Canada*, accessed October 22, 2015, last modified January 22, 2015.

⁵² Ibid.

⁵³ Statistics Canada, "Average household expenditure." Worldwide Inflation Data, "Historic Inflation Canada – CPI inflation," *Inflation.eu*, accessed October 22, 2015.

⁵⁴ Settlement.org, "How much does it cost to rent an apartment in Ontario?" accessed May 25 2015, last modified December 22, 2014.

⁵⁵ Ibid.

⁵⁶ Ibid.

Finally, the current living allowance for students with dependants is inadequate (see Table 3). The basic amount considered part of a student’s OSAP cost assessment is a combination of a living allowance and a per-child allowable childcare cost – both of these allowances are different for married and sole-support parents. Students are concerned that the maximum allowable childcare costs—\$40 per week for married students and \$83 per week for sole-support parents—used in the OSAP calculation are not reflective of the true weekly costs to place children in on-campus childcare centres, which can range from \$115 for school aged children up to \$324 for infants.⁵⁷ Living allowances may also be insufficient—especially relative to higher costs of living in most Ontario cities. These discrepancies may require students to supplement their public assistance with credit cards, bank loans, or working to the point of negatively impacting their education.

Table 3: Allowable childcare costs in the OSAP assessment compared to actual costs for one child. ⁵⁸

	Married Students		Sole-support Parents		Estimated Actual Costs
	Living Allowance	Allowable Childcare Costs	Living Allowance	Allowable Childcare Costs	Per child
Per week	\$520 + \$144.65	\$40	\$351.86 + \$144.65	\$83	\$115
Per academic year	\$22,598.10	\$1,360	\$16,881.34	\$2,822	\$3,910

The underlying principle of assessing students’ costs based on the reality of their situations is crucial. Currently the OSAP cost assessment assumes that students are living with their parents during their pre-study period, and therefore they incur no living expenses associated with shelter, utilities, and transportation.⁵⁹ They are also expected to save a great deal of their money during this pre-study period since they are assumed to not have these extra expenses. This is a problematic assumption to make given that many students, regardless of how close they study to their parents, have to travel elsewhere to find work. For example, some students in rural areas in Ontario do not have access to public transportation and therefore have to live in cities in order to access work. Additionally, many stay at their institution during the summer to take extra classes or have commitments elsewhere that keep them from living at home.

Additionally, many students (although living at home) do not have the unconditional support of their parents and are required to make contributions to the family budget. Students should be able to report where they are living during the pre-study period so that their unique circumstances can be taken into account in the cost assessment process. It should not matter if this location is close to their parents’ residence; there could be underlying factors like work or familial circumstances that make it impossible for them to live at home in the pre-study period.

Education Costs

Concern: The OSAP cost assessment does not accurately reflect increases in professional-program tuition over the past decade, or variances at different institutions.
Recommendation: The provincial government should calculate allowable professional-program tuition and ancillary fees based on the actual costs reported by each institution.
Recommendation: The provincial government should calculate allowable costs for academic materials by program, not category.

⁵⁷ Surveyed from institutional and daycare websites: Spring 2015.

⁵⁸ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

⁵⁹ Ibid.

Currently, the Ontario portion of OSAP caps the costs of professional-program tuition and ancillary fees at \$5,860 for two terms for non co-op programs and \$6,932 for co-op programs.⁶⁰ The reality is that for 2015/16, the average tuition cost for all programs was \$7,868, significantly higher than what is allowed by OSAP.⁶¹ Typically, professional programs tend to be more expensive; for example, engineering is \$8,335 a year.⁶² The Ontario portion of the Canada-Ontario Integrated Student Loan should reflect the actual costs of professional programs, just as the Canada portion does, so that students are assessed accurately based on their need.

Additionally, costs are capped at \$3,402 for books, supplies, equipment and computers.⁶³ However, this category of allowance is broken down into sub-categories of academic materials, which each have their own maximum costs. Unless a student is expected to require materials from every possible category, it is unlikely the overall \$3,402 maximum will be used in their assessment. For a brief description of these categories, refer to the appendix. Limits on allowable book, supply, equipment, and computer costs should be based on students' programs of study—not categorical groups of materials—to better reflect students' actual costs.

OSAP ASSESSMENT OF FINANCIAL RESOURCES

Married Students

Principle: Students should contribute a fair proportion of the financial resources that are available to them to their education.

Concern: The spousal contribution is unreasonably high making most married students ineligible for OSAP.

Concern: The public financial aid system does not account for spouses' living costs or applicants' losses of income that make them unable to contribute what is expected in the resource assessment.

Recommendation: The provincial government should lower the amount spouses are expected to contribute to increase the loan eligibility and assistance available to married students.

In the current Canada assessment of financial resources, spouses are expected to contribute 70 percent of their income during the study period.⁶⁴ The Ontario assessment expects at least \$4,500 over the academic year to be provided from the spouse, or 70 percent of their income if it is greater than this minimum.⁶⁵ This number is simply too high, as it assumes that the spouse has few other costs to cover with their financial resources. This is not often the case; many married couples have dependents who they need to support, as well as supporting the spouse who is not in post-secondary school. Additionally, this percentage does not address the loss of financial resources that spouses incur when they decide to pursue post-secondary education. If they are a full-time student, as OSAP assumes, then they are most likely not working full-time, and therefore the home sees a loss of income from that person. The financial aid system does not account for this loss of income, which makes it unreasonable to assume that the spouse can contribute 70 percent of their income to the other's post-secondary costs. If we are to assume that the spouse who is a full-time student is unable to work, the current framework has two adults hypothetically living off of 30 percent of the income of the working spouse; an allocation that is unreasonable at best, and near-impossible at worst.

60 Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

61 Statistics Canada, "Table 1 Weighted average undergraduate tuition fees for Canadian full-time students, by province," Government of Canada, last modified September 9, 2015, <http://www.statcan.gc.ca/daily-quotidien/150909/too1b-eng.htm>.

62 Ibid.

63 Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

64 Ibid.

65 Ibid.

Additionally, due to the high expectation put on spouses to contribute, many students are ineligible to receive OSAP, even though their need is high. Married students should have the same opportunity to access the financial aid system as single students. The provincial government should accommodate for the increased costs that married students incur while in-study by decreasing the proportional spousal contribution of financial resources.

Pre-study Contribution

Principle: The contribution assessment should be flexible to allow for individual circumstances that may affect students' ability to pay for their post-secondary education.

Concern: Students who choose to volunteer or pursue unpaid work over the summer are unable to appeal the minimum pre-study contribution

Recommendation: Students should be able to appeal the minimum pre-study contribution limit if they are unable to find work or choose to engage in unpaid or volunteer work.

Beginning in 2015/16, a fixed pre-study contribution has been introduced into the Ontario need assessment for all study categories. The fixed contribution is \$1,500 per term, to a maximum of \$3,000 per academic year.⁶⁶ If students have dependent children, are former crown wards, volunteered for the Pan/Parapan Am games this past summer, or they or their spouse are collecting Ontario Works or Ontario Disability Support Program payments their fixed amount is reduced to zero. In the Canada needs assessment, most students are expected to contribute 80 percent of their summer net income or an established minimum contribution, which is calculated to reflect the very least a student, could make working full-time for minimum wage during the summer.⁶⁷

This is problematic for students who are either unable to find work, or pursue volunteer or unpaid work in the summer. For example, some students may pursue volunteer opportunities that they perceive as necessary to their personal or professional growth. The OSAP resource assessment does not allow for a student to appeal the minimum pre-study contribution, and therefore their eligibility for assistance is decreased. Students should not be penalized for taking on work they feel will contribute to their success after graduation, and they should have an opportunity to make their case in the event this occurs.

Parental Contribution

Principle: The provincial and federal governments' assessments of financial resources should be harmonized.

Concern: The provincial and federal governments use different resource assessments to determine the amount parents need to contribute to their children's education.

Concern: The provincial government's expected parental contribution is unreasonable and leaves many middle-income families ineligible for OSAP.

Recommendation: The provincial government should lower the expected parental contribution to match that of the federal government.

Recommendation: The provincial government should raise its Moderate Standard of Living so that it is harmonized with that of the federal government.

Although we advocate for one needs assessment process, in the meantime (in order to be transparent and predictable for students) resource assessments at the federal and provincial levels should be the same. OSAP expects parents to contribute to their dependent child's education based on financial ability, so parental contributions vary by family income and size.⁶⁸ Table 4 below shows the contribution that parents are expected to make to their child's education.

⁶⁶ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

⁶⁷ Ibid.

⁶⁸ Ibid.

Table 4: Parental Contributions in Canada and Ontario Financial Resource Assessments. ⁶⁹

Annual Discretionary Income	Canada	Ontario
\$0-\$7,000	15%	25%
\$7,001-\$14,000	20%	50%
\$14,0001 and over	40%	75%

Parents’ discretionary income is determined by subtracting an allowance for a “moderate standard of living” from their net income in the previous tax year.⁷⁰ The Canada and Ontario assessments use significantly different standards of living as outlined in Table 5.

As outlined above, the Canada and Ontario parental contribution expectations are different. Due to the provincial government’s increased expectations, middle-class families who may be eligible for assistance under the federal government’s criteria are shutout of the system. According to the HSBC, nearly seven in 10 parents think that university is unaffordable for most people.⁷¹ Our 2013 student survey found the average OUSA member to have received just over \$5,100 from their parents or guardians that academic year.⁷² The idea that these families can make these high contributions easily is an unfair assumption to make, as much of this “discretionary income” goes to increased familial living costs in Ontario.

Table 5: Moderate Standard of Living for Canada and Ontario. ⁷³

	Family Size				
	2	3	4	5	6
Canada	\$47,646	\$59,152	\$67,316	\$73,652	\$78,821
Ontario	\$41,695	\$47,711	\$52,884	\$57,458	\$61,429

Just recently, the federal government raised its moderate standard of living to account for increased living costs in Canada.⁷⁴ Although it is unclear as to what this increase will look like, families will be expected to contribute less to their children’s education costs. The provincial government should raise their moderate standard of living as well, as it is significantly lower than that of the federal government. Additionally, Ontario is one of the most expensive provinces to live in, and therefore families are unfairly burdened with contributing more than they reasonably can.

OSAP ASSISTANCE ALLOCATION

Principle: An effective public financial aid system should provide predictable amounts of funding to cover the gap between available financial resources and the costs of post-secondary education for students with the greatest financial need.

Principle: Loan maximums available to students should be reflective of the actual costs of post-secondary education.

Principle: Both governments must be accountable to their responsibilities in providing financial aid to post-secondary and university students.

⁶⁹ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 53.

⁷⁰ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

⁷¹ HSBC, “The value of education: Learning for life Canada repost,” (London: HSBC Holdings plc, 2015):10.

⁷² This value is not weighted for representativeness. 2013 Ontario post-secondary student survey data analysis.

⁷³ Ibid.

⁷⁴ Higher Education Strategy Associates, *The 2015 Federal Budget: An analysis from higher education strategy associates*,” (Toronto, 2015): 3.

Concern: OSAP loan maximums are too low and do not reflect the true costs of university education.

Recommendation: The provincial government should allow for a substantial one-time adjustment of the loan maximum to reflect the current costs of university tuition.

Assistance allocation is firstly determined by assessing how much financial need a student has. In the federal assessment, this is equal to their total allowable costs minus their total financial resources. In the provincial assessment, need is equal to total allowable costs minus total financial resources, including any federal assistance the student is eligible for.⁷⁵ The purpose of financial assistance is to cover the gap between resources and costs for students with the greatest financial need; to do this, the system must be reflective of the actual costs of post-secondary education. Currently, the Ontario portion of the loan entitlement is equal to the province's calculated financial need to a maximum of \$155 per study week for single student or \$355 per study week for married students or sole-support parents.⁷⁶ Due to the rises in tuition over the years, the provincial government should substantially adjust their loan maximum. Although starting in 2015/16, the provincial government will be indexing their loan maximums to inflation, this does not account for the significant increases in costs in the past. The provincial loan maximum should be raised to reflect this reality.

OSAP REPAYMENT

Principle: The repayment system should provide relief and flexibility for those experiencing difficulty making payments.

Principle: Government loan repayment requirements should not begin until a student's formal education has been completed.

Concern: Interest starts to accumulate on the federal and provincial portions of government student loans at different times.

Concern: The student loan repayment system accounts for only the barriers of low gross income and high family size.

Recommendation: Students should not begin repayment of their provincial or federal debt until six months after ceasing studies and only if they have the financial means to do so.

A significant and often misunderstood step in government student loan system is repayment. The National Student Loan Service Centre (NSLSC) contacts students soon after they graduate to establish a monthly repayment plan. Interest begins to accumulate on the provincial portion of the loan six months after graduation. This is different than the federal portion of the loan, which immediately begins to accumulate interest after graduation. The monthly payment amount is relatively flexible: those with the financial means to do so can establish a more aggressive repayment plan to avoid additional interest accumulation, while those with less financial means have the ability to pay less per month.

After graduation, students must repay their loans over a period of 10 to 15 years. While there are programs in place aimed at keeping student debt repayment manageable, they only account for barriers of low gross income and large family size. Some parts of the repayment process systematically disadvantage certain students over others; specially, high interest rates, bankruptcy legislation, requirements to pay regardless of employment status, and a lack of information about the repayment assistance program. Students are not taken into account if they are experiencing significant financial hardship, if they do not have access to the financial resources the system assumes they have, or if they are enrolled in part-time studies. All of these situations will be discussed in more detail in the following sub-sections. Due to these systemic circumstances, students should only begin repayment of their debt when they have the

⁷⁵ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

⁷⁶ Ibid.

appropriate financial means to do so. This could be at the six-month mark after graduation, for some, or years for others depending on employment.

Interest Rates

Concern: Interest rates on OSAP loans are higher than in peer jurisdictions, resulting in higher costs to borrowers who take longer to repay their loans.

Recommendation: For student loans in repayment, the provincial government should lower the applied interest rate to prime.

High interest rates reduce the manageability of student debt as well as the long-term affordability of higher education. Although the government subsidizes interest payments while students are studying, interest rates during the repayment period on the Canada-portion of OSAP loans are higher than in peer jurisdictions. The current interest rates are between 5.2 and 7.7 percent on the CSL and 3.7 percent on the OSL. Table 6 compares the interest rates in the Canadian student financial aid system to the rates in other large OECD countries with established student lending programs.

Table 6: Comparison of Interest Rates on Student Loans in Select OECD Countries.

Country	Interest Rate During Studies	Interest Rate During Repayment
Canada	<i>No interest</i>	<i>Market rate (prime + premium)</i>
Australia	<i>No interest; Loan indexed to inflation</i>	<i>No interest; Loan indexed to inflation</i>
Germany	<i>No interest</i>	<i>No interest</i>
Netherlands⁷⁷	<i>Low interest rate based on public interest</i>	<i>Low interest rate based on public interest</i>
New Zealand⁷⁸	<i>No interest</i>	<i>No interest</i>
Sweden⁷⁹	<i>Government's Average Cost of Borrowing over three years</i>	<i>Government's Average Cost of Borrowing over three years</i>
United Kingdom Plan 1⁸⁰	<i>Indexed to inflation</i>	<i>Indexed to inflation</i>
United Kingdom Plan 2⁸¹	<i>Indexed to inflation, plus a premium</i>	<i>Indexed to inflation, plus a premium</i>
United States Direct Subsidized⁸²	<i>No interest</i>	<i>Fixed rate set by Congress</i>
United States Direct Unsubsidized⁸³	<i>Fixed rate set by Congress</i>	<i>Fixed rate set by Congress</i>

77 Dienst Uitvoering Onderwijs, "Frequently Asked Questions: What is the interest rate?," Ministry of Education, Culture and Science (Netherlands), accessed October 20, 2015, [https://apps.duo.nl/SRVS/CGI-BIN/WEBCGI.EXE?New,Kb=Kennisbank,Company={DBD42CAE-B941-4CF4-960D-5F5C917B6281},Case=obj\(41150\),Question4332=obj\(4332\):obj\(4335\),Question4342=obj\(4342\):obj\(4351\)](https://apps.duo.nl/SRVS/CGI-BIN/WEBCGI.EXE?New,Kb=Kennisbank,Company={DBD42CAE-B941-4CF4-960D-5F5C917B6281},Case=obj(41150),Question4332=obj(4332):obj(4335),Question4342=obj(4342):obj(4351)).

78 Inland Revenue, "Student loans: Interest and other charges," Inland Revenue, accessed October 20, 2015, <http://www.ird.govt.nz/studentloans/owing/interest/>.

79 Centrala studiestödsnämnden, "How much do you have to repay?," accessed October 20, 2015, <http://www.csn.se/en/2.1034/2.1036/repaying/2.692>.

80 Student Loans Company, "Student loan repayment: Interest rates," Student Loans Company Ltd., accessed October 20, 2015, http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678755&_dad=portal&_schema=PORTAL.

