Issues Policy 04.2 (IS-04.2): Student Loans and Debt
Adopted by: Board of Directors
Adopted on: March 22, 2011

Summary:

A loan-based system of student financial assistance is founded on the expectation that students incur debt to access post-secondary education. This system, with uncertain loan-remission, does not improve access for students who cannot afford upfront costs and do not expect to be able to service the necessary debt to defer those costs. It creates financial worries that drive some students to drop out. Finally, because it requires those with the most need to become the most indebted and thus service larger debts with greater interest payments, it is fundamentally inequitable.

Loan-based financial assistance provides students with the means of meeting the upfront cost of post-secondary education by incurring debt. It does not reduce the financial burden. Students uncomfortable shouldering that burden due to other debts, expectations of modest income, or simply a desire for financial security, are not provided with greater access. Studies have demonstrated that this debt aversion is the most significant of all financial barriers to post-secondary education. Non-repayable assistance in the form of loan remission does not address this issue either, because instead of reducing financial burden at the time it is incurred, it offers debt adverse students an uncertain possibility of relief.

Debt also has a negative effect on the ability of students to complete their studies. When financial assistance saddles students with growing debt, it may become favourable to choose employment over continued studies. Poor performance related to financial worry, which has been linked to greater levels of tension, anxiety, and difficulty sleeping amongst students may also cause them to fail. Without grants, students who accumulate significant loans demonstrate lower completion rates than students who receive no aid at all, suggesting that loans fail to improve both equity and overall performance in completion rates.

The debt-driven model of financial assistance not only fails to encourage access and completion, but also perversely penalizes those who require the greatest assistance. The greater the loan required, the larger the debt that must be serviced. This results in longer repayment periods, and larger and more interest payments. In effect, the more disadvantaged a student is in accessing post-secondary education, the higher the cost becomes for that education.

Policy:

I. The Union supports:

   a. An expedient and significant reduction, provincially and federally, of student loans to a minority, in dollar value, of total public student financial assistance at both the programmatic and recipient levels;

   b. The integration of student loans and student grants that:

i. Meets financial need while limiting individual student loan debt loads to levels that have no demonstrable negative effect on the equity or overall performance of access and completion rates;
ii. Minimizes the need for loan reduction/remission grants and other forms of repayment assistance through the use of upfront grants targeted to financial need;

c. The immediate elimination of interest charged on student loans;

d. The enactment and enforcement of provincial and federal legislation that puts ceilings on total and individual outstanding debt to student loan programs;

II. The Union opposes:

a. The selective application of student loan reduction/remission grants and other forms of repayment assistance to manipulate the career and lifestyle choices of graduates as a means to achieve other government ends.