

Statutory authority was desired from both an administrative and financial point of view. Accordingly, The Nova Scotia Student Aid Act was passed 1972 to govern not only the Provincial loan system, but Provincial administration of the Canada Student Loan Program.

The main effect of the Act was the establishment of a definitive structure for the administration of student aid in Nova Scotia. The Act set up an administrative framework, maximums on Nova Scotia Guaranteed Loans, a definitive role for the Nova Scotia Student Aid Committee, and extensive discretion for the passing of regulations under the Act.

#### NOVA SCOTIA STUDENT BURSARY PROGRAM 1973 to 1976

The following year the Province of Nova Scotia issued a set of regulations pursuant to the Nova Scotia Student Aid Act, these regulations being of note for their content. These regulations set out the Nova Scotia Student Bursary Program, something that did not even receive mention in the Act. Primarily, the substance of the regulations was to establish a bursary program with a \$1,000 maximum bursary available, general criteria for the awarding of a bursary, and a tying of the administration of bursary awards to the Nova Scotia Student Aid Committee.

The increase of the maximum bursary to \$1,000 from the previous maximum of \$600 coincided with a termination in 1973 for the 1973-74 academic year of the Nova Scotia Guaranteed Loan Program, and an increase in the maximum Canada Student Loan which went from \$1,000 to \$1,400 for the 1973-74 academic year. The net result was an increase of \$400 in available aid. Whereas in 1972-73 the available aid was based on \$1,000 Federal loan, \$600 Provincial bursary and \$400 Provincial loan, giving a total of \$2,000, the changes gave a Federal loan of \$1,400 and a Provincial bursary of \$1,000 for a total of \$2,400.

No change in this basic program took place until the spring of 1975, when the Federal Government increased the maximum Student Loan to \$1,800 from the previous \$1,400, thereby giving \$2,800 in maximum available aid. This is the program in effect at present.

the new Canada Student Loans Plan was the most economical and professionally sound choice to provide for the logistics of the new funding program.

As G.L.A. is the administrative body charged with the responsibility of supervising the operation of the Canada Student Loans Plan it must of necessity have a developed bureaucracy and a function within the political hierarchy. On a practical level this merely separates the functions of pure administration and pure policy.

*[Many of the words used by G.L.A. have special legal meanings, several of them refer to returning the money, the definitions of these are included. Ed. note]*

"...repayment procedures..." This phrase denotes the system designed to accommodate the repayment of funds advanced to borrowers under the Canada Student Loans Act. There are two basic procedures set up by the Federal Government to institute repayment; the "normal" scheme designed to permit repayment through the chartered banking system like any type of bank loan is most heavily used. The normal sequence of events under this procedure is notification in writing to the borrower that he/she appear at the bank to make arrangements to retire the debt. At that time the borrower must negotiate a contract consolidating his/her past borrowing whereby each loan and the interest rate chargeable on each loan when borrowed are consolidated into one principal with an overall interest charge determined by "weighting" all past interest charges. The result is a total principal chargeable against the borrower at a weighted-average interest charge during repayment.

A second procedure available becomes operative once the borrower has failed to attend to the bank to arrange repayment after a reasonable opportunity to do so. In this eventually the bank assigns its rights as creditor to G.L.A. in return for repayment of loan funds by the guarantor Government...G.L.A. cannot refuse repayment because the Federal Government as guarantor acts as a "co-signor" for a borrower's loan, which in law, permits a creditor to come to a guarantor for repayment if the debtor fails to do so. Once G.L.A. has paid off the bank loan it sends the account to a private collection agency for collection of the debt, which is difficult since the original loan

Plan some 350,000 students have become liable for repayment of their loans. As of June 30, 1973 some 19,700 or 5.63% of these students defaulted on repayment. Of these, 2,000 students paid in full upon prompting by G.L.A. Of the 17,400 handled by private collection agencies, 9,000 were being paid or had been paid by June 30, 1973. The remaining 400 student loans were either accounts of less than \$50.00, and written off, or were students whose exceptional circumstances were determined by G.L.A. to be too unstable to require repayment. Thus, it would appear that approximately 10,300 students defaulted with the intention of evade their debt, or 2.94% of all borrowers.

"...interest rates..." Annually G.L.A. staff meet with representatives from the chartered banking system to set the interest rate chargeable on Canada Student Loans for the fiscal year. Since the Plan commenced that rate has risen from 5 3/4% to 9%, the rate being generally set at 2% below general borrowing rates on a medium-term, loans. While the funds are outstanding the Federal Government pays the interest charges for all students still enrolled in full-time studies, and once a borrower has not been in attendance for six consecutive months, this Government subsidy ceases, leaving the responsibility for interest payment to the borrower. Should the borrower return to full-time post-secondary studies, the Government subsidy can be reinstated if the borrower submits the appropriate third-party documentation to the bank.

**Statutory Amendment** is a method used when a major change in the Canada Student Loans Act is required. In effect, this process would commence with the recognition by the Provinces and/or the Minister of Finance of a major deficiency within the Plan, or a need to update the program with current thought on the topic. The Department of Finance, becoming aware of this substantial difficulty with the Plan, will undertake an inquiry of the difficulty by staff, and if agreeing that there is a legitimate problem would complete an examination of alternate methods to rectify the deficiency. Once the best alternative has been chosen by the Department of Finance and the Participating Provinces, the matter would be returned to staff to design an amendment to the Act which would accomplish the desired change.