81 Ibid.

82 Federal Student Aid, "Understand how interest is calculated and what fees are associated with your federal student loans," United States Department of Education, accessed October 20, 2015, <https://studentaid.ed.gov/sa/types/loans/interest-rates>.

83 Ibid.

Canada, the United States, and parts of the United Kingdom are the only systems that charge high interest rates to students when they enter the repayment period. However, it seems the United States Congress has taken steps to reduce the interest rates that students pay—between 2006 and 2008 interest rates rose as high as 6.8 percent.⁸⁴

High interest rates disadvantage students who take the maximum allowable amount of time to pay back their student loans—10 or 15 years—especially those who choose fixed interest rates. These students not only pay more to service their debt, the interest they pay functions to cross-subsidize the financial aid system at large. For example, interest paid on student loans helps generate revenue to pay for those who are able to pay back their loans quickly or those who require repayment assistance. Interest rates play an important part in dictating the manageability of student debt and students feel that both federal and provincial governments should pay closer attention to their impacts on graduates.

OUSA believes that both governments should lower the interest rate on student loans to prime. We recognize that the interest paid on outstanding loans is reinvested into the financial aid system, however it is important that interest rates are not so high as to penalize those who are ineligible for the system's safety nets, or who are unable to opt-out early by paying off their loans.

The interest rate can be lowered without jeopardizing the current strengths of debt remission and repayment assistance programs. Default rates, while usually very low amongst university graduates, have been decreasing overall. The default rate on OSLs was 16.6 percent for all post-secondary institutions in 2005.⁸⁵ This decreased substantially to 8.6 percent in 2007, 8 percent in 2009, and 7.9 percent in 2011.⁸⁶ Now that the Ministry reports the default rate for COISLs, the default rate was just above nine percent in 2012 and 2013.⁸⁷ Additionally, the RAP has been successful in keeping borrowers in the system, as discussed in the next section. With anticipated decreases in enrolment on the sector's horizon, the amount of students accessing the public aid system might also be expected to decrease.

Repayment Assistance Plan

Principle: Those that are unable to pay back their student debts in the expected timeframe should benefit from established programs.

Concern: Students have insufficient knowledge of the Repayment Assistance Plan.

Recommendation: The provincial and federal governments should continue to support the Repayment Assistance Plan ensuring graduates benefit from an acceptable debt-to-earnings ratio and guaranteed debt forgiveness.

Recommendation: The Repayment Assistance Plan should be based on after-tax income and assess recipients of employment insurance a payment of zero dollars.

Recommendation: The provincial government should better and more frequently advertise the Repayment Assistance Plan.

⁸⁴ Federal Student Aid, "Understand how interest is calculated."

⁸⁵ Postsecondary Education Partners' Gateway, "Ontario Student Loan Recipients and Defaults for Ontario Postsecondary Institutions, 2006 and 2005," Ontario Ministry of Training, Colleges and Universities, accessed October 20, 2015, last modified June 17, 2010.

⁸⁶ Postsecondary Education Partners' Gateway, "Ontario Student Loan Recipients and Defaults for Ontario Postsecondary Institutions, 2008 and 2007," Ontario Ministry of Training, Colleges and Universities, accessed October 20, 2015, last modified May 23, 2012. Postsecondary Education Partners' Gateway, "Ontario Student Loan Recipients and Defaults for Ontario Postsecondary Institutions, 2010 and 2009," Ontario Ministry of Training, Colleges and Universities, accessed October 20, 2015, last modified August 24, 2011. Postsecondary Education Partners' Gateway, "Ontario Student Loan Recipients and Defaults for Ontario Postsecondary Institutions, 2011 and 2010," Ontario Ministry of Training, Colleges and Universities, accessed October 20, 2015, last modified October 12, 2012.

⁸⁷ Postsecondary Education Partners' Gateway, "2013 Canada-Ontario Integrated Student Loan Default Rates: Ontario Postsecondary Institutions," Ontario Ministry of Training, Colleges and Universities, accessed October 20, 2015, last modified June 2014.

The Repayment Assistance Plan is administered by the provincial and federal governments and exists to support students who cannot repay their loans in the expected manner. Due to a number of factors (including employment, personal circumstances, or mental health for example), some students are unable to begin repayment six months after their full-time education is completed.

Students can only apply for this assistance when they enter the repayment period for their loans. If a student is eligible, either their monthly payments will be reduced or they will not be required to make payments for the six-month period the program covers.⁸⁸ These benefits can continue for up to ten six-month periods, or sixty months altogether.⁸⁹ Eligibility for this program is based on family income, family size, and outstanding debt.⁹⁰ For the 2012/13 school year, 126,464 graduates in Ontario benefited from this program.⁹¹ This program has proven to be successful; its beneficiaries typically have lower default rates than those who do not use the program. In 2013, the default rate of university graduates participating in the RAP was just 2.5 percent compared to 5.3 percent for non-participants. The impact of the RAP is more profound for college graduates, where the default rate was 5.3 percent for RAP participants and 16.9 percent for non-participants in 2013.⁹²

However, this program could improve assistance for students who require it. The RAP assessment should be based on after-tax income so that it accurately reflects the income level of graduates. Without this change, graduates are expected to be collecting an amount of money that in reality is not at their disposal. In this way, monthly payments may be outside their financial means. Similarly, graduates who begin collecting Employment Insurance (EI) should not begin repayment of their student loans until they are working. This allows them the flexibility to find a suitable job while not having to worry about accumulating interest or using a sizable portion of their EI to repay their student loans.

Additionally, there is a potential that many students do not benefit from this program because they are not aware it exists. Upon graduation, all students should receive correspondence from the NSLSC with specific information about applying, eligibility, and the purpose of the program itself. If all graduates were made aware of the existence and purpose of the Repayment Assistance Plan, more of them would be able to benefit from it.

Debt

Principle: The repayment of government debt must be structured in a fair and progressive manner.

Concern: Rapid repayment of student debt after graduation hinders an individual's economic well-being.

Concern: There is a lack of understanding on the effects of student debt and loan repayment.

Recommendation: Repayment of student loans should only begin when an individual has the economic means to do so.

Recommendation: Research should be conducted on debt aversion and the long-term effects of student debt as well as on the effects of wage inequalities, particularly for graduates from systematically disadvantaged groups, on the ability to repay their student loans.

While some may opt for a more aggressive repayment plan in order to minimize the interest they have to pay, rapid repayment is not always possible or ideal for other students. Our concerns with students carrying large, long-term debt rest in their ability to repay their loans and thrive after

88 CanLearn, "Repayment Assistance Plan," Government of Canada, accessed October 3, 2015, http://www.canlearn.ca/eng/loans_grants/repayment/help/repayment_assistance.shtml.

89 Ibid.

90 "Pay Back OSAP: How to repay your student debt.," Government of Ontario, accessed October 3, 2015, <http://www.ontario.ca/page/pay-back-osap>.

91 Employment and Social Development Canada, *Canada Student Loans Program Statistical Review 2012-13* (Ottawa: 2014).

92 Postsecondary Education Partners' Gateway, "2013 Canada-Ontario Integrated Student Loan Default Rates."

graduation. Student loan debt has been associated with lower net worth in both Canadian and American borrowers.⁹³ Higher amounts of debt have also been associated with greater net worth losses, particularly in the wake of the 2008 recession.⁹⁴ Graduates with student loans are less likely to put money towards savings and investments, less likely to own their homes, and less likely to own valuable assets compared to graduates without student loans.⁹⁵ PSE graduates with outstanding student loans who do own their homes are more likely to have outstanding mortgages.⁹⁶

“Since most mortgages are based on the debt service capacity of the applicant, student loan debt may well impede the home purchase decision for some borrowers,” and “Given home ownership, borrowers still making student loan payments will have fewer resources available to pay down their mortgages.”⁹⁷ “For many individuals, student debt is present throughout major lifecycle events—such as marriage, buying a home and childbirth,”⁹⁸ and students feel that the repayment of student loans may impact the quality and variety of borrower’s post-graduation opportunities.

There are also consequences for borrowers who are unable to manage their student loan repayment. Students who do not make the required payments for nine months or more are considered to be in default. When this happens, they are turned over to a collection agency, reported to a credit bureau, and are ineligible to collect their income tax and HST refunds.⁹⁹ Interest will also continue to build up on the outstanding loans, which will only be erased when they are paid in full. Repayment of student debt is still required of those who declare bankruptcy.¹⁰⁰ In this case, the only two options for a student are to apply for the Repayment Assistance Program or ask a bankruptcy court to have the OSAP debt discharged.

There has been very little research conducted on the topic of the impacts of student debt on graduates’ economic standing in recent years. This means that researchers, policy makers, and decision makers in Ontario must often rely on information conducted in different countries. This means that the context under which Ontario students take on and manage debt cannot be taken into account by decision-makers. Any unique patterns that may be developing in Ontario can be missed when researchers do not specifically consider what students and graduates in Ontario are experiencing.

By conducting research into student debt and changing the nature of loan repayment in bankruptcy, the likelihood of student success is increased. By affording students flexibility when repaying their debt, they are able to begin their life in a healthier manner. Through a fair repayment system, graduates have the ability pay down their loans in a manner that is beneficial for both themselves and their lenders.

APPEALS

Principle: OSAP appeals should be readily available in exceptional circumstances.

Concern: Refusals of financial support cannot be appealed, causing some students to have insufficient funds.

93 May Luong, “The financial impact of student loans,” *Statistics Canada—Perspectives*, 75-001-X (2010): 5-18. William Elliot and Ilsung Nam, “Is Student Debt Jeopardizing the Short-Term Financial Health of U.S. Households?” *Federal Reserve Bank of St. Louis Review*, 95, no. 5 (2013): 405-424.

94 Ibid.

95 May Luong, “Financial impact of student loans,” 14.

96 Ibid.

97 Ibid, 12.

98 Joseph Berger, “Student Debt in Canada,” in *Price of Knowledge: Access and Student Finance in Canada Fourth Edition*, by Joseph Berger, Anne Motte, and Andrew Parkin, 181-206. Montreal: The Canada Millennium Scholarship Foundation, 2009: 199.

99 “Pay back OSAP.”

100 “I’ve declared bankruptcy. What happens to my OSAP debt?,” Government of Ontario, accessed October 6, 2015, <http://www.ontario.ca/faq/ive-declared-bankruptcy-what-happens-my-osap-debt>.

Recommendation: OSAP must proactively provide specific information on the process for filing an appeal to every applicant.

Depending on a student's situation, they are able to appeal the decision made regarding their assistance allocation. Some instances where this might be necessary include financial difficulties, degree progression, and bankruptcy.¹⁰¹ Conversely, a student cannot request an appeal on the grounds of income verification or academic progress.¹⁰² All appeal requests are completed through a student's institutional financial aid office, and most often require the completion of a number of forms. While the appeals process is in place, many students are not aware of its existence. Upon completing an OSAP application, it should be immediately explained to them so that if necessary, they can access it in the future.

PART-TIME STUDENTS

Principle: Part-time students should not be placed at a disadvantage with regards to student financial assistance.

Concern: Students decreasing their course load from full-time to part-time are forced to begin repaying their full-time OSAP loan, while still attending school.

Recommendation: Regardless of a student's course load, all loans should enter the repayment period six months after graduation.

According to OSAP, a part-time student is defined as someone taking between 20-59 percent of a full course load.¹⁰³ As a result, they are eligible for less financial aid because their cost of tuition is usually lower than a student enrolled in full-time studies. While that seems reasonable, the system makes assumptions that put part-time students at a disadvantage.

A student who switches from full-time to part-time studies during the course of their education is forced to begin repayment of their full-time loans.¹⁰⁴ This requirement assumes that said student has the financial means to repay said loans. Perhaps more accurately, it automatically assumes that the student is enrolled in part-time studies because they have taken a job to supplement their education. This is a dangerous assumption because there are many reasons outside of employment that a student may drop down to part-time studies, including mental health, personal issues, and academic standing, to only name a few.

101 "Can I ask for a review of or appeal my OSAP funding?" Government of Ontario, accessed on October 6, 2015, <http://www.ontario.ca/faq/can-i-ask-review-or-appeal-my-osap-funding>.

102 Student Financial Assistance Branch, "2015-16 Eligibility, Assessment and Review Manual Part II: Reviews and Requests for Reconsideration," August 2015, 13.

103 "What OSAP aid programs are available for part-time students?" Government of Ontario, accessed October 3, 2015, <http://www.ontario.ca/faq/what-osap-aid-programs-are-available-part-time-students>.

104 "OSAP Academic Progress Requirements," University of Toronto Scarborough, accessed October 6, 2015, http://www.utscc.utoronto.ca/~registrar/financial_aid/GovAidAcReq.

GOVERNMENT GRANTS AND BURSARIES

Principle: Students with the most financial need should have access to extensive non-repayable government aid funding.

Concern: Ontario's grant programs are not cumulative and sometimes displace each other.

Concern: Ontario's grant programs are often not inclusive of all high-need groups.

Concern: Many students are unaware of the non-repayable grant and bursary programs available to them.

Recommendation: The provincial government should increase the amount of non-repayable financial aid available to students.

Recommendation: The provincial government must provide non-repayable financial assistance in an equitable manner.

Recommendation: The provincial government must ensure that students are aware of available non-repayable aid.

The government should increase the amount of non-repayable financial aid in order to reduce student debt post-graduation. In the past several decades, funding for post-secondary education has been gradually shifting from a government responsibility towards a responsibility of the students through rising tuition fees. This shift has not fully taken into account the difficult debt loads passed on to students. High debt has a significant negative effect on the rate of degree completion,¹⁰⁵ and this can be especially difficult for students with unique needs. Students coming from low-income backgrounds are often particularly discouraged by high debt levels.¹⁰⁶ Students with disabilities will face higher costs of living and may have additional medical and accessibility expenses. Students may also face additional travel expenses if they come from rural, northern, or very distant communities, which is a large concern for Aboriginal students. These examples of higher needs groups would benefit the most from additional non-repayable financial assistance. Students would be able to focus more on school rather than finding ways to finance their education.

A little known-fact about Ontario's non-repayable student aid system is that grant programs do not always come in addition to one another; that is to say, they can cancel each other out when implemented together. Particularly, the Ontario Student Opportunities Grant (OSOG) is not awarded in addition to the Ontario Access Grants (OAG) or the 30% Off Ontario Tuition Grant (OTG) in most cases. Furthermore, OTG does not come in addition to OAG. For example, a first-year student who is eligible for the maximum OAG amount of \$3,000, in addition to OSOG funding and the OTG might assume they are eligible for \$9,840 in total grant funding.¹⁰⁷ However, the student would actually receive closer to \$2,010 in grant funding, since the OTG and the OAG are not cumulative and whichever grant is awarded is first used to reduce the Ontario portion of students' loans.¹⁰⁸

This system is concerning because is unclear and students may anticipate receiving more grant funding than they actually will. In the case of OTG and OAG, students also feel that having multiple programs in place to accomplish the same goals seems to be an inefficient, and

¹⁰⁵ Millennium Scholarship Foundation, "The Impact of Bursaries: Debt and Student Persistence in Post-Secondary Education", *Millennium Research Note #4*, (Montreal: CMSF, 2002).

¹⁰⁶ Joseph Berger, Anne Motte and Andrew Parkin, *The Price of Knowledge: Access and Student Finance in Canada, Fourth Edition* (Montreal: Canadian Millennium Scholarship Foundation, 2009).

¹⁰⁷ Assuming the student is eligible for the maximum OSAP loan amounts. For the 2015/16 academic year, the maximum OSAP allocation is \$12,410 for 34 weeks of study (two terms); the OSOG value in this case will be \$5,010. The OTG maximum grant amount is \$1,830. Adding the \$3,000 OAG maximum, \$5,010 OSOG, and \$1,830 returns a total of \$9,840.

¹⁰⁸ Assuming the student is eligible for the maximum OSAP loan amounts and does not have unmet need. Subtracting the larger OAG grant value, \$3,000, from the maximum loan amount \$12,410 returns a difference of \$9,410. Subtracting the value of OSOG from that returns an estimated total grant entitlement of \$2,010.

potentially regressive, way to deliver student assistance. Both the access and tuition grants discount proportions of students' tuition. While the tuition grant has more reach to middle-income families, low-income families with high need are left with little added benefit by the program.

There is inconsistent information and data on grant usage. Understanding who applies for grants and for what reasons would help promote more evidence-based policy making. The province would benefit from better understanding the distribution of non-repayable financial assistance and be able to better respond to the needs of students who would benefit the most. The province should promote better data collection from applicants and recipients of grants, while not making the process too difficult for the applicants.

Programs for non-repayable financial aid are often difficult to find and lack information on the government websites. Students may face difficulties trying to locate the many different grants programs and become disillusioned with the process, causing them to not apply. The government should strive to have clear information on all the provincial grants programs online and in print for distribution in high schools.

