



Ontario Undergraduate Student Alliance

The Ontario Undergraduate Student Alliance is a non-partisan advocacy organization that represents the interests of approximately 150,000 undergraduate and professional, full-time and part-time university students at eight student associations across Ontario.

POLICY BRIEF: STUDENT FINANCIAL AID

Many students lack the financial resources required to access and excel at Ontario's universities. As such, the province's financial aid system has become increasingly important, and in recent years, it has undergone significant change. University students continue to be a main stakeholder and driving force in improving student financial aid throughout the province.

THE PROBLEM

Inconsistent Assessment of OSAP Eligibility

Professional students may be discouraged from enrolling in professional degree programs because they are less likely to receive adequate aid. Similarly, part-time students receive proportionately less financial aid than full-time students, despite often experiencing disability, short-term illness, financial challenges, or other ongoing responsibilities. Students attending private post-secondary institutions are eligible for more financial aid than students at public post-secondary institutions. Providing private students with OSAP loans helps finance private institutions, which may encourage those institutions to raise their tuition fees to unmanageable levels. Many students are unaware of OSAP's appeal processes, and dependent students cannot appeal a parent's refusal to provide financial support. OSAP also reduces financial aid for co-op students who earn income during work terms, despite the significant expense associated with the co-op program.

Unreasonable Expected Contributions

The provincial government does not provide incentives to low-income families to create RESPs, and RESP contributions are not tax deductible. Low-income families often struggle to contribute to their child's post-secondary education, and the financial contributions expected of parents and spouses in general are unreasonably high; this makes some students ineligible for OSAP funding. OSAP applications do not factor existing debt into spousal, parental, and individual expected contributions, and parents are now expected to support their child's education until they are six years out of high school. The process of claiming financial independence during that period is restrictive and difficult to navigate, particularly for marginalized students. Similarly, the process of appealing expected individual, parental, or spousal contributions are inaccessible.

Confusing User Experience

The NSLSC website is inaccessible, which prevents students from understanding their loans, interest, and cumulative debt. Further, information on OSAP's website is not centralized onto one website, making it difficult to access information and make informed financial decisions.

Insufficient Data Collection

The MTCU does not adequately track the success of OSAP and its recipients, and despite corridor funding models, it used enrollment levels (a poor metric) to determine the effectiveness of the 2016-2018 OSAP model. Further, marginalized communities may be concerned about data collection if they are not consulted in the process and are unaware of how the data will be used.

Lack of Instruction on Financial Literacy

High school students lack knowledge about student financial aid, and university students often lack the financial literacy skills needed to make important financial decisions. University financial aid offices do not do enough to inform their students about basic financial literacy topics (loan interest rates, budgeting, taxes, etc.). This is especially important considering that when students come to university, they are often living away from home and taking charge of their personal finances for the first time.

More Debt, Less Grants

OSAP's January 2019 changes reduced support offered to low-income families, and the targeted free tuition program did not account for professional and other, more expensive degree programs. These changes also included a drastic decrease in the overall financial aid available to students. Regression toward the pre-2016 OSAP system would have negative effects on the needs-based nature of OSAP, and currently, grant eligibility over the free tuition threshold decreases disproportionately to increases in family income. Further, OSAP's net billing program may leave students unable to pay rent or finance living expenses at the beginning of their academic term.

Repaying high debt loads can prevent students from purchasing a home or achieving other milestones after graduation. Increasing levels of student debt can make repayment extremely difficult, requiring debt restructuring in some cases. The current interest rate charged on student loan debt exceeds the cost of borrowing, and instant interest accrual does not allow for the fact that students may take months or years to secure steady, gainful employment after graduation.

Increases to tuition beyond the rate of inflation have led to a steady increase in the cost of education, and cuts to OSAP may prevent students from covering reasonable living costs. The annual Student Access Guarantee guidelines, which can help resolve this issue, are not readily accessible. The removal of the Ontario Student Opportunities Grant in 2016 also means that there is no longer a cap on student debt in Ontario, which could drastically increase overall student debt.

The MTCU does not require reports on tuition set-aside expenditures from institutions, and set-aside funds are typically only available for domestic, OSAP-eligible students.

OSAP's calculation formula is not transparent, and the OSAP calculator and Aid Estimator are often the only tools students have to predict OSAP award amounts. Unpredictable loan and grant amounts can prevent students from covering their expenses.

RECOMMENDATIONS

Improving Eligibility and Assessment

The provincial government should:

- Reverse the change that stipulates students in second-entry degree programs receive a minimum 50% loan as part of their financial aid package;
- Modify the OSAP formula to mirror the 2019 federal government's financial and program and provide enough aid for part-time students to cover the costs of tuition, travel, and living;
- Modify the OSAP formula to consider accreditation fees usually incurred in students' undergraduate studies;
- Use the assessed cost of tuition based on the number of credits students are taking to determine financial aid for part-time students;
- Remove OSAP eligibility for students attending private or non-Canadian universities;
- Ensure that in terms of OSAP eligibility, refugees or permanent residents in Canada are always treated the same as Canadian citizens;
- Better promote the OSAP appeals process, both on the OSAP website and in OSAP estimates;
- Modify the OSAP appeals process to allow students without financial aid from parents or family to be eligible for more grants and loans;
- Ensure that the OSAP funding formula accounts for

the cost of co-op program fees and provides adequate financial aid to co-op students;

- Work with university registrars to automatically confirm students enrolled in co-op work terms; and
- Prohibit offsetting financial aid grants with co-op work-term income and other cash-equivalent benefits.