The staff function will include study and design of all alternatives discovered, discussion with consultants and affected groups, reference of developed solutions to upper administrative levels within the Department of Finance, and to other affected departments such as G.L.A., the Department of the Secretary of State and, the Attorney General's Department. There will also be rounds of tests of the alternate solutions with individual case studies and group statistics so as to isolate this change to have a minimal effect on other elements of the Program which must remain unaffected.

The time required to accomplish this degree of analysis and design may be upwards of two years. At some stage previous to completion of these analytical processes, most likely when the decision has been made that an amendment is required or will be designed, the Minister of Finance will place on the agenda of Parliament a formal notice of his/her intention to have the Canada Student Loans Act before the House. This function is necessary as an amendment to an Act must be debated and passed into law by Parliamentary vote, and as an amendment cannot be considered in a vacuum, the Act endeavoured to be altered must be present for the consideration of the Members.

This process points out a practical difficulty for advocates of any alteration of the Canada Student Loans Act in that it takes upward of two years of lead time between a Minister's formal notice of intent to have the Act brought up, and the actual appearance of that Act before Parliament. If this observation is considered with the limitation that the Minister of Finance will not give notice of call of the Act until it has agreed there is a legitimate need for a substantial change in the Act, it is obvious that the time continuum between the recognition of a major inequity and the passage into law of an amendment to the Act designed to cure the difficulty may range between three and four years.

**The Creation of a New Act** is a second alternate procedure to change the Canada Student Loans Plan. This method is useful in several hypothetical situations, the most obvious being the rectification of a program which has become institutionalized over time and his undergone such extensive amendment that the basic policy underlying the essence of the program has decayed. A further contingency would be as a result of a basic change in participation by the government levels whereby such important Provinces as Ontario and British Columbia joined Quebec as non-participating provinces. Also, a substantial expansion or reduction of the legitimate legal authority to participate in post-secondary education of the Federal Government would necessitate a new piece of legislation.

Should such a procedure be utilized, it initially would require an examination and determination by the staff of the Department of Finance of those

Year	No. of C.S.L. Issued	No. of Students	Avg. \$ Per Student	Total \$ Issued	N.S.G.B. \$ Issued	No. of Students
1964-65	2,913	2,513	703	1,766,873	-	-
1965-66	4,167	3,828	771	2,949,605	-	-
1966-67	5,150	4,654	716	3,356,000	618,444	N/A
1967-68	5,101	5,023	745	3,744,854	1,179,689	4118
1968-69	7,568	6,807	767	5,222,258	1,367,188	4677
1969-70	9,442	8,454	852	7,195,042	1,969,020	5396
1970-71	10,859	9,587	861	8,252,222	2,140,547	5515
1971-72	10,266	9,831	930	9,143,961	2,637,890	5534
1972-73	10,343	8,875	1,183	10,496,100	1,591,415	4055
1973-74	9,573	8,662	1,294	11,213,530	3,554,740	6209
1974-75	N/A	8,870	N/A	N/A	4,732,070	7842
1975-76	-	-	-	-	-	-

  

Year	Avg. \$ Per Student	N.S.G.L. \$ Issued	No. of Students	Avg. \$ Per Student	Total Amt. of Aid	Avg. Per Student
1964-64	-	-	-	-	1,766,873	703
1965-66	-	-	-	-	2,949,605	771
1966-67	N/A	-	-	-	3,974,444	854
1967-68	287	-	-	-	4,924,543	980
1968-69	287	-	-	-	6,589,446	968
1969-70	365	-	-	-	9,164,062	1092
1970-71	388	772,263	2,898	266	11,165,032	1115
1971-72	478	1,547,072	4,719	328	13,328,923	1360
1972-73	394	455,740	1,661	274	12,543,255	1413
1973-74	573	2,775,075	9,278	N/A	14,768,270	1705
1974-75	603	-	-	-	N/A	N/A
1975-76	-	-	-	-	-	-

#### THE ROLE OF THE FEDERAL GOVERNMENT IN STUDENT AID

##### THE ADMINISTRATIVE STRUCTURE

The Canada Student Loan Plan, as may be discerned by an inspection of the Act, is the responsibility of the Federal Department of Finance. The prime reason for this is that at the time of the inception of the Program it was this department that was responsible for the operation of our other systems of Federally guaranteed loans. These loans were loans for farming, fishing, small businesses, and home improvement. However, due to the specialized character of these programs, the Federal Department of Finance found it expedient to delegate the administration of these programs to a departmental division. This division was, and is, the body known as Guaranteed Loans Administration, hereinafter referred to as G.L.A.. As this was the system in existence at the time of the passage of the Canada Student Loans Act delegation to G.L.A. of

was made without requiring collateral per the Act, and as such there are no secured assets for the collection firm to attach a lien, or other legal device to force repayment other than personal suits.

Repayment under either procedure is equitably designed as no collateral is required to be placed with the bank, or the collection firm, and personal financial difficulties are liberally considered to permit monthly payments to closely reflect the borrowers income.

"...defaults..." This term used to describe failure to repay a Canada Student Loan according to the terms and conditions agreed upon at the time of borrowing. The extent of defaults under the C.S.L. Plan is best exemplified by examining the results over the period of the Plan's operation; during the period 1964-1973 the Federal Government dispensed \$568 million, of this amount \$379 million remained outstanding as of June 30, 1973 comprising \$224 million owed by students still enrolled, and \$155 million under repayment. Thus, \$189 million was fully repaid at that date. Since the inception of the