Students are also often unaware of the programs available to them. Part of students' preparation in Ontario should include some high school curriculum that provides students with background information on how the financial assistance system works—specifically about the difference between grants and loans. Research shows that secondary school students tended to have more awareness of excellence awards and other merit scholarships and these were seen as accessible only to the academically gifted.¹⁰⁹

TUITION DISCOUNT PROGRAMS

Principle: Tuition discounts make post-secondary education more affordable to students with high financial need.

Principle: Up-front access grants should be provided to students with the highest needs through to degree completion.

Concern: The Ontario Tuition Grant and the Ontario Access Grant do not provide discounts on actual tuition fees.

Concern: Students eligibility for the Ontario Tuition Grant is tied to their completion of secondary school.

Concern: The Ontario Access Grant is only available for the first two years of study.

Recommendation: The Ontario Access Grant and the Ontario Tuition Grant should be combined to create a more progressive and generous tuition discount system.

Recommendation: The provincial government should increase the value of tuition discount grants to cover a proportional amount of eligible students' actual tuition fees.

Recommendation: The provincial government should extend the eligibility for the tuition discount grants to the duration of students' programs at any time.

While tuition discounts are a highly effective way for the provincial government to reduce student debt, the current discounting system is redundant and ineffective. As alluded to above, the Ontario Tuition Grant and the Ontario Access Grant are both tuition discount programs that displace each other when determining students' non-repayable aid entitlements. We recommend these two programs be combined to reduce redundancies and increase efficiencies. However, any harmonization of these tuition discount programs will have to address our concerns with the programs as they are currently administered.

109 Canadian Career Development Foundation, *The Role of Guidance in Post-Secondary Planning* (Montreal: Canada Millennium Scholarship Foundation, 2003), 28.

Concerns with the Ontario Tuition Grant

Under the Ontario Tuition Grant's (OTG) current design, all students who are eligible will receive a minimum discount of \$915 per term, up to \$1,830 for a full course load.¹¹⁰ However this does not accurately reflect 30 percent of students' actual tuition fees. This figure assumes an average tuition is roughly \$6,100. The true average, however, is \$7,868 according to Statistics Canada.¹¹¹ More concerning though is the OTG's disregard of variances in tuition across different programs. Ontario students studying engineering, for example, pay an average of \$11,085, while first-entry business students are charged \$9,423.¹¹² Computer science and architecture students similarly pay averages above \$8,000.¹¹³ In total, approximately one in four first-entry university students are studying in these higher cost programs.¹¹⁴ For these students, the "30% off tuition grant" is often closer to 20%. The OTG should be calculated based on the student's actual tuition cost rather than using a standard cost. For individual students, this will make it much easier to understand and plan for funding their post-secondary education. Though this may be a more expensive program overall, this would be the most fair and effective way to distribute this program.

Currently, the OTG requires students to be less than four years out of high school. There is one exception made, when a student is enrolled in a co-operative education program. In these cases, the student must be less than five years out of high school in order to qualify for the tuition discount grant.

Among the many examples OUSA has heard, students who took time off after high school to work and save for their educational costs, students in five year academic programs (for example, a Bachelor's in Engineering & Management at McMaster University), students with mental and physical disabilities who partake in a lower course loads and as such take a longer period of time to complete their degree, and students forced to work part time during the school year on a reduced course load often need to pay proportionately more for tuition and other educational costs. All students in first-entry programs should be eligible for the OTG through to degree completion and no student should be unfairly penalized by the financial assistance system.

Concerns with the Ontario Access Grant

The Ontario Access Grant (OAG) is part of an up-front grant system introduced by the province to help students offset the costs of tuition in the first and second years of study. Students must be enrolled in either their first or second year of a first-entry program that takes more than two years to complete. It is concerning that this program does not consider recipients' continued financial need in their remaining years of study.

The stipulations on the value of OAG are also concerning; students will receive the lesser of either: \$3,000; the amount of the Ontario portion of the COISL entitlement; or, 25 to 50 of tuition fees.¹¹⁵ The percentage discount on tuition is determined by the parental income of recipients, as demonstrated in

Table 7. By placing absolute limits on the grant funding students are able to receive, the OAG does not truly discount students' actual tuition fees.

110 Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

111 Statistics Canada, "Table 1 Weighted average undergraduate tuition fees for Canadian full-time students, by province," Government of Canada, last modified September 9, 2015.

112 Statistics Canada, "Table 477-0021 Weighted average tuition fees for full-time Canadian undergraduate students, by field of study," Government of Canada CANSIM database, accessed October 15, 2015, last modified September 9, 2015.

113 Ibid.

114 CCI Research Inc., *Ontario Post-secondary Student Survey*.

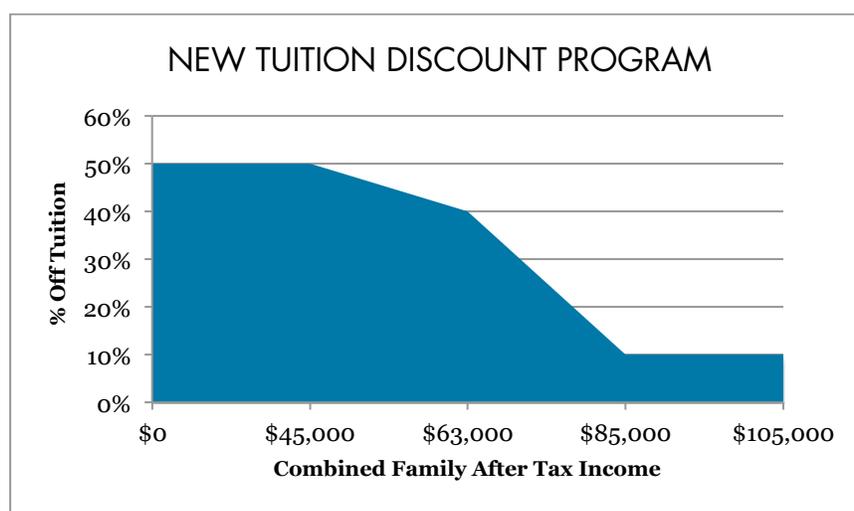
115 OSAP, "Ontario Access Grant (OAG)," Ontario Ministry of Training, Colleges and Universities, last modified April 30, 2015, <https://osap.gov.on.ca/OSAPPortal/en/A-ZListofAid/PRDR013079.html>.

Table 7: Ontario Access Grant Tuition Discounts by Net Parental Income. ¹¹⁶

Parents' Net Income	Tuition Discount
Less than \$44,000	50%
\$44,000 - \$62,000	25 - 50%
\$62,001 to \$89,000	25%

Harmonizing the Ontario Tuition Grant and the Ontario Access Grant

Figure 1: Proposed Model for Harmonizing the Ontario Tuition Grant and the Ontario Access Grant.



The figure above illustrates students' recommendations for harmonizing OTG and OAG. This recommendation will not impact the Ontario Access Grant for Crown Wards. Using existing parameters, the model attempts to offer a more generous and nuanced tuition discount program than either the OTG or OAG provide on their own.

Based on the eligibility criteria used for the Canada Student Grants for Students from Low-income Families, this model assumes that any family, regardless of size, making \$63,000 or less is low-income. As such, these families are given the largest discounts. By using slopes to approach income thresholds—rather than the hard cut offs currently in place—the model attempts to determine students' percentage discount in an equitable manner. These sloping income thresholds should help to expand eligibility for those from middle-income families. However, a step has been incorporated to ensure that those on the higher end of the income scale still receive some assistance.

As it currently stands, the OTG does not take family size into consideration. This is troubling for parents who earn a relatively high income but have several dependents to put through post-secondary education. In this case, the system assumes they have the means to contribute an amount of money that is not realistic.

This model will also improve eligibility in order to allow more students to access tuition discounts. This hybridized tuition discount program should be available for the duration of

¹¹⁶ Ibid.

applicants' programs at any time, regardless of when the applicant graduated from secondary school. Extending eligibility criteria in this way should reach approximately 14,200 additional students.¹¹⁷

Extending the eligibility to the entire length of students' programs at any time would be a more effective way to meet students' needs. This targets students from low-income backgrounds by giving them a larger discount for a longer period of time. Currently, a student on the lowest end of the income scale would only be eligible for a 50 percent OAG discount for two years, and then they would receive a 30 percent discount from OTG in their third and fourth years of study. "Any time" eligibility allows for greater pathway flexibility within the PSE system and targets students who typically take alternative pathways to university—namely Indigenous students and adult learners.

By covering greater percentages of the actual costs of tuition for longer, the government would be reducing the financial burden on students with the greatest financial need.

ONTARIO STUDENT OPPORTUNITY GRANT

Principle: Loan remission programs make post-secondary education affordable by keeping student debt manageable.

Concern: As the OSAP loan maximum and OSOG cap increase, less provincial debt is written off.

Concern: Students are not aware of OSOG; because of this they do not have realistic expectations of their debt upon graduation.

Recommendation: The Ontario Student Opportunity Grant cap must always remain at the 2015/16 level.

Recommendation: The provincial government should inform students of their OSOG eligibility at the start of each academic year.

The Ontario Student Opportunity Grant (OSOG) is one of the most effective tools that the provincial government has to improve the financial aid available to students. The grant acts both as non-repayable funds for students and as a cap on repayable debt. Unsurprisingly, it is also the most expensive component of the provincial financial assistance system at a budgeted cost of \$540 million in 2013/14.¹¹⁸ The province is doing well to restrain student debt. After announcing that the OSOG cap will be indexed to inflation, starting in the 2015/16 academic year, the Ministry committed to ensuring "In inflation-adjusted dollars, students would not be asked to repay any more in future than they are expected to repay currently."¹¹⁹ OSOG is an effective tool for assisting students from middle-income families who do not always receive maximum awards from other government grant or bursary programs.

However, other crucial system reforms threaten to reduce the efficacy of this program. The province has also indexed OSL, the Ontario portion of COISL, to inflation. If the CSL maximum remains constant, as the OSL maximum increases with inflation the provincial government will be responsible for an increasing proportion of the COISL. Over time this proportion will greatly exceed the 40 percent the province is currently responsible for providing. It is for this reason that the province has indexed the OSOG cap to inflation; in this way, the province protects itself from taking on federal debt.

¹¹⁷ Based on the Council of Ontario Universities' *Application Statistics 2013*; 14,201 registered "other applicants," defined as any applicant who has not previously attended university and was not in secondary school in the 2012-13 academic year.

¹¹⁸ Ministry of Training, Colleges and Universities, "Table 1: Ontario Student Assistance Program (OSAP), Federal and Provincial Repayable Assistance Issued, 2004-05 to 2013-14," Ontario Ministry of Training, Colleges and Universities, accessed May 8 2015.

¹¹⁹ Ministry of Training, Colleges and Universities, "Indexing OSL and OSOG," *Government of Ontario stakeholder communications*, December 8, 2014.

Students feel the province must stay true to its commitment to keep student debt low. With this in mind, OUSA recommends that the provincial government keep the OSOG cap at its current level, \$7,400. Maintaining the current cap will help graduates limit the amount of debt they can accrue to attend university. Additionally, enacting additional eligibility criteria to OSOG will help to improve the affordability of university. OSOG is currently awarded to any student whose debt exceeds the cap, regardless of their ability to manage their debt. The program could become better targeted towards students with real financial need if some type of income-testing was used to assess eligibility. The costs of administering the program could also be reduced by somewhat restricting eligibility, thereby freeing up funds to enrich the financial aid system in other ways.

We recognize that the students with increased financial need usually take on the most government debt, but feel that OSOG should be administered based on graduates' ability to repay the money they borrow. There should be more than one criterion in place to ensure that the system prioritizes those with financial need.

Currently, OSOG is applied to the OSL if an eligible student completes at least two academic terms during a 12-month study period while they were receiving OSAP.¹²⁰ This minimum term requirement limits the program unnecessarily; in this regard, a single term cap should be introduced to the OSOG program.

The province must ensure that students are notified of their eligibility for OSOG at the start of each academic year. While they need not be notified of the value of the grant, student should be able to anticipate the amount of debt they are taking on each year. In this way, students can develop realistic expectations of their future debt load. In changing students' expectations, there is the chance their behaviour may change as well. Students could prepare in advance for loan repayment, know exactly how much they owe, and even plan to acquire large assets (like a mortgage on a house, for example) that we know some graduates avoid when they perceive their student debts to be quite large.¹²¹

CHILD CARE BURSARY

Concern: The funding available for students with dependent children is inadequate
Concern: The Child Care Bursary only reaches a very small proportion of the students with need.
Recommendation: The Child Care Bursary should be made available to all OSAP-eligible students with any dependent children under the age of 12.
Recommendation: Bursary amounts distributed through this program should more accurately reflect the actual costs of childcare in Ontario.

Students with dependent children can sometimes face additional challenges when undertaking a university education. Among those challenges are additional familial costs and difficulties finding and paying for childcare. Students seeking to go to college or university are often doing so out of a desire to create opportunities for themselves and their families. It is then upsetting that students with dependants might be held back from attending school due to short-term childcare and other family costs.

Financial assistance resources for students with dependants actually come in two major forms. In addition to the living allowance and childcare costs allowed in the cost assessment, a few students are eligible to receive the Child Care Bursary (CCB). This other major form of aid intends to provide additional support for full-time students with three or more children under the age of 12. Table 8 below shows the bursary values per child for married and sole-support parents.

¹²⁰ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 74.

¹²¹ May Luong, "Financial impact of student loans." *OUSA Blog*, "Newfoundgrant: Newfoundland, non-repayable grants, and OSAP," blog entry by the Ontario Undergraduate Student Alliance, August 5, 2015.

Table 8: Weekly Per Child Value of the Child Care Bursary. ¹²²

	Married Students	Sole Support Students
Third child (per week)	\$35	\$70
Fourth child (per week)	\$23	\$46
Fifth child (per week)	\$29	\$58

Students commend the government for recognizing that students with dependants have additional costs that they might not be able to meet through work or savings alone. However the impact of the CCB is very limited by the eligibility criteria – in past years, participation in the program has been as low as just over 10 people.¹²³ Things have improved since the government implemented automatic enrolment in the program for those that fit the criteria – removing the onus on the applicant to apply for the bursary on their own – but the eligibility criteria still remain narrow.

OUSA also recommends that the CCB undergo some changes to increase its breadth and depth. The CCB should be made available to any OSAP eligible student with one or more dependent children under the age of 12. Dependants should be assessed at the same per-child rate, as the current practice of a different amount per-child further—and unnecessarily— complicates an already poorly understood aid program. The amount of the CCB should be adjusted so as to better work with the childcare allowance to reflect the average cost of a dependent child attending on-campus childcare. In this way, the CCB could be offered as a true upfront bursary and provide additional aid to parents who need it.

NEW TECHNOLOGY GRANT

Concern: Several important grant programs were cut in order to pay for the Ontario Tuition Grant.

Recommendation: A Technology Grant should be re-instated for independent students.

The OTG was implemented at the expense of other provincial grant programs. Some provincial grant programs such as the Textbook and Technology Grant, the Ontario Trust for Student Support, and the Queen Elizabeth II Aiming for the Top Scholarship were cut. While the OTG has resulted in significantly more funding for non-repayable student financial aid in Ontario, there may be students who are worse off as a result. Some of these programs made up the bulk of Ontario’s upfront grant programs and were awarded directly to students.

Students must have sufficient resources for a computer and printer, which are estimated at \$1,000 annually,¹²⁴ but there are other devices that come at a great expense. As an example, students in specialized multimedia or design programs may require specific laptops capable of utilizing specialized programs —costing almost \$2000 in some cases¹²⁵—or students in photography programs may require new cameras and lens.¹²⁶ Additionally, certain media or communications programs require expensive computer programs such as Final Cut Pro, which

¹²² Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

¹²³ Personal communication between Noah Morris (Director of Student Financial Assistance Branch @ TCU) and Sean Madden.

¹²⁴ Alexander, Craig and Shahrzad Mobasher Fard, *The Future Cost of a University Degree* (Toronto: TD Bank Financial Group, 2009).

¹²⁵ The 12-inch 512GB MacBook is quoted at \$1,899 before taxes and applying accessories in the online Canadian Apple store, as of October 15, 2015.

¹²⁶ A canon EOS Rebel and 35mm lens is listed at \$1,279 in their online store as of November 14th, 2015.

can cost up to \$350.00.¹²⁷ Unfortunately, the OSAP cost assessment only allows for \$500 in computer costs, regardless of program length.¹²⁸ Students recognize that they do not need to invest in new technology each year, but the government aid system provides no safety net for students who must replace expensive technology unexpectedly.

While the old \$150 Textbook and Technology Grant was insufficient to cover all of these costs, it did signal that the government wanted to help all students meet these costs. Students would like to see the government renew their commitment to helping students meet all education costs, including periodic or unexpected expenses, by re-instating a new, more generous Technology Grant that students can access once per program of study.