Making Expected Contributions Reasonable

The provincial government should:

- Lobby the federal government to increase the Canada Learning Bond grant; provide a higher rate of additional CESG funding for low-income families; and change RESP contribution tax rules to make personal contributions tax-deductible and Education Assistance Payments tax-free upon withdrawal;
- Allow low-income families who create an RESP late to retroactively claim all provincial and federal RESP grants;
- Develop a promotional plan to ensure that all families, particularly those with low-income status, are aware of RESPs and associated grants;
- Create provincial grants similar to British Columbia's Training and Education Savings Grant and the Canada Learning Bond;
- Lower the expected parental and spousal contributions to at minimum match those expected by the federal Student Loans and Grants program;
- Define financially independent students as those who have been out of secondary school for four years, rather than six;
- Factor current household debt into the calculation of expected parental, spousal, and individual contributions to post-secondary education; and
- Increase grants to students from families with low disposable income.

Clarifying User Experience

The provincial government should:

- Provide information about the NSLSC on the OSAP website;
- Redesign the OSAP website to include all relevant financial aid information;
- Lobby the federal government to redesign the NSLSC website to be more user-friendly;
- Collaborate with the COU to allow students to easily apply for, and to be prompted to apply for, grants and bursaries through the OSAP website; and
- Develop a feature on the OSAP website that automatically prompts new users to sync their OUAC accounts, and develop a feature on the OUAC website that prompts students to apply for financial aid from OSAP upon acceptance to an undergraduate program.

Increasing Data Collection

The provincial government should:

- Develop, launch, and incentivize students to participate in a voluntary demographic survey when they apply for OSAP; and
- Be transparent to students and the public about how they use survey information (for example, by posting how the data will be used, both on the survey itself and on their website).

HEQCO should:

- Collect data on all OSAP recipients during and after their post-secondary education.

Improving Loans and Grants

The provincial government should:

- Work with the Ontario School Counsellors' Association to train high school guidance counsellors so that they can provide students with adequate information on student financial aid;
- Incorporate (through the Ministry of Education) information about student financial aid into the curriculum of the grade ten high school careers course;
- Provide university student financial aid offices with baseline requirements about what financial aid information they need to provide on their website;
- Work with institutions to advertise and disseminate financial aid information in high traffic locations on university campuses;
- Require that university marketing and undergraduate recruitment offices include information on financial aid and OSAP in their offer of admission packages;
- Run a campaign promoting and raising awareness of OSAP;
- Develop materials explaining financial literacy to students and distribute them to university financial aid offices;
- Incentivize and provide funding to institutions to hire and retain financial counsellors and to provide workshops on financial literacy topics for first-year students living on their own for the first time;
- Help universities arrange tax-filing workshops that inform students of both provincial and federal tax credits, exemptions, and rebates;
- Restore the targeted free tuition program implemented in 2016 for families in the first six income deciles, and ensure that this program reflects the actual program-specific cost of tuition incurred by each student;
- Use the actual cost of tuition (not the average cost) to calculate the financial aid that students receive under OSAP's new framework;
- Ensure that, in terms of grant awards, professional students eligible for targeted free tuition are not disadvantaged relative to non-professional students;
- Ensure that OSAP's tuition calculations use the assessed cost of each individual student's tuition;
- Increase loan availability under OSAP to levels at least equal to those in 2018-19;

- Establish an opt-in program under OSAP that gives students greater access to government loans if their families are demonstrably unwilling or unable to contribute to their education;
- Ensure the continuation of the Student Access Guarantee (SAG) program;
- Create a loan program to provide funding to students who are ineligible for OSAP because of circumstances that are either unlikely or not considered by OSAP;
- Continue to offer the OSAP Repayment Assistance Program (RAP) and to use family income to determine the affordable payment amount;
- Lower the rate of loan repayment to 10% of total household income;
- Continue to ensure that debt reduction under the RAP is disbursed according to the calculated affordable payment amount;
- Continue to give special consideration to borrowers with permanent disabilities;
- Set the rate of interest accrual on OSAP loans to the government's borrowing rate, the prime interest rate, or an average inflationary adjustment – whichever is lowest;
- Continue to calculate only simple interest on the provincial portion of student loans;
- Implement a two-year loan repayment grace period after graduation;
- Let students choose how they receive their OSAP disbursements, either by traditional direct deposit or by net tuition billing;
- Continue to enforce the tuition set-aside program at its current 10% rate;
- Mandate, in the Student Access Guarantee (SAG) guidelines, that excess funds from tuition set-aside programs be directed to roll over to the following year;
- Make the SAG guidelines easily accessible;
- Require that universities produce public reports on tuition fee set-aside spending;
- Establish an international tuition set-aside at the same 10% rate as the domestic set-aside;
- Reinstigate a version of the Ontario Student Opportunity Grant (OSOG), establishing a reasonable limit on student debt for first-entry programs with an additional cap added for second-entry programs;
- Develop a testing program which simulates student inputs into the OSAP calculator and Aid Estimator;
- Develop, post, and promote a form to collect complaints and comments about disparities between expected and actual OSAP disbursements;
- Publicize the formula used to calculate financial need and available resources; and
- Guarantee that students receive, at minimum, the same amount of grants and total financial aid for each year of their degree program if their financial circumstances remain the same.