TAX CREDITS

Principle: Funds spent on student financial assistance should be available to students while they are studying.

Concern: Tax credits for post-secondary education tend to disproportionately benefit higher income individuals and families

Concern: Tax credits are not accessible at the time of year when students most need the funds.

Recommendation: The provincial government must eliminate tuition, education and textbook tax credits and redirect the funding towards non-repayable assistance programs.

We believe that financial assistance should be available to students when they need it most—when they are paying their tuition, purchasing textbooks, or managing their own living expenses. Tax credits provide assistance too late in the year to alleviate students’ immediate financial burdens. About 63 per cent of students do not use their tax credits in the same year they are accumulated.¹²⁹ Almost 30 per cent of students do not benefit from their tax credits until after graduation because they have low tax responsibilities due to their low incomes.¹³⁰ This delay in aid persuades students to borrow more money when they otherwise may not have needed to.

We also believe that financial assistance should be made available based on need. These tax credits particularly benefit high-income earners while disenfranchising middle- and low-income students. Students in the highest income quartile claim nearly four times as much through tax credits compared to those in the low-income quartile (see Table 9), but presumably these students have similar expenses.

Table 9: Average Tax Credit Claimed by Income Quartile. ¹³¹

Average Tax Credit Claimed	
Highest Income Quartile	\$2,000
Middle-High Income Quartile	\$1,600
Middle-Low Income Quartile	\$1,300
Low-Income Quartile	\$520

The Tuition and Education Tax Credit is an inefficient use of student financial aid funds. The most recent Economic Outlook and Fiscal Review for Ontario estimated that the province spent \$335 million on Tuition and Education Credits in 2014.¹³² OUSA recommends that the provincial

¹²⁷Mac App Store Preview, “Final Cut Pro: By Apple,” Apple Canada Inc., last modified 2015, accessed November 14, 2015, <https://itunes.apple.com/ca/app/final-cut-pro/id424389933?mt=12>.

¹²⁸ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 35.

¹²⁹ Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way*.

¹³⁰ Ibid.

¹³¹ Christine Neill, “Tuition and education tax credits” (presentation to the CASFAA/Millennium Conference on Enhancing Access to Post-Secondary Education, Ottawa, Canada, September 16, 2006).

¹³² Ministry of Finance, “2014 Ontario Economic Outlook and Fiscal Review: Transparency in Taxation, 2014” Ontario Ministry of Finance, accessed October 20, 2015, last modified November 17, 2014.

government ceases issuing new tuition, education, and textbook tax credits and allocate year-to-year savings into upfront, non-repayable aid. This type of financial aid would more effectively target students with the greatest financial need. This reform will ensure that government aid programs do not disproportionately benefit students from higher-income households, who can better afford to pay into the university system.

As the tuition, education, and textbook tax credits are phased-out, the government could use the previously earmarked funds to strengthen the OSAP system. These funds could be reallocated towards:

- a) Harmonizing the OTG and the OAG,
- b) Expanding eligibility for the new tuition discount program (previously OTG and OAG),
- c) Harmonizing the federal and provincial governments' parental income contributions.

INSTITUTIONAL FINANCIAL AID

Principle: Institutional financial assistance should be available to all students with financial need.

Concern: There are students with financial need who do not qualify for OSAP.

Recommendation: Some institutional financial assistance should be available to students who do not qualify for OSAP.

Institutional financial assistance can include scholarships, bursaries, emergency loans, tuition assistance, and work-study programs. Funds for institutional aid come from a variety of sources, such as private donations, the university's basic operating funds from the government, money distributed on behalf of the government, and from a percentage of tuition revenue that has to be set aside as financial aid (the tuition set-aside).

Institutional aid is an important component in the overall aid system. In fact, the province's approach to assistance actually depends on universities fulfilling the 'unmet' need that can result between OSAP's loan cap and applicants' assessed financial need. In order to better meet financial need in Ontario, the provincial government promised that no qualified student would be prevented from attending a public university or college for financial reasons. Emerging from a two-year tuition freeze, universities were only able to raise their tuition by participating in the Student Access Guarantee. However, institutions sometimes use the fact that a student has not undergone an OSAP needs assessment, or has had a calculation that did not result in 'unmet' need, as a reason to not provide institutional aid despite a student experiencing genuine need.

When the system functions properly a university can be better positioned to assess students' costs, more responsive to unexpected funding shortfalls, and provide face-to-face management of assistance allocation. Students believe that institutional assistance, or government assistance distributed through institutions, should be available to all students with financial need. This aid should be automatically assessed where possible and widely promoted where not. However, institutional aid systems are not currently meeting these expectations.

STUDENT ACCESS GUARANTEE

Principle: The Student Access Guarantee must ensure that students in need receive fair and sufficient amounts of financial aid.

Concern: The provincial government's Student Access Guarantee only assures students' access to resources for tuition, books, and mandatory fees.

Concern: The Student Access Guarantee only meets students' unmet need determined in the OSAP need assessment.

Concern: The Student Access Guarantee can be met by private loans for second-entry students.

Recommendation: The provincial government should take over the dispersing of tuition set-aside funds in order to better meet student need.

Recommendation: The student access guarantee must be met exclusively through non-repayable grants that are not reduced by exempt resources.

Recommendation: Private loans for second-entry students must be ineligible for meeting the Student Access Guarantee.

The Student Access Guarantee (SAG) is principled in helping qualified students attend university through appropriate financial support programs, and helping students in need have access to the resources they need for their tuition, books, compulsory fees, equipment and supplies.¹³³

¹³³ Student Support Branch, *2010-11 Student Access Guarantee Guidelines* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2010).

Institutions are inadequately handling needs-based aid. Institutions often rely on assessment paperwork forwarded from OSAP to determine how to distribute aid. OSAP categorizes students whose need exceeds the loan maximum as well as whose tuition exceeds allowable tuition costs as having unmet need.¹³⁴ If it is determined that a student has unmet need when they apply to OSAP, their institution is supposed to meet this need through the SAG.

The Ministry of Training, Colleges and Universities will regularly penalize institutions for failing to abide by unmet need that is calculated by that assessment. Institutions should be required to provide no less than the unmet need calculated by OSAP should the institutional resources be available. Unmet need can be provided through bursaries, scholarships, work-study positions, and employment between terms. However, for certain second-entry programs, the student access guarantee can be met through private loans.¹³⁵

The provincial government should take over the disbursement of these funds in order to better meet the unmet financial need of students. This way, a student only needs to fill out one needs assessment and this money can be allocated to those who need it the most through non-repayable grants. Finally, the student access guarantee should not be able to be filled by private lines of credit or loans. This undermines the spirit of the student access guarantee, and places unnecessary financial hardship on these already burdened students.

MERIT-BASED ASSISTANCE

<p>Principle: Institutional financial assistance should prioritize those with financial need.</p> <p>Principle: Government public funding should only be used for scholarships that benefit those with financial need.</p> <p>Concern: Some universities prioritize their recruitment goals, rather than need, when they distribute financial aid funds.</p> <p>Concern: The majority of institutional aid is delivered through merit-based scholarships instead of targeting student need.</p> <p>Concern: Universities are using tuition set-aside funds to pay for merit-based entrance scholarships.</p> <p>Recommendation: Funds derived from operational sources and the tuition set-aside should be used to meet students' financial need.</p> <p>Recommendation: Institutional financial assistance funded by tuition set-aside funds should be distributed on a priority basis, with unmet student need addressed first.</p> <p>Recommendation: The provincial government should eliminate the use of public funding to pay for merit-based scholarships at all universities.</p>
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Financial assistance provided through institutions is predominantly merit-based. While some in the sector may favour meritocratic systems, there are several problems with this approach. The vast majority of supposedly merit-based aid is distributed through entrance scholarships. While almost 60 percent of our members report receiving an entrance scholarship, only 21 percent report receiving a renewal of previous entrance scholarships.¹³⁶ While there was a time when institutions were well served by this competitive exercise, the proliferation of these awards, combined with Ontario's well-known problem with secondary school grade inflation,¹³⁷ calls into question the legitimacy of these entrance scholarships as a reflection of relative merit. It might now be more appropriate to call these scholarships recruitment tools.

¹³⁴ Student Financial Assistance Branch Team Lead in communication with OUSA Research Analysts, June 2015.

¹³⁵ Ibid.

¹³⁶ Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way*.

¹³⁷ James E. Côté and Anton Allahar, *Ivory Tower Blues: A university system in crisis*, (Toronto: University of Toronto Press, 2007): 46, 195-199. John T. Saywell, *Someone to Teach Them: York and the Great University Explosion, 1960-1973*, (Toronto: University of Toronto Press, 2008): 282. Martin D. Dooley, A. Abigail Payne, and A. Leslie Robb, *The Impact of Cost on the Choice of University*, (Hamilton: McMaster University Department of Economics, 2011): 13.

The source of these scholarships is also problematic. Merit-based entrance scholarships can satisfy the requirements of the tuition set-aside program, which is principally intended to meet unmet need. Institutions also devote substantial amounts of their own Basic Operating Grants—which are operating funds from the government—to providing merit-based and entrance scholarships. In fact, on average, 73 percent of the funding for these scholarships comes from discretionary operational funding.¹³⁸ This has the ultimate effect of driving up the cost of education in order to satisfy a sort of recruitment “arms-race” between institutions. To make matters worse, the offer of financial assistance or scholarships typically has less impact on students’ decisions to attend specific universities than other aspects, such as location, quality of academic programming, or institutional reputation.¹³⁹

OUSA believes that public funding should not be used for merit-based entrance scholarships. System wide, 19 percent of the tuition set-aside is classified as scholarships representing roughly \$44 million.¹⁴⁰ This money, as well as all publicly funded financial assistance programs, should not be used as merit-based entrance scholarships and should ideally be allocated to needs-based assistance. This would have a two-fold effect; it would immediately address certain gaps in needs-based financial assistance, as well as improving the quality of the institution. Since students are often not enticed by this financial assistance, this could have positive effects on university environments by prioritizing the quality of academic programming.

OUSA believes that any financial assistance derived from the tuition set-aside or the Basic Operating Grant should be used exclusively for needs-based awards. When last surveyed, 13 percent of our members indicated they received some form of needs-based assistance from their institution. This is woefully lacking compared to the nearly 80 percent mentioned above who received assistance based on merit.¹⁴¹

This is particularly troubling when considering the majority of recipients of merit-based awards. Amongst our members, those from higher income families received the largest merit-based awards, as demonstrated in Figure 2 below. Allocating resources away from the highest and towards the lowest income earners—while maintaining or improving distribution amongst those in the middle—could contribute to improved access for those with the greatest need. This is not to say that students from high-income families are less deserving of recognition. Rather OUSA believes that these students experience the fewest financial barriers to access and that public financial aid should go to those experiencing the greatest financial difficulties.

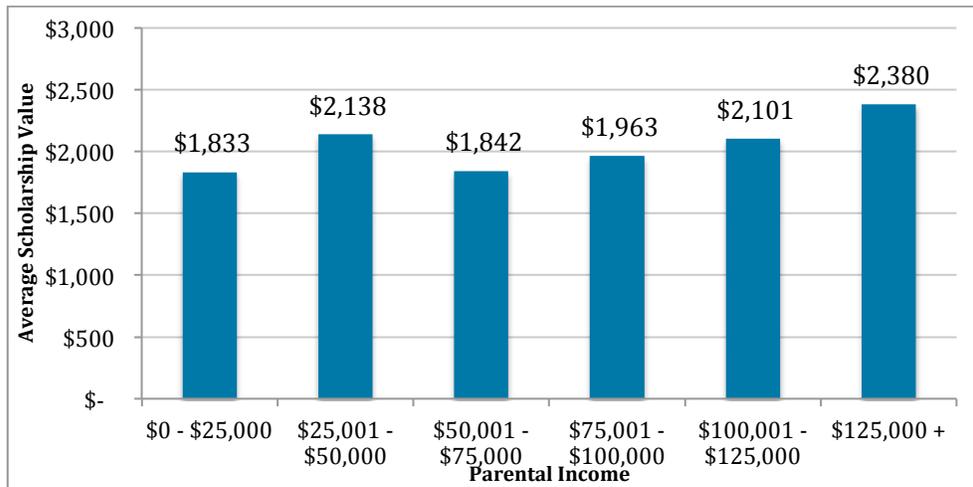
¹³⁸ The Educational Policy Institute, *Institutional Student Financial Grants in Ontario* (Toronto: Higher Education Quality Council of Ontario, 2008): 17.

¹³⁹ Prairie Research Associates, *2013 First-Year University Student Survey: Master Report* (Ottawa: Canadian University Survey Consortium, 2013).

¹⁴⁰ Ministry of Training, Colleges and Universities, *2012-13 Tuition Set-Aside Expenditures, by Institution and Award Category for Ontario Universities* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2015).

¹⁴¹ Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way*.

Figure 2: Average Merit-based Financial Assistance Award by Parental Income.



While there is certainly some overlap between students with need, and those receiving entrance scholarships, OUSA argues that reallocating government- and student-supplied funds towards needs-based assistance would allow institutions to more appropriately target students with the most financial need.

This should be achieved by working with all institutions; the provincial government should oversee the progressive reduction of the use of public funding for merit-based entrance scholarships. Gradually phasing out the use of tuition set-aside and Basic Operating Grant funding towards these recruitment tools would make more money available for other initiatives that increase accessibility and affordability, while giving institutions the time to come up with alternative recruitment solutions. Not only that, but consistently overseeing this reduction would ensure that no Ontario school has an advantage over others to avoid putting them at an unfair disadvantage in attracting prospective students. Such a change would not impact institutions' distribution of advancement funds.

ACCESS TO INFORMATION

Principle: Students must be able to easily understand and navigate the student financial assistance system.

Concern: Students have insufficient knowledge about financial assistance and have trouble accessing necessary information.

Concern: High school guidance programs often fail to provide sufficient information about financial assistance to students.

Concern: Lack of awareness about the continuation of interest free status can lead students to go into default on their loans.

Recommendation: The provincial government must create an effective and user-friendly website that empowers students to access information about all types of financial aid.

Recommendation: The provincial government must publish an annual report for OSAP and include it on their website.

Recommendation: The provincial government must provide more resources to guidance counsellors or teachers in the high-school system to help prepare students to manage their money independently.

Recommendation: Institutional student financial assistance offices should provide sufficient counsellors and easily accessible information on personal finances for current students and recent graduates.

When accessing student aid, students should be empowered by relevant information to make responsible decisions. While this information exists, it is not easily accessible for the average student. In 2009, the Canadian Millennium Scholarship Foundation concluded that despite the presence of guidance counsellors many high school students felt anxious and unprepared to make decisions regarding their post-secondary options.¹⁴² Students are most likely to ask family and friends for advice in regards to PSE and career planning ¹⁴³ and only a minority of secondary school students use their guidance counsellors as informational sources.¹⁴⁴

Once enrolled in university, students continue to experience difficulty in obtaining useful information about the financial aid system. The OSAP website is not user-friendly resulting in a lack of awareness about some of the programs and assistance available to students. Data from the 2010 Canadian Student Survey demonstrates that three-quarters of Ontario students could not pass a seven-question test on basic information about the Canada Student Loan Program.¹⁴⁵ Considering that Ontario students receive a COISL through OSAP, it is unlikely, given these data, that students would have an increased understanding of the provincial aid system.

This could be augmented by more information regarding student aid being made available for students in high school, as well as through a more user-friendly and detail-rich website. The provincial government must publish an annual OSAP report containing system-wide usage statistics. Similar to the Saskatchewan Ministry of Advanced Education's Student Aid Fund Annual Report, an annual OSAP report could include descriptions of all programs, summaries of awards and benefits (the number of recipients as well as the average and total values), and a financial overview of provincial spending.

Some schools proactively provide resources to their students regarding financial literacy. One such example is the McMaster Money Centre page, which provides information on debt

142 Ministry of Training, Colleges and Universities, *2012-13 Tuition Set-Aside Expenditures*.

143 J. Domene, J. Shapka, and D. Keating, "Educational and career-related help-seeking in high school: An exploration of students' choices," *Canadian Journal of Counselling*, 40, no. 3 (2006).

144 Canadian Millennium Scholarship Foundation, "Fear of the unknown: Due to a lack of information, many Canadian youth have anxieties about post-secondary education," *CAP Journal*, (Montreal: CMSF, 2009).

145 M. Kramer, J. Rogers and E. Kaznowska, *The Illiteracy of the Literate: The Lack of Financial Aid Knowledge among Canadian University Students* (Ottawa: Canadian Alliance of Student Associations, 2010).

repayment, credit cards, and paying for school in general.¹⁴⁶ By providing access to this information, students have the opportunity to avoid some of the common problems that their peers encounter.

¹⁴⁶ “Mac’s Money Centre,” McMaster University, accessed October 6, 2015, <http://money.mcmaster.ca/>.

POLICY STATEMENT

Reforming Ontario's Student Financial Assistance System

Whereas: All willing and qualified students in Ontario should be able to access and excel within Ontario's post-secondary education system.

Whereas: The financial assistance system must provide sufficient funding for qualified individuals to attend post-secondary education and devote their attention to their studies.

Whereas: Families should not be unduly burdened by the costs of post-secondary education.

Whereas: Government savings incentives programs should be accessible to low-income families.

Students should not be forced to work during full-time studies due to financial need.

Whereas: The government should be the main source of financial aid for students in PSE.

Whereas: To ensure equitable access to post-secondary education, public financial aid must be available to all students who need it.

Whereas: The public financial aid system should incorporate flexibility to address individual circumstances.

Whereas: The public financial aid system should assist those with the greatest need first and foremost.

Whereas: The need assessment used in the public financial aid system should be accurate, transparent, and predictable.

Whereas: The OSAP cost assessment should reflect true education and living costs within the study period.

Whereas: Students should contribute a fair proportion of the financial resources that are available to them to their education.

Whereas: The contribution assessment should be flexible to allow for individual circumstances that may affect students' ability to pay for their post-secondary education.

Whereas: The provincial and federal governments' assessments of financial resources should be harmonized.

Whereas: An effective public financial aid system should provide predictable amounts of funding to cover the gap between available financial resources and the costs of post-secondary education for students with the greatest financial need.

Whereas: Loan maximums available to students should be reflective of the actual costs of post-secondary education.

Whereas: Both governments must be accountable to their responsibilities in providing financial aid to post-secondary and university students.

Whereas: The repayment system should provide relief and flexibility for those experiencing difficulty making payments.

Whereas: Government loan repayment requirements should not begin until a student's formal education has been completed.

Whereas: Those that are unable to pay back their student debts in the expected timeframe should benefit from established programs.

Whereas: The repayment of government debt must be structured in a fair and progressive manner.

Whereas: OSAP appeals should be readily available in exceptional circumstances.

Whereas: Part-time students should not be placed at a disadvantage with regards to student financial assistance.

Whereas: Students with the most financial need should have access to extensive non-repayable government aid funding.

Whereas: Tuition discounts make post-secondary education more affordable to students with high financial need.

Whereas: Up-front access grants should be provided to students with the highest needs through to degree completion.

Whereas: Loan remission programs make post-secondary education affordable by keeping student debt manageable.

Whereas: Funds spent on student financial assistance should be available to students while they are studying.

Whereas: The Student Access Guarantee must ensure that students in need receive fair and sufficient amounts of financial aid.

Whereas: Institutional financial assistance should prioritize those with financial need.

Whereas: Government public funding should only be used for scholarships that benefit those with financial need.

Whereas: Students must be able to easily understand and navigate the student financial assistance system.

Be it resolved that: Reforms to the student financial assistance system must be enacted to reduce the financial pressures on families.

Be it further resolved that: The provincial government should lobby the federal government to increase the value of the Canada Learning Bond and ensure more families are benefiting from it.

BIFRT: The provincial government should develop its own savings incentive program similar to the Canada Education Savings Grant.

BIFRT: Improve the CESG to give a higher rate of matching funding for low-income families.

BIFRT: The provincial government should ensure that there is adequate promotion of these opportunities to new parents upon having children.

BIFRT: The student financial assistance system must be improved such that students should not have to work during full-time studies.

BIFRT: The provincial government should ensure that those who are eligible for public financial aid are not discouraged from applying for OSAP by the complexity of the application process.

BIFRT: OSAP should expand eligibility as discussed in the OSAP eligibility section.

BIFRT: The provincial government must remove regressive policies that make it difficult for part-time students, students with loan over-awards, and students with specific academic requirements.

BIFRT: Students should be able to submit a form of notification to the government in the event that they are going to leave their home province for a significant amount of time with the intent of coming back to attend post-secondary education.

BIFRT: Part-time students should be held to the same standards as full-time students.

BIFRT: The provincial government must make financial aid available for part-time students, such that students do not only have to rely on the federal loan system.

BIFRT: Students should not be required to pay back loans while on academic restriction.

BIFRT: The government should allow students who are on academic restriction to access financial aid.

BIFRT: Funding should not be tied to academic achievement.

BIFRT: Students should not be required to repay their over-award while in-study.

BIFRT: Students should have over-awarded money added to their loan principle.

BIFRT: Students should not be deemed ineligible for continued financial aid if they receive an over-award.

BIFRT: The Canada and Ontario portions of the integrated student loan program should be ratified so that one needs assessment is done wherein the federal and provincial governments split the need 60 percent and 40 percent respectively.

BIFRT: The monthly living allowances assessed by the financial aid system should be changed to reflect the rising costs of living in different regions in Ontario.

BIFRT: Dependent students should be asked to report where they live during the pre-study period and the study period, and this should be accepted regardless of the distance to their parents' residence.

BIFRT: The provincial government should calculate allowable professional-program tuition and ancillary fees based on the actual costs reported by each institution.

BIFRT: The provincial government should calculate allowable costs for academic materials by program, not category.

BIFRT: The provincial government should lower the amount spouses are expected to contribute to increase the loan eligibility and assistance available to married students.

BIFRT: Students should be able to appeal the minimum pre-study contribution limit if they are unable to find work or choose to engage in unpaid or volunteer work.

BIFRT: The provincial government should lower the expected parental contribution to match that of the federal government.

BIFRT: The provincial government should raise its Moderate Standard of Living so that it is harmonized with that of the federal government.

BIFRT: The provincial government should allow for a substantial one-time adjustment to reflect the current costs of university tuition.

BIFRT: Students should not begin repayment of their provincial or federal debt until six months after ceasing studies and only if they have the financial means to do so.

BIFRT: For student loans in repayment, the provincial government should lower the applied interest rate to prime.

BIFRT: The provincial and federal governments should continue to support the Repayment Assistance Plan ensuring graduates benefit from an acceptable debt-to-earnings ratio and guaranteed debt forgiveness.

BIFRT: The Repayment Assistance Plan should be based on after-tax income and assess recipients of employment insurance a payment of zero dollars.

BIFRT: The provincial government should better and more frequently advertise the Repayment Assistance Plan.

BIFRT: Repayment of student loans should only begin when an individual has the economic means to do so.

BIFRT: Research should be conducted on debt aversion and the long-term effects of student debt as well as on the effects of wage inequalities, particularly for graduates from systematically disadvantaged groups, on the ability to repay their student loans.

BIFRT: OSAP must proactively provide specific information on the process for filing an appeal to every applicant.

BIFRT: Regardless of a student's course load, all loans should enter the repayment period six months after graduation.

BIFRT: The provincial government should increase the amount of non-repayable financial aid available to students.

BIFRT: The provincial government must provide non-repayable financial assistance in an equitable manner.

BIFRT: The provincial government must ensure that students are aware of available non-repayable aid.

BIFRT: The Ontario Access Grant and the Ontario Tuition Grant should be combined to create a more progressive and generous tuition discount system.

BIFRT: The provincial government should increase the value of tuition discount grants to cover a proportional amount of eligible students' actual tuition fees.

BIFRT: The provincial government should extend the eligibility for the tuition discount grants to the duration of students' programs at any time.

BIFRT: The Ontario Student Opportunity Grant cap must always remain at the 2015/16 level.

BIFRT: The provincial government should inform students of their OSOG eligibility at the start of each academic year.

BIFRT: The Child Care Bursary should be made available to all OSAP-eligible students with any dependent children under the age of 12.

BIFRT: Bursary amounts distributed through this program should more accurately reflect the actual costs of childcare in Ontario.

BIFRT: A Technology Grant should be re-instated for independent students.

BIFRT: The federal and provincial government must eliminate tuition, education and textbook tax credits and redirect the funding towards non-repayable assistance programs.

BIFRT: Some institutional financial assistance should be available to students who do not qualify for OSAP.

BIFRT: The provincial government should take over the dispersing of tuition set-aside funds in order to better meet student need.

BIFRT: The student access guarantee must be met exclusively through non-repayable grants that are not reduced by exempt resources.

BIFRT: Private loans for second-entry students must be ineligible for meeting the Student Access Guarantee.

BIFRT: Funds derived from operational sources and the tuition set-aside should be used to meet students' financial need.

BIFRT: Institutional financial assistance funded by tuition set-aside funds should be distributed on a priority basis, with unmet student need addressed first.

BIFRT: The provincial government should eliminate the use of public funding to pay for merit-based scholarships at all universities.

BIFRT: The provincial government must create an effective and user-friendly website that empowers students to access information about all types of financial aid.

BIFRT: The provincial government must publish an annual report for OSAP and include it on their website.

BIFRT: The provincial government must provide more resources to guidance counsellors or teachers in the high-school system to help prepare students to manage their money independently.

BIFRT: Institutional student financial assistance offices should provide sufficient counsellors and easily accessible information on personal finances for current students and recent graduates.

APPENDIX: HOW IT ALL WORKS

This section outlines the costs associated with attending university in Ontario and the resources that Ontario university students use to meet these costs. It should be noted that the discussion here restricts costs to actual expenses incurred by current students and does not include other legitimate considerations for students, such as the opportunity cost of foregoing earnings to pursue studies or the future cost of loan repayment.

STUDENT COSTS

Canadian students typically require between \$14,000 and \$22,000 each year to cover the costs of attending university. The most recent assessment of the annual cost of pursuing an undergraduate degree in Canada averaged \$21,982 for students living away from home and \$14,840 for students living at home, when adjusted for inflation (by product) to 2014 dollars.¹⁴⁷ The composition and growth of these expenses is an important consideration for students in Ontario where tuition and ancillary fees are the highest in the country.¹⁴⁸ Using multiple sources, we have estimated the average costs for a student in Ontario in Table 1.

Table 10: Average annual costs of an undergraduate degree in Ontario (in 2014 dollars).*

	Students Living Away from Home		Students Living at Home	
	Cost (\$)	% of Total	Cost (\$)	% of Total
Tuition Fees ¹⁴⁹	\$7,868	30%	\$7,868	47%
Compulsory Ancillary Fees ¹⁵⁰	907	3	907	5
Textbooks ¹⁵¹	1,000	4	1,000	6
Computers	595	2	595	4
Shelter ¹⁵²	7,882	30		
Utilities	567	2		
Food	3,133	12	2,518	15
Personal and Health Care	1,231	5	940	6
Transportation	800	3	800	5
Clothing	1,220	5	930	6
Other	1,441	5	1,300	8
TOTAL	\$26,644	100%	\$16,858	100%

* Unless otherwise indicated, costs are based on the national average.¹⁵³

Tuition and Fees

¹⁴⁷ HRSDC, Statistics Canada, and TD Economics in Craig Alexander and Shahrzad Mobasher Fard, "The Future Cost of a University Degree," TD Economics Special Report (Toronto: TD Bank Financial Group, 2009): 3. Statistics Canada, "Table 326-0021 Consumer Price Index, annual," *Government of Canada CANSIM database*, accessed June 2015, last modified January 23, 2015.

¹⁴⁸ Statistics Canada, "Table 477-0077 Canadian and international tuition fees by level of study, annual," *Government of Canada CANSIM database*, accessed September 9 2015, last modified September 9, 2015.

¹⁴⁹ Ibid.

¹⁵⁰ "First year domestic tuition and ancillary fees by program: 2014-2015," *Council of Ontario Universities: Common University Data Ontario*, accessed May 22, 2015.

¹⁵¹ "What it will cost," Ontario Ministry of Training, Colleges and Universities, accessed May 22, 2015.

¹⁵² "How much does it cost to rent an apartment in Ontario?" *Settlement.org*, last modified December 22, 2014, accessed May 22, 2015.

¹⁵³ Adjusted for inflation by product group to 2014 dollars. Alexander and Fard, "Cost of a University Degree," 3.

Tuition is one of the largest expenses for most students, accounting for 30 percent of annual student expenditures for students living away from home and 47 percent for students living at home. Ontario university students are currently charged the highest tuition in Canada at an average of \$7,868 in 2015-16.¹⁵⁴ The Ontario government regulates tuition under a framework that allows institutions to increase tuition by a maximum overall average of three percent annually.¹⁵⁵ This average is a calculation based on a tuition increase of a maximum of three percent for undergraduate students and five percent for professional undergraduate and graduate students. Differentiated tuition regulations have resulted in great variation in tuition costs between programs, ranging from an average of \$6,231 in humanities to \$11,085 in engineering to \$23,779 in medicine in the 2015-16 academic year.¹⁵⁶

Ontario also currently has the second highest compulsory ancillary fees in the country behind Alberta. These fees pay support services, capital projects, and student activities. Ancillary fees have increased dramatically from just over \$90 per-student in 1988¹⁵⁷ to the current average of \$907.¹⁵⁸

Textbooks and Technology

The average student expenditure on textbooks varies considerably by program. The OSAP website warns students: “You should expect to spend about \$1,000 per year for books and school supplies. If you are entering a specialized course, like architecture, dentistry, medicine, photography, advertising or graphic arts, your costs may be higher.” Students also must have sufficient resources for a computer and printer, which can cost more than \$2,000 for a single laptop.¹⁵⁹

Accommodation, Food and Living Expenses

Many students – 15 percent of first-year university students,¹⁶⁰ 54 percent of middle-year students¹⁶¹ and 58 percent of graduating students¹⁶² – do not live with their parents or legal guardians and therefore incur living expenses. The cost of renting an apartment varies considerably according to the size and location of accommodation. The average cost of renting a two-bedroom apartment could be as much as \$1,251 per month in Toronto, or as little as \$798 in Windsor.¹⁶³ However, students who choose to live alone, also choose to shoulder the burden of rent—the average bachelor apartment in Toronto rents for \$896 compared to \$667 in Kitchener and \$518 in Windsor.¹⁶⁴ Food costs account for over \$2,500 annually for students both living at home and away from home.

Transportation

¹⁵⁴ Statistics Canada, “Table 477-0077.”

¹⁵⁵ Ministry of Training, Colleges and Universities, *Tuition Fee Framework and Ancillary Fee Guidelines for Publicly-Assisted Universities 2013-14 to 2016-17*, (Toronto: Ontario Ministry of Training, Colleges and Universities, 2013): 4.

¹⁵⁶ Statistics Canada, “Table 477-0021 Weighted average tuition fees for full-time Canadian undergraduate students, by field of study,” CANSIM Database, last modified September 9, 2015.

¹⁵⁷ Snowdon & Associates, *Revisiting Ontario College and University Revenue Data -Appendix*. (Toronto: HEQCO, 2009).

¹⁵⁸ Statistics Canada, “Table 477-0078 Canadian students additional compulsory fees by level of study,” CANSIM Database, last modified September 9, 2015.

¹⁵⁹ The 12-inch 512GB MacBook is quoted at \$1,899 before taxes and applying accessories in the online Canadian Apple store, as of October 15, 2015.

¹⁶⁰ Prairie Research Associates, *2013 First-year University Student Survey Master Report* (Ottawa: Canadian University Survey Consortium, 2013): 11.

¹⁶¹ Prairie Research Associates, *2014 Middle-years University Student Survey Master Report* (Ottawa: Canadian University Survey Consortium, 2014): 9.

¹⁶² Prairie Research Associates, *2015 Graduating University Student Survey Master Report* (Ottawa: Canadian University Survey Consortium, 2015): 9.

¹⁶³ Settlement.org, “How much does it cost to rent an apartment in Ontario?”

¹⁶⁴ Ibid.

We estimate the average annual cost of public transportation at \$800. However, this cost also varies considerably by city, ranging from \$112 in Toronto for monthly post-secondary student pass (\$1344 for a year),¹⁶⁵ to \$77.29 per term for an Upass in Waterloo (\$231.87 for a year),¹⁶⁶ to \$66.25 for the 12-month Bus-It Program in Kingston.¹⁶⁷ Students also incur additional costs travelling and moving to and from home.

STUDENT FINANCIAL RESOURCES

In order to cover the costs of attending post-secondary education, students must gather financial resources from some (or all) of the following sources:

- Savings (personal),
- Gifts from parents and family,
- Loans from parents and family,
- Loans from the government
- Loans from banks,
- Credit cards, and
- Awards, scholarships, bursaries, and grants (from government, institutions, and third-parties).

Our research suggests that the funding sources used by the largest proportion of students are government loans, government grants and bursaries, and institutional scholarships and bursaries.¹⁶⁸ However, the funding sources providing the largest median amount of funding for students are bank loans and lines of credit, government loans, and Registered Education Savings Plans (RESPs).¹⁶⁹ All funding sources can be organized into four primary categories of financial resources, outlined as follows.

Government Loans

Repayable government loans are available to Canadian residents through their home province, though eligibility for these loans is based on a complex set of characteristics and assets that varies considerably by province. Ontario residents receive Canada-Ontario Integrated Student Loans (COISLs) through the Ontario Student Assistance Program (OSAP). In 2013-14, 253,071 post-secondary students received Ontario Student Loans (OSL) and 323,031 students received Canada Student Loans (CSL); these totals are not mutually exclusive. After dividing the entitlement values by the number of recipients, we estimate the average OSL at \$3912, and the average CSL at \$5037 that year.

Non-Repayable Government Assistance

Both the federal and provincial governments provide student assistance that is non-repayable through loan remission and a variety of grants, bursaries, scholarships, and tax credits. In 2013-14, several federal and provincial scholarship, grant, and bursary programs were offered through OSAP, including:

- Queen Elizabeth II Aiming for the Top Scholarship (although this has been phased out),
- Ontario Access Grants (OAG),

¹⁶⁵ "Post-Secondary Students: Post-Secondary Monthly Metropass," Toronto Transit Commission, accessed July 28, 2015.

¹⁶⁶ "Fees and Funding," Federation of Students University of Waterloo, accessed July 28, 2015.

¹⁶⁷ "Bus-It Program," Alma Mater Society Student Government, accessed July 28, 2015.

¹⁶⁸ CCI, *OUSA Ontario Post-secondary Student Survey Report* (Toronto: Ontario Undergraduate Student Alliance, 2013): 20.

¹⁶⁹ *Ibid.*

- Ontario Access Grants for Crown Wards (OAG-CW),
- 30% Off Ontario Tuition Grants (OTG),
- First Generation Student Bursaries, and
- Aboriginal Student Bursaries.

On average, \$2800 per recipient were awarded to post-secondary students in 2013-14—however the Queen Elizabeth II scholarship provided students with the highest average awards (\$3,973), and the OAG provided students with the lowest average award (\$914 for year one and \$925 for year two).¹⁷⁰

All students, regardless of need, are eligible for tuition and education tax credits that act as a year-end source of income for many students or their families. It is estimated that Ontario university students are eligible for approximately \$2,000 in tax savings annually through these credits.¹⁷¹ Any students repaying their government debts are eligible student loan interest tax credits.

Institutional Financial Assistance

Financial assistance provided through Ontario's post-secondary institutions is playing an increasingly large role in students' financial resources, due in part to incentives and mandates from the Ontario government to increase the availability of institutional aid. Ontario universities provide both merit- and need-based assistance to students through the Student Access Guarantee (SAG), entrance scholarships, and bursaries. In 2012-13, just over \$230 million were set-aside by universities to fulfill SAG requirements, with recipients receiving approximately \$2,262 on average.¹⁷²

The last survey of OUSA's membership found that 32 percent of student members received a scholarship or bursary based on academic or extracurricular merits in the 2013-14 academic year, compared to only 13 percent who received a scholarship or bursary based on financial need.¹⁷³ The survey also found that our students tended to receive more for merit-based awards than they did for need-based awards. Surveyed students most often reported receiving \$1000 in need-based scholarships or bursaries and \$2000 in merit-based scholarships and bursaries from their universities.¹⁷⁴

Private Sources

Students rely on private sources of income to supplement or replace government and institutional assistance. In fact, when OUSA members who did not apply for government assistance were asked why they chose to do so, the most common responses were that they did not think they would qualify, and that they did not require financial assistance.¹⁷⁵ Savings from employment in the summer and earnings from work during the academic year are particularly important sources of income for many students. According to the HSBC, nearly seven in 10 parents think that university is unaffordable for most people.¹⁷⁶ So while the vast majority of parents will contribute to their children's education, 68 percent of parents to secondary school aged children expect their

¹⁷⁰ "Table 2: Ontario Student Assistance Program (OSAP), Federal and Provincial Non-Repayable Assistance Issued, 2004-05 – 2013-14," Ontario Ministry of Training, Colleges and Universities, accessed May 8, 2015.

¹⁷¹ Christine Neill, *Canada's Tuition and Education Tax Credits* (Montreal: Canada Millennium Scholarship Foundation, 2007).

¹⁷² "2012-13 Tuition Set-Aside Expenditures, by Institution and Award Category for Ontario Universities," Ontario Ministry of Training, Colleges and Universities, 2015.

¹⁷³ CCI, *OUSA Ontario Post-secondary Student Survey Report*, 20.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid, 18.

¹⁷⁶ HSBC, *The Value of Education: Learning for life Canada Report*, (London: HSBC Holdings plc, 2015): 10.

children to help contribute towards future university costs and 59 percent of parents of current university students have their children contribute to their educational costs.¹⁷⁷

Our 2013 Ontario Post-secondary Student Survey found the average OUSA member to have received just over \$5,100 from their parents or guardians that academic year.¹⁷⁸ Use of the Canadian Education Savings Plan, accessible through Registered Education Savings, is increasing.¹⁷⁹ In 2013, nearly half of our members had used an RESP to pay for their education and half of those students indicated using the RESP that academic year, with withdrawals averaging about \$4600.¹⁸⁰ Although a minority of our students indicated using bank loans or lines of credit in 2013 (7%) to pay for their education, these students were using considerably more funds from these sources.¹⁸¹ Most of our members used about \$10,000 from their bank loans/lines of credit in 2013. About 7% of our students used their credit card to pay for education costs in 2013, with most using about \$1,000.¹⁸²

GOVERNMENT LOANS

Government loans in Ontario are provided through the Ontario Student Assistance Program (OSAP). The general approach of OSAP is quite simple: each students' education-related costs are assessed, then the financial resources available to the student are assessed, and if there is a shortfall between their costs and resources, then OSAP provides funding for the difference. The assistance calculation is summarized by this equation:

$$\textit{Need} = \textit{Allowable Educational Costs} - \textit{Expected Financial Resources}$$

While this calculation appears to be remarkably simple, it quickly becomes more complicated. Each of the components of the equation is based on a set of rules around what are legitimate costs that can be included in the calculation, and what resources students, parents, guardians and their families are expected to contribute. The OSAP need assessment also varies for different types of students who face different life circumstances, including single dependent students, married or unmarried students, students with and without children, and students with disabilities. The details of these policies fill a 149-page manual on eligibility and need assessment.¹⁸³

While students apply for and receive financial assistance through their provincial government, their OSAP loan is actually composed of two loans, one from the federal government (Canada Student Loan, or CSL) and the provincial government (Ontario Student Loan, or OSL). Since 2001, the two loan programs have been integrated and offered as the Canada-Ontario Integrated Student Loan. The federal government assesses students' eligibility for loans, grants, and bursaries based on 60 percent of their allowable costs, while the province assesses 40 percent.

OSAP Eligibility

There are qualification restrictions for receiving assistance through OSAP as determined by both the federal and provincial government. Recipients must be:¹⁸⁴

- Canadian Citizens, Permanent Residents, or Protected Persons;

¹⁷⁷ Ibid.

¹⁷⁸ 2013 Ontario Post-secondary Student Survey Data Analysis.

¹⁷⁹ "2013 CESP Annual Statistical Review," Economic and Social Development Canada, accessed May 18, 2015.

¹⁸⁰ 2013 Ontario Post-secondary Student Survey Data Analysis.

¹⁸¹ CCI, *OUSA Ontario Post-secondary Student Survey Report*, 18.

¹⁸² Ibid.

¹⁸³ Student Financial Assistance Branch, *2015-2016 Eligibility, Assessment and Review Manual Part I: Eligibility and Assessment*, (Toronto: Ontario Ministry of Training, Colleges and Universities, 2015).

¹⁸⁴ Ibid.

- Ontario residents under OSAP’s residency requirements;¹⁸⁵
- Full-time students (minimum 60% course load as defined by the institution in each term, or 40% for students with permanent disabilities);
- Enrolled in an approved program in an approved post-secondary institution;
- Enrolled in a program that is between 12 weeks and 52 weeks in length;
- In satisfactory academic standing;¹⁸⁶
- In good financial standing with OSAP;¹⁸⁷
- Receiving OSAP loans for no more than 340 weeks in their lifetime for one academic program, or for students with disabilities, no more than 520 weeks of CSL funding (there is no maximum for OSLs and Ontario grants); and
- Applying for OSAP no more than the normally specified study period plus one for one academic program.¹⁸⁸

OSAP eligibility is also used for determining eligibility for other student financial assistance, including non-repayable aid, institutional financial assistance, and the provincial government’s Student Access Guarantee.

A student’s financial need is the result of the total allowable costs, outlined in Section 2.2, minus the total expected financial resources, outlined in Section 2.3. If the combined financial need from both the Canada and Ontario assessments is greater than \$250, then the student is eligible for the Canada-Ontario Integrated Student Loan.¹⁸⁹ Students may still be eligible for grant funding if their need is less than \$250. It is important to note that Ontario includes federal funding in students’ total financial resources in the need assessment.

OSAP Assessment of Costs

Education-related and living costs are included in the OSAP cost assessment for any given academic year. It is important to note that the criteria for the assessment of costs are different between the Canada portion and the Ontario portion of the Integrated Student Loan, and separate financial need assessments are calculated for the Canada and Ontario portions. It is also important to note that these allowances are the amounts the province expects applicants to need during their study period, and as such these allowances are not awarded to applicants.

The following table outlines the OSAP assessment of costs for full-time students:

Table 11: Allowable education costs for full-time students 2015-16. ¹⁹⁰

Category	Allowable Costs
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¹⁸⁵ As described in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, to be considered an Ontario resident, the student, their married spouse, or their parent, step-parent, legal guardian, or official sponsor must have resided in Ontario for 12 consecutive months without being a full-time post-secondary student as of the first day of the study period.

¹⁸⁶ As described in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, to be considered in satisfactory academic standing, the student must achieve passing grades in a minimum of 60% of a full course load, or 40% of a full course load for students with disabilities. Frequent or multiple program switches, dropping from a full course load to a part-time course load, withdrawing from a program, repeating a program and/or taking multiple programs at the same level of study can all be considered grounds for academic probation, which could lead to academic restriction (ineligibility).

¹⁸⁷ As described in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, having received a loan or bursary over-award, being in default on any previous loans, and being bankrupt are grounds for ineligibility.

¹⁸⁸ As described in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, for students in four-year degree programs, OSAP is available for five academic years.

¹⁸⁹ Ibid.

¹⁹⁰ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

Category	Allowable Costs
Tuition and Recognized Compulsory Fees	<p>For regular programs, actual tuition and compulsory fees are used in both the Canada and Ontario portions. For graduate and professional programs, actual tuition and compulsory fees are used in the Canada portion, while the Ontario portion caps these costs at \$2,930 per term for non co-op programs and \$3,466 for co-op programs.</p> <p>Recognized compulsory fees are restricted to: co-op, student activities, athletics, health services, student unions, laboratory,¹⁹¹ field placement, technology,¹⁹² computer software and applications, and professional fees</p>
Books, Supplies, Equipment and Computer Allowance	<p>These costs are capped at \$3,000 per academic year in the Canada portion and \$3,402 in the Ontario portion for two- and three-term programs. This category is intended to assess costs in the following subcategories:</p> <ul style="list-style-type: none"> • Books • Expendable supplies • Computers • Field Trips • Major equipment (e.g., cameras, musical instruments, tools) • Uniforms and minor equipment • Professional association or examination fees • Graduate thesis costs <p>Each category has a maximum allowable amount associated with it and once reach, costs for individual categories cannot be carried over into others</p>
Living Allowance	<ul style="list-style-type: none"> • The Canada and Ontario portion use the same living allowance, specific to the province where the student is attending school • The monthly living allowance, provided for the duration of the study period, is dependent on the student's category outlined in the columns of Table 12 below • If a student receives social assistance, the living allowance is reduced by the income received so as not to duplicate public funding provided for living expenses
Return Transportation	<p>Only single dependent students living away from home are eligible for a return transportation allowance two return trips per academic year at a maximum of \$600 per trip</p>
Child Care	<p>For students' dependent children aged 11 and under (or 12 and older with a disability):</p> <ul style="list-style-type: none"> • Married student: lower of actual costs or \$40 per study week per child • Sole support parent: lower of actual costs or \$83 per study week per child

Table 12: Monthly living allowances for students living in Ontario.¹⁹³

<i>Single Living at</i>	<i>Single Living Away from</i>	<i>Married Student</i>	<i>Sole Support</i>	<i>Each Dependent</i>
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¹⁹¹ Excluding computer lab fees, as stated in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

¹⁹² Excluding computer hardware purchase costs, or rental or lease fees on laptops, tablets, and phones as these are supposed to be provided through the computer allowance, as stated in Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

¹⁹³ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

	<i>Home</i>	<i>Home</i>	<i>and Spouse</i>	<i>Parent</i>	<i>Child</i>
<i>Allowance</i>	\$486	\$1,168	\$2,236	\$1,513	\$622

OSAP Assessment of Financial Resources

OSAP expects students and their families to contribute toward the costs of post-secondary education. It is important to note that the criteria for both the assessment of financial resources are different between the Canada portion and the Ontario portion of the Integrated Student Loan. As a result, separate financial need assessments are calculated for each portion.

The following types of resources are considered in the assessment:

- Pre-study period income
- Study period income
- Assets
- Parental income of dependent students
- Spousal income of married students
- Canada loan and grant funding (Ontario)

Several income sources are exempt from the assessment and should not be reported by applicants, including the Ontario Trillium Benefit, Continued Care and Support allowances from Ontario Children’s Aid Societies, HST/GST rebates, and income from the Youth Employment Fund. For a full list of income that is not reported in the OSAP application see section J.21 “Income,” in Part I of the OSAP Eligibility, Assessment and Review Manual.

Pre-Study Period Income

Every student is expected to work during the pre-study period. This period is typically the 8-week period after graduation from high school for first-year students or the 16-week period between academic terms for upper-year students. However, the federal government and provincial governments have different expectations for students’ pre-study income contributions.

Beginning in 2015-16, a fixed pre-study contribution has been introduced to the Ontario Need Assessment for all student categories.¹⁹⁴ The fixed contribution is \$1,500 per term, to a maximum of \$3,000 per academic year.¹⁹⁵ This fixed amount is reduced to zero for: students with dependent children, students or their spouses collecting Ontario Works or Ontario Disability Support Program, former crown wards, and students who volunteered for the Pan/Parapan Am Games.¹⁹⁶

Canada’s Need Assessment accounts for proportions of students’ pre-study earnings. Most students are expected to contribute 80% of their summer net income or an established minimum contribution. The minimum contribution is calculated to reflect the very least a student could make working full-time for minimum wage during the summer. Students with dependent children (sole support parents and married students) are not assessed against an established minimum. If the pre-study period is less than four weeks, no contribution is expected.

Study Period Income

¹⁹⁴ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 40.

¹⁹⁵ Ibid.

¹⁹⁶ Ibid.

All income, plus any EAPs from RESPs, any awards/scholarships/bursaries (including tuition waivers), and all income from non-exempt government benefits. Former crown wards can have their EAPs exempt from the Need Assessment.

Generally, 100% of income is assessed as an available resource, but the assessments allow some nominal exemptions. These exemptions are different in the Canada and Ontario assessments.

The federal government allows:

- Unlimited earning of income from employment

The provincial government allows:

- \$50 per study week exemption of income from awards/scholarships/bursaries and EAPs
- \$5,600 in-study income
- A deduction of the difference between the actual cost of tuition and fees and the OSAP cap for students in professional or high-demand programs

In the Canada assessment, married students' spouses are expected to contribute 70% of their income during the study period (unless they receive income from OW or ODSP). The Ontario assessment expects at least \$4,500 over the academic year to be provided from the spouse, or 70% of their income if it is greater than this minimum; again, the expectation is zero if the spouse collects OW or ODSP.

Assets

Vehicles are no longer considered assets as of 2014/15 in Canada's assessment, and as of 2015/16 in Ontario's assessment. Most students are assessed against the total value of their assets minus a \$3,000 exemption. For those with RRSPs, \$2,000 for every year the student has been out of secondary school is withheld from the assessment of their investments' value.

Parental Income

OSAP expects parents to contribute to their dependent child's education based on financial ability so parental contributions vary by family income and size.¹⁹⁷ While Canada and Ontario have different calculations for the weekly parental contribution (see Table 4), both assessments expect parents to provide funds to their children in equal portions for the duration of the study period.

Table 13: Parental contributions in Canada and Ontario resource assessments.¹⁹⁸

<i>Annual Discretionary Income</i>	<i>Canada</i>	<i>Ontario</i>
\$0 - \$7,000	15%	25%
\$7,001 - \$14,000	20%	50%
\$14,001 and over	40%	75%

¹⁹⁷ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 53.

¹⁹⁸ Ibid.

Parents' discretionary income is determined by subtracting an allowance for a "moderate standard of living" from their net income in the previous tax year. The Canada and Ontario assessments use significantly different standards of living as outlined in Table 5.

Table 14: Moderate standard of living for Canada and Ontario.¹⁹⁹

	<i>Family Size</i>				
	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Canada	\$47,646	\$59,152	\$67,316	\$73,652	\$78,821
Ontario	\$41,695	\$47,711	\$52,884	\$57,458	\$61,429

"If the family has two or more dependent children in post-secondary studies, the parental contribution is divided by the number of children in post-secondary studies to determine the weekly contribution for each student."²⁰⁰ The parental contributions are incorporated into a student's assessment of financial resources, regardless of whether parents or guardians contribute this amount or not.

OSAP Assistance Allocation

Students' financial need is equal to their total allowable costs minus their total financial resources, in the federal assessment. The provincial assessment of need is equal to total allowable costs minus total financial resources, including any federal assistance the student is eligible for. Once financial need is determined, OSAP then calculates students' assistance entitlement. "The minimum amount of assistance that will be issued for each loan or grant component is \$100."²⁰¹

The Canada portion of the integrated student loan is equal to 60% of their federally assessed need to a maximum of \$210 per study week.²⁰² The value of any Canada Student Grants that a student is eligible for is subtracted from their entitlement if 60% of their assessed need is equal to or less than \$210 per study week.²⁰³

The Ontario portion of the loan entitlement is equal to the province's calculated financial need to a maximum of \$155 per study week for single students or \$355 per study week for married students or sole-support parents. Some of the Ontario portion of the integrated student loan may be displaced by the 30% Ontario Tuition Grant or an Ontario Access Grant, if the student is eligible to receive either. Starting in 2015/16, Ontario's maximum loan amounts will increase annually by inflation.

The combined maximum loan entitlements are:

- \$365 per study week for single students; or for \$12,410 for two academic terms
- \$565 per study week for married students or sole-support parents; or for \$19,210 for two academic terms

Loan Repayment and Debt

Average Debt

¹⁹⁹ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 53.

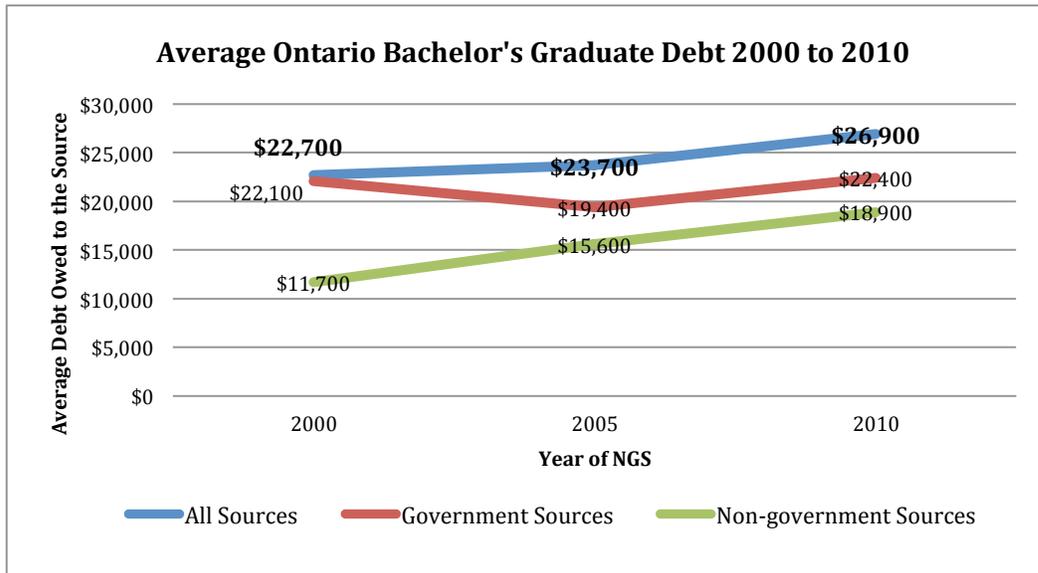
²⁰⁰ Ibid, 54.

²⁰¹ Ibid, 56.

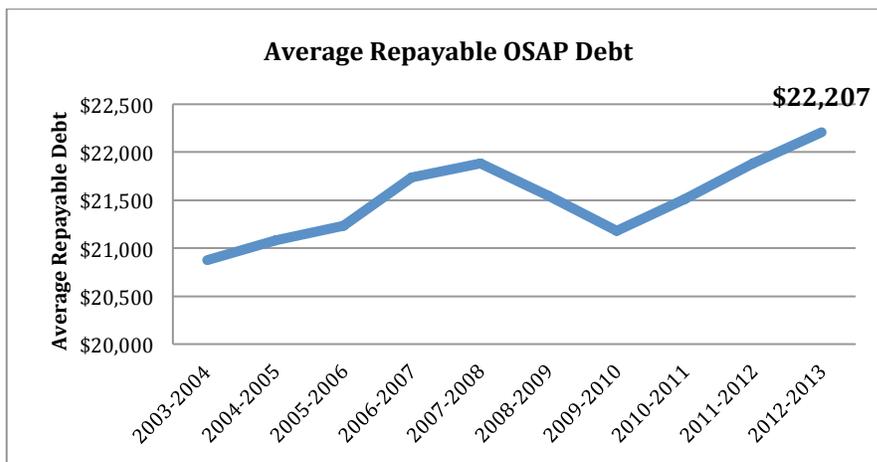
²⁰² Ibid.

²⁰³ Ibid.

Average debt at time of graduation, Bachelor's graduates who studied in Ontario, according to the National Graduate Survey.²⁰⁴



Average repayable debt (after the Ontario Student Opportunity Grants) for 4-Year University Students.²⁰⁵



Loan Repayment

Student loans are repaid through pre-established monthly payments made regularly until the loan principal is repaid with interest. This contrasts with some other countries, where student loans

²⁰⁴ These values are not in constant dollars. Statistics Canada, "Table 477-0068 National graduates survey, student debt from all sources, by province and level of study, every 5 years," *Government of Canada CANSIM database*, accessed July 21, 2015, last modified December 1, 2014.

²⁰⁵ Not in constant dollars. Ministry of Training, Colleges and Universities, "Average OSAP debt: Average debt of Ontario Student Assistance Program recipients, by postsecondary sector," Ontario Open Data Catalogue, accessed June 2, 2015, last modified August 12 2014.

are repaid based as a percentage of income, after a certain minimum wage threshold has been reached.²⁰⁶

The loan repayment process begins six months after a student has completed full-time studies, whether it is due to graduation, transferring to part-time study, withdrawing from courses, or taking time off from post-secondary education. Although students are not expected to pay back any portion of their loan during the first six-months following the completion of full-time studies, the federal government stops subsidizing the interest on the Canada portion immediately. The provincial government grants students an interest-free grace period, continuing the interest subsidy for six months after full-time studies.

During this six-month period, students will be contacted by the National Student Loan Service Centre (NSLSC) to consolidate their loans and to set up a repayment schedule. Through consolidation, all of a student’s loans over their years of study are combined. The NSLSC provides a consolidation letter that details the interest rates on the student’s loan, repayment schedule, and minimum monthly payments.²⁰⁷ Students will begin to repay their loans at the end of the seventh month after completing full-time studies.

Generally, students are encouraged to repay their loans in 114 months (including the six-month grace period), or 10 years. The following chart details the monthly payments and total payments that an Ontario student would have to make if they had either the average repayable government debt in 2012-13²⁰⁸ (\$22,207), or if they had borrowed the maximum amount (\$7,400) for four years (\$29,600) at current interest rates.

Table 15: Estimated Monthly Payments on OSAP Over Ten Years.

<i>Loan Amount</i>	<i>Monthly Payment</i> <small>209</small>	<i>Total Amount Paid</i>	<i>Total Interest Paid</i>
\$22,207	\$257	\$32,258	\$10,051
\$29,600	\$342	\$42,997	\$13,397

With an OSAP loan actually consisting of two loans from different sources, there are two separate interest rates charged each of those portions. Students can also select to negotiate a fixed or floating rate. The interest rates on the Canada Student Loan portion are Prime + 2.5 percent for loans with a floating interest rate, and Prime + 5 percent (at the time of starting repayment) for loans with a fixed interest rate. The interest rate on the Ontario Student Loan portion is Prime + 1.0 percent. At the time of writing, the 2.7 percent prime lending rate resulted in interest rates on student loans of 5.2 to 7.7 percent for Canada Student Loans, and 3.7 percent for Ontario Student Loans.

Extension of Grace Periods

²⁰⁶Alex Usher, *Global Debt Patterns: An international comparison of student loan burdens and repayment conditions* (Toronto: Educational Policy Institute, 2005), 10.

²⁰⁷These policies differ slightly for students who received loans before August 1, 2001, as there were changes in the integration of Canada Student Loans and Ontario Student Loans. Information about policies for pre-2001 borrowers have been omitted here for simplicity.

²⁰⁸“Average OSAP debt: Average debt of Ontario Student Assistance Program recipients, by postsecondary sector,” Ontario Ministry of Training, Colleges and Universities, last modified August 12 2014, accessed June 2, 2015, <http://www.ontario.ca/data/average-osap-debt>.

²⁰⁹Ministry of Training, Colleges and Universities, “OSAP Repayment Calculator,” Queen’s Printer for Ontario, last modified March 12, 2014, https://osap.gov.on.ca/AidEstimatorWeb/enterapp/debt_calculator.xhtml.

Every student entering repayment is automatically granted a six-month grace period, in which no payments need to be made against the outstanding loan and interest does not accrue on the Ontario portion of the loan. However, students working or volunteering full-time for not-for-profit organizations, and young entrepreneurs are able to apply for One Year OSAP Grace Periods. Students must apply within the first six-months of completing their studies. During the additional six months, borrowers do not need to make payments against their loan principal and the government pays for any interest that accrues.

Assistance for Borrowers Encountering Financial Difficulty

When students experience difficulty making their minimum monthly payments, they can work with the NSLSC to extend their repayment period or apply for the Repayment Assistance Plan (RAP). By customizing their repayment period, students can extend their payment period from the standard 9.5 years to the maximum 14.5 years. This extension of the payment period will lower the monthly payment. For students needing more substantial assistance, RAP can be used to adjust monthly payments in relation to borrowers' family income and family size. Under RAP, a student's monthly payment will be no more than 20% of their total family income.

RAP eligibility is limited to Canadian residents who graduated or left school at least six months prior to submitting their application. The program works in two stages. During the first stage, during the first decade of the repayment period, the federal and provincial governments pay any outstanding interest not covered by the revised monthly payment for up to 10 six-month periods (or 60 months). If after this stage the borrower is still experiencing difficulty, they will enter stage two. During stage two, both governments continue to cover outstanding interest and will start to cover a portion of the loan principal. Students balances owing are gradually paid off within 15 years of leaving school. Students cannot take out additional student loans or grants if they are receiving stage two assistance until their existing loans have been paid in full.²¹⁰

The Repayment Assistance Plan for Borrowers with a Permanent Disability (RAP-PD) is even more generous for students. Loan payments take into account uninsured medical expenses, special care and other expenses related to the disability, and the repayment period is shortened to 10 years.

Consequences for Students in Default

If students do not make the required payments on their OSAP loans for nine months or more they are considered in default and their loan will be sent to the Canada Revenue Agency for collections.²¹¹ Once in default, students' credit rating will be adversely affected, income tax refunds may be withheld, individuals may not be eligible for student loans in the future, and legal action may be taken.²¹² In 2013, the default rate for Canada-Ontario Integrated Student Loan university borrowers was 4.5%—the lowest default rate amongst COISL borrowers from universities, colleges, and private career colleges.

Students in default are able to bring their loans back into good standing through the federal and provincial debt rehabilitation programs. By working through the programs, borrowers will again be eligible for financial assistance available through the NSLSC.

Bankruptcy Policies

²¹⁰CanLearn, "Repayment Assistance Plan".

²¹¹CanLearn, "How to bring your Canada Student Loan out of collection," Government of Canada, last modified March 3, 2014, http://www.canlearn.ca/eng/loans_grants/repayment/help/rehabilitation.shtml.

²¹²CanLearn, "Regarding Defaults and Bankruptcy." University of Toronto Admissions and Awards, "Repaying your full-time student loans".

Students who are unable to repay their student loans face greater difficulties to access bankruptcy protection than individuals holding other forms of debt. An individual cannot be released from their student loan obligations if they file for bankruptcy until seven years after the completion of their studies.²¹³ Students may make an application for early discharge from their student loans if they are experiencing significant financial hardship. This “hardship provision” can be granted if it has been at least five years since the student completed their studies.²¹⁴

NON-REPAYABLE GOVERNMENT ASSISTANCE

When a student applies for OSAP, the applicant is automatically assessed for eligibility of thirteen different government grants, five different bursaries, and two graduate scholarships; these are all forms of non-repayable assistance. Non-repayable aid helps improve access to PSE and student persistence by reducing the out-of-pocket expense of education, overall student debt, and the net price of education. In contrast, loans only reduce out-of-pocket expenses since applicants borrow money to increase their liquidity in the short term to pay for upfront costs.

The ability to change the net price of education or the cost of higher education relative to the benefits one accrues from a PSE certification is a key reason why non-repayable aid has been shown to improve access to PSE for low-income students.²¹⁵ A 2008 survey indicated that 20% federal or provincial grant recipients would not have attended a post-secondary institution that year if they had not received a grant. Another 29% of students receiving government grants would have been forced to attend a different institution or study part-time had they not received a grant.²¹⁶

Provincial Grants, Bursaries, and Scholarships

30% Off Ontario Tuition Grant

Announced in 2011 as part of the Ontario Liberal Party election platform, the Ontario Tuition Grant (OTG) has fundamentally altered the landscape of non-repayable assistance in Ontario. OTG is available to Ontario residents who left high school less than four years ago (less than 5 if enrolled in co-op program), have parental gross income of \$160,000 or less, are full-time undergraduates at a public university, in a program that can be applied to directly from high school (a first-entry program), and are not restricted from receiving an Ontario Student Loan.²¹⁷ The tuition grant is worth 30 % of average undergraduate tuition in the arts and sciences, increasing as tuition increases. This academic year, 2015-16, OTG is worth \$915 per term to a maximum of \$1,839. In 2013/14, 149,500 university students received the OTG, totalling \$255.9 million in grant funding.²¹⁸ The OTG is a unique program, since students do not need to be eligible for OSAP to also be eligible for the OTG.

Ontario Student Opportunity Grant

The Ontario Student Opportunity Grant (OSOG) is a debt reduction program that caps students’ provincial loan debt at \$7,400 for two terms, or \$11,100 for three terms, per academic year by

²¹³ Office of the Superintendent of Bankruptcy, “You Owe Money—Student Loans and Bankruptcy,” *Industry Canada*, accessed August 10, 2015, <http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/bro2057.html>.

²¹⁴ Ibid.

²¹⁵ Ibid.

²¹⁶ Human Resources and Skills Development Canada, *Canada Student Loans Program Annual Report 2007-2008*, accessed at http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/Publications/annual_report/2007-2008/part_2.shtml#tphp.

²¹⁷ Government of Ontario, “30% Off Ontario Tuition Grant,” Queen’s Printer for Ontario, last modified 2015, <https://www.ontario.ca/education-and-training/30-off-ontario-tuition>.

²¹⁸ Data Request fulfilled by the Student Financial Assistance Branch, June 2015.

converting any loan in excess of this threshold into a non-repayable grant. Starting in 2015-16, the OSOG cap will increase annually by inflation. In 2013-14, the Ministry of Training, Colleges and Universities budgeted \$540.6 million dollars for the 125,923 post-secondary students eligible for the OSOG program.²¹⁹ This grant is unique in that students will not receive a cheque for this assistance, but they are simply notified of the grant when it is sent directly to the National Student Loans Service Centre.

Ontario Access Grants

Up-front grants were re-introduced into the Ontario financial assistance system in 2005. These grants are currently only available to first- or second-year students in first-entry programs from low-income families. The grant is intended to cover 25 to 50% of tuition for dependant students, and 50 to 100% for current or former crown wards, to a maximum of \$3,000 per academic year. In 2013/14, \$50.9 million were spent to award Ontario Access Grants to first and second year students.²²⁰ This grant funding is not provided in addition to loans. If a student is eligible for the OAG and OTG, the amount of OAG is reduced by the amount of OTG.

Ontario offers many more grants and bursaries to students who qualify, they are listed in the following **Table 16**.

Table 16: Ontario Grant and Bursary Programs for OSAP Applicants.

Non-repayable Assistance:	Full-time (FT) or Part-time (PT) Students:	Value each academic year:	
Aboriginal Postsecondary Education and Training Bursary	FT	\$1,000 - \$3,500 determined by each institution	
Bursary for Students with Disabilities*	FT/PT	Up to \$2,000	
Child Care Bursary	FT	For married students: \$35/study week for the third child \$23/study week for the fourth child \$29/study week for the fifth child	For sole support parents: \$70/study week for the third child \$46/study week for the fourth child \$58/study week for the fifth child
Living and Learning Grant (for former youth in care)	FT	\$550/month to a max. of \$6,000	
Ontario Distance Grant	FT	For commuting: \$500/term to a max. of	For travel: \$300

²¹⁹Data Request fulfilled by the Student Financial Assistance Branch, June 2015.

²²⁰ Ibid.

		\$1,500
Ontario Out-of-Country Bursary for Deaf Students*	FT	
Tuition Aid for Youth Leaving Care	FT	Up to \$6,000 (both the province and the students' institution contribute)
Ontario Part-time Student Grant	PT	Up to \$500

*Requires an additional application.

Federal Grants

The Canada Student Grants Program (CSGP) was initiated in 2009 to unite all federal grant schemes under a single program. There are several different grants that fall under the CSGP umbrella. These grants are listed in Table 7 below and described in detail on the OSAP website and on CanLean.ca (the federal government's informational portal for post-secondary education). Since CSGs are awarded as flat amounts, their issuance may displace students' Canada Student Loan entitlement and exceed their assessed federal need. Broadly, CSGs are available to students with at least \$1 of need on the Canada portion of their need assessment, however each grant has additional and specific eligibility requirements. Students' OSAP applications are used as application towards the CSGs.

Table 17: List of Canada Student Grants for OSAP Applicants.

Canada Student Grant:	Full-time (FT) or Part-time (PT) Students	Value per academic year:
For Persons from Low-income Families	FT/PT	\$250/month; to max. \$3,000
For Persons from Middle-Income Families	FT/PT	\$100/month; to max. \$1,200
For Persons with Permanent Disabilities* ²²¹	FT/PT	Up to \$2,000
For Services and Equipment for Persons with Permanent Disabilities*	FT/PT	Up to \$8,000
For Persons with Dependants	FT	\$200/month for each dependant
For Part-time Students with Dependants	PT	Up to \$1,200
For Part-time Students	PT	Up to \$1,920

²²¹ According to Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*, 59 students with documentation indicating a Mild Intellectual Disability (MID) are not eligible for federal funding.

*Requires an additional application.

Tax Credits

Income tax credits are forms of financial assistance provided to students through reductions on the amount of income tax they must pay. They are provided to all students regardless of need or family income. Valued at \$1.38 billion dollars at the federal level²²² and at \$341 million dollars at the provincial level,²²³ tax credits represent one of the largest government expenditures on financial assistance for students.²²⁴ Students are awarded non-refundable tax credits for the interest paid on loans, and for tuition, education, and textbook fees.²²⁵

The provincial tuition and education amounts for the Tuition and Education Tax Credit are determined by adding tuition fees paid during the tax year to the number of months in study multiplied by \$156 for part-time students or \$520 for full-time students.²²⁶ The resulting tuition and education amounts are then used to reduce the amount of provincial taxes owed. The federal tuition and education tax credits are calculated in much the same way but apply different modifiers for full-time and part-time students.

As a non-refundable tax credit, recipients' taxes owed can only be reduced to zero and the remaining value is carried forward to the next tax year. This tax credit is cumulative meaning that the credit value calculated in each academic year can be carried forward indefinitely. Recipients are also able to transfer a limited portion of their tax credit to a parent, grandparent, spouse, or common-law partner. About 63 per cent of students do not use their tax credits in the same year they are accumulated.²²⁷ Almost 30 per cent of students do not benefit from their tax credits until after graduation because they have low tax responsibilities due to low incomes.²²⁸

INSTITUTIONAL FINANCIAL ASSISTANCE

Institutional financial assistance has played an increasingly large role in the financial assistance system, due in large part to government incentive and mandate. The assistance provided by institutions is funded by numerous sources, including private donors, the provincial government, and students themselves. In 2013-14, Ontario universities provided \$840 million in scholarships and bursaries to students,²²⁹ compared to approximately \$630 million in 2008-09, and \$278 million in 2000-01.²³⁰

Student Access Guarantee

In the tuition framework announced in March 2006 after the lift of two-year tuition freeze, the provincial government created a Student Access Guarantee (SAG), promising that no qualified Ontario student would be prevented from attending a public university or college in the province

²²² Hon. Charles Sousa, *Background Papers: Ontario Economic Outlook and Fiscal Review* (Toronto: Queen's Printer for Ontario, 2014).

²²³ Christine Neill, *Canada's Tuition and Educational Tax Credits*, (Montreal: Canadian Millennium Scholarship Foundation, May 2007).

²²⁴ Hon. Charles Sousa, "Transparency in Taxation, 2014," in *Background Papers: Ontario Economic Outlook and Fiscal Review* (Toronto: Queen's Printer for Ontario, 2014).

²²⁵ Canada Revenue Agency, "Students and Income Tax", accessed January 28, 2015; accessed online at http://www.cra-arc.gc.ca/E/pub/tg/p105/p105-e.html#P145_11014.

²²⁶ Based on schedule ON(S11) Provincial Tuition and Education Amounts for the 2014 tax year.

²²⁷ Ailsa Bristow and Spencer Nestico-Semianiw, *Paying Our Way*.

²²⁸ Ibid.

²²⁹ "By the numbers: Students," Council of Ontario Universities, accessed August 7, 2015, <http://cou.on.ca/numbers/students/#notes>.

²³⁰ Council of Ontario Universities, *Quick Facts on Tuition and Student Aid* (Toronto: 2010).

for financial reasons. In order for a university to raise their tuition, the institution had to participate in this guarantee.

The principles of SAG are that:

- Qualified Ontario students should not be prevented from attending Ontario's public colleges and universities due to lack of financial support programs; and
- Students in need should have access to the resources they need for their tuition, books, compulsory fees, equipment and supplies.²³¹

Under the guarantee, students are expected to apply to OSAP, and it is the responsibility of institutions to provide any additional resources to meet the costs of tuition, books, and fees that are not provided by OSAP. This policy is meant to provide a measure of counter-balance in student financial assistance if institutions increase fees. The provincial government allows this unmet need to be provided through bursaries, scholarships, work-study positions, and employment between terms. For students in second-entry programs, including law, medicine, and some business programs, the institution can also meet their responsibilities by providing students access to a bank line of credit.²³²

Tuition Set Aside

The Ministry of Training, Colleges and Universities uses the tuition set-aside to support PSE access and fulfill the requirements of the Student Access Guarantee.²³³ The set-aside is calculated by adding 10% of the change in average tuition and previous enrolment to the prior year's tuition.²³⁴ Total tuition set-aside expenditures were approximately \$230 million in 2012-13 and awarded to 101,929 students through the Student Access Guarantee.²³⁵

Merit Scholarships

Ontario's post-secondary institutions fund a number of different types of merit-based scholarships allocated based on achievement in academics, community work, athletics, leadership, or other criteria. These scholarships can either be non-renewable, that is granted for only a single year regardless of a student's future merit, or renewable, that is granted for multiple years if a student meets certain achievement criteria.

Post-secondary institutions commonly offer entrance awards. These awards are granted to students entering post-secondary studies who demonstrated excellence in high school. They can be renewable, but in most cases are not. In-course awards are offered to students entering their second, third or fourth year of study, and similarly to entrance awards, may be allocated based on academic, athletic, community work, or other achievement. Entrance awards and in-course awards can be automatic awards—awarded automatically to all students that meet certain criteria, for example a specific university entrance average—or competitive awards, which require separate applications, and are allocated based on the decisions of a selection committee.

According to a 2006-07 study, most of the merit scholarships in the PSE system are distributed by universities, not colleges. Canadian universities provide 22% of the student population with a merit scholarship worth an average value of \$1600. In contrast only 5% of college students receive

²³¹ Student Support Branch, *2010-11 Student Access Guarantee Guidelines* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2010).

²³² Ibid.

²³³ Ministry of Training, Colleges and Universities, *Tuition Fee Framework Guidelines for Publicly-Assisted Universities 2013-14 to 2016-17* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2013).

²³⁴ Ibid.

²³⁵ Ministry of Training, Colleges and Universities, *2012-13 Tuition Set-Aside Expenditures, by Institution and Award Category for Ontario Universities* (Toronto: Ontario Ministry of Training, Colleges and Universities, 2015).

merit scholarships, worth an average of \$1000.²³⁶ In Ontario, 59% of students beginning university studies received an entrance scholarship, 85% of which were automatic awards, and half of which were renewable. The percentage of students receiving entrance scholarships, and the proportion of these scholarships which were automatic and renewable was much higher in Ontario, in comparison to the rest of Canada.²³⁷

The majority of the funding for entrance awards in Ontario comes from the universities operating budget, which accounts for 73% of support. Endowments count for another 16%, while other sources, mostly one-time donations, make up the final 10% of funding.²³⁸ The prevalence of merit awards has increased in recent years, and increasingly, responsibility for distributing these awards has not resided with the financial aid office, but rather with the university admissions office, reflecting the use of merit-based incentives as a strategic tool to attract target groups of students.

GOVERNMENT SAVINGS INCENTIVES

Registered Education Savings Plans (RESPs)

A Registered Education Savings Plan (RESP) is a type of savings account created with a financial institution that grows tax-free until the student is ready for post-secondary education.²³⁹ RESPs are usually created by parents or other family members on behalf of a beneficiary to pay future educational costs. The subscriber generally makes contributions to the RESP, which will earn income. The contributions are usually named for one or more beneficiaries and the financial institution usually pays the income earned on the contributions to the beneficiaries in the form of educational assistance payments (EAPs).²⁴⁰

There is no maximum annual contribution limit to an RESP, but the maximum lifetime contribution limit is \$50,000 per beneficiary, for all RESPs—excluding any payments made under the Canada Education Savings Act.²⁴¹ RESP contributions cannot be deducted from the income of the subscriber on their income tax returns.²⁴²

The beneficiary can start receiving the EAPs as soon as they are enrolled in a qualifying educational program. Qualifying educational programs include apprenticeships, and programs offered by a trade school, CEGEP, college or university. Students can be enrolled fulltime or part-time, so long as the course lasts longer than 3 weeks and requires at least 12 hours of instructional time per month.²⁴³

If the beneficiary does not pursue post-secondary education, the subscriber is able to:

- Wait for a period of time, he or she may decide to continue studying later;
- Use the money for a brother or sister who does continue education after high school;

²³⁶ The Educational Policy Institute, *Institutional Student Financial Grants in Ontario* (Toronto: Higher Education Quality Council of Ontario, 2008).

²³⁷ Ibid.

²³⁸ Ibid.

²³⁹ "Registered Education Savings Plan – Frequently Asked Questions," CanLearn website, accessed online at http://canlearn.ca/en/parent/save/growmoney/investing_101/invest_options/resp/rfaq.shtml.

²⁴⁰ "Brochure: RESPs Special Savings Plans for Education," CanLearn website, May 13, 2010; accessed online at <http://www.canlearn.ca/eng/saving/resp/brochure/resp.shtml>.

²⁴¹ "Contribution Limits," Canada Revenue Agency, accessed August 10, 2015, <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cntrbtns/lmts-eng.html>

²⁴² "Contribution rules," Canada Revenue Agency, accessed August 10, 2015, <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cntrbtns/rls-eng.html>.

²⁴³ "Brochure: RESPs Special Savings Plans for Education," CanLearn website, May 13, 2010; accessed online at <http://www.canlearn.ca/eng/saving/resp/brochure/resp.shtml>.

- Transfer the money into a Registered Retirement Savings Plan (RRSP) to help you save for your retirement;
- Withdraw the money.

Generally, subscribers can contribute to the plan for beneficiaries who are under 31 years of age. However, transfers can be made between family plans (the only type of RESP plan that allows for more than one beneficiary) even if one or more beneficiaries are 31 or older.²⁴⁴

Subscribers can contribute to the RESP for a maximum of between 18 and 22 years after a non-family plan has been opened.²⁴⁵ For a family plan, contributions can only be made until the beneficiary turns 21 years of age and the plan must be terminated by the end of the 26th year. Once RESP funds are paid to a beneficiary, the interest accrued (but not the familial contribution) is taxable, but since most students have little other income, they pay little to no income tax, and the money effectively can be withdrawn tax-free.²⁴⁶

Individuals with RESPs can also benefit from other savings incentives provided by the federal government, including Canada Education Savings Grants and the Canada Learning Bond.

Canada Education Savings Grants (CESGs)

The Canada Education Savings Grant, created in 1998 by the Employment and Social Development Canada (ESDC), provides contributions to an individual’s RESP up to the age of 17. The grant provides a maximum of \$500 per year in non-repayable assistance, based on a sliding scale of family contribution based on income. For children aged 15 and older, RESP contributions must be made before December 31 in the year they turn 15.²⁴⁷

The CESG is made up of two parts: the Basic Canada Education Savings Grant and the Additional Canada Education Savings Grant. The Basic Grant matches 20% of every dollar contributed to a beneficiary’s RESP to an annual maximum of \$500 and a lifetime maximum of \$7,200. Depending on a family’s net income, the ESDC could contribute an additional 10% or 20% on every dollar of the first \$500 added to a beneficiary’s RESP each year. The CESG savings incentives for 2014 are summarized in the Table 8 below.

Table 18: Summary of Canada Education Savings Grant Savings Incentives.

	Net Family Income		
	\$43,945 or less	\$43,953 to \$87,907	\$87,907 or more
CESG on the first \$500 of annual contribution	40% = \$200	30% = \$150	20% = \$100
CESG on \$501 to \$2,500 of annual RESP contribution	20% = \$400	20% = \$400	20% = \$400
Maximum annual CESG	\$600	\$550	\$500

²⁴⁴ “Contribution rules,” Canada Revenue Agency, accessed August 10, 2015, <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cntrbtns/rls-eng.html>.

²⁴⁵ Ontario Securities Commission, “Saving for your child’s education”, 2008; accessed online at http://www.osc.gov.on.ca/documents/en/Investors/res_resp_en.pdf.

²⁴⁶ “Saving for your child’s education,” Ontario Securities Commission, last modified 2008, accessed at http://www.osc.gov.on.ca/documents/en/Investors/res_resp_en.pdf.

²⁴⁷ “The Canada Education Savings Grant,” CanLearn website, accessed at http://canlearn.ca/en/parent/save/growmoney/investing_101/invest_options/resp/cesg/index.shtml.

Maximum lifetime CESG	\$7,200	\$7,200	\$7,200
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CESG contribution room is accumulated and carried forward for future years. There are special contribution rules for beneficiaries between the ages of 15 and 17 because “the CEGS has been designed to encourage long term savings for post-secondary education.”²⁴⁸

“RESPs for beneficiaries 16 and 17 years of age can only receive CEGS if at least one of the following two conditions is met:

- a minimum of \$2,000 of contributions has been made to, and not withdrawn from, RESPs in respect of the beneficiary before the year in which the beneficiary attains 16 years of age; or
- an annual minimum of \$100 contributed to, and not withdrawn from, RESPs in respect of the beneficiary in any four years before the year in which the beneficiary attains 16 years of age.

This means that you must start to save in RESPs for your child before the end of the calendar year in which the beneficiary attains 15 years of age in order to be eligible for the CEGS.”²⁴⁹

The grants and accumulated earnings will be part of the educational assistance payments paid out of the plan to the beneficiary, however, if the beneficiary does not pursue post-secondary education, the CEGS is returned to the government.²⁵⁰

It would take 14.4 years and \$43,200 of contributions for a family earning \$87,907 or more to reach the CEGS ceiling for one beneficiary. It would take a family earning \$43,945 or less 12 years and \$36,000 to reach the ceiling. In each scenario, families must contribute at least \$3,000 per year, per beneficiary to the RESP.

Canada Learning Bond

The Canada Learning Bond (CLB) is also administered by the ESDC and is intended to assist children of modest income families and children in care, born after December 31, 2003.²⁵¹ The CLB provides an initial payment of \$500 to contribute to the RESPs of children whose caregivers receive the National Child Benefit Supplement. Beneficiaries can receive up to 15 subsequent CLB payments of \$100 for every their family continues to qualify for the NCB Supplement. The lifetime assistance limit for the Canada Learning Bond is \$2,000 per child.²⁵²

ⁱ Ibid.

ⁱⁱ Abacus Data and Canadian Alliance of Student Associations, *Parental Views*.

ⁱⁱⁱ Student Financial Assistance Branch, *Eligibility, Assessment and Review Manual Part I*.

²⁴⁸ “Registered Education Savings Plans (RESPs) 2014 RC4092 (E) Rev. 14,” Canada Revenue Agency, accessed August 10, 2015, <http://www.cra-arc.gc.ca/E/pub/tg/rc4092/rc4092-e.html#CESG>.

²⁴⁹ Ibid.

²⁵⁰ Ibid.

²⁵¹ Service Canada, "Savings Plan - For Families and Children." Accessed May 18 2015. <http://www.servicecanada.gc.ca/eng/audiences/families/savings.shtml>.

²⁵² Ibid.