

Student loans now subject to credit checks

BY MARY VALLIS

VANCOUVER (CUP) - Mature students hoping to upgrade their education must now jump through another hoop before entering the classroom - mandatory credit checks on student loan applications.

The federal government is now running credit checks on first-time loan applicants aged 22 or older to pare down the loan default rate.

The new measure, which came into effect on August 1, would deny would-be students with spotty credit histories student loans. Student leaders are calling the policy another block to public education.

"They've got one foot in social policy but another foot in privatizing the loan system," said Michael Conlon, national chair of the Canadian Federation of Students. "This is a progression from a social program to a program that responds to the needs of banks."

The latest figures from Ottawa show 80 per cent of students repay their Canada Student Loans without incident, while 13 per cent repay their loans after defaulting at least once.

In other words, 93 per cent of students eventually repay their federal loans.

These numbers, however, date back to 1995 — the same year Canada's major banks began administering the student loan system. The banks have not released data to show what the current loan repayment rate is like.

Meanwhile, the new credit checks mean mature students will be denied loans if they have defaulted on three or more debts — at a minimum of \$1,000 per debt — for at least 90 days within three years of their application.

The new policy will affect 38,000 students a year, but its overall impact will be minuscule, said government spokesperson Gino Trifiro.

"The criteria are so tight it is not restricting education for anyone," said Trifiro, pointing out students can appeal a denial to a federal panel.

"It's just making sure that Canadian tax dollars are used responsibly, that's all."

But Conlon sees the new policy as another push down a slippery slope towards a loan system that puts student interests behind profit margins.

He worries that over time, the government will tighten the credit check restrictions until lower and middle-income Canadians can no longer qualify for student loans because of their financial burdens.

Conlon points to the 1998 bankruptcy law as an example of how loose policies can stranglehold students once they've been approved.

Last year, Ottawa passed a bill denying students the right to declare bankruptcy for two years after graduation.

Within 10 months, however, the time limit was increased to 10 years, making it nearly impossible for students to flee loan payments.

"The way the government works in terms of student loan policy is to get a regressive policy through the door with fairly low

criteria and ramp it up very quickly," Conlon said. "We're not denying that there's a problem with defaults, but we're saying the solutions that are being proposed are regressive and punitive."

The government would be better off reducing student costs at the front end, starting with tuition fees, Conlon said.

Most provinces already run credit checks for the provincial portion of student loans, either through their risk-sharing agreement with CIBC or on their own.

Looming ahead is the possibility that credit checks will

be built into all student loan applications when provincial and federal systems merge.

The federal government is currently negotiating harmonization agreements with the provinces to nationalize the student loan system by 2000 — and implementing mandatory credit checks are part of the discussions, Trifiro said.

Although the credit-check policy took effect Aug. 1, which credit agency will run the checks for the government has still not been determined.

Computer science building behind

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ued contract with the Maritime Centre.

Dalhousie quit its lease because of the amalgamation with the Technical University of Nova Scotia. There was an agreement between the merging schools to build a new facility to house all the new students.

Rent at the Maritime Centre cost close to a million dollars a year. If the school continued to

pay rent, they wouldn't have enough money for the building.

Mason says the faculty and staff who will work in the building wanted to delay the opening. They wanted to make sure the building was aired out properly before starting classes.

The new building costs roughly \$11.6 million, a figure they started with one year ago. So far, they haven't gone over budget.

Financial strain

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way, we can immediately respond to how education and student finances were addressed".

CASA has already organized several nation-wide events occurring throughout the year to publicize to politicians the financial strains on students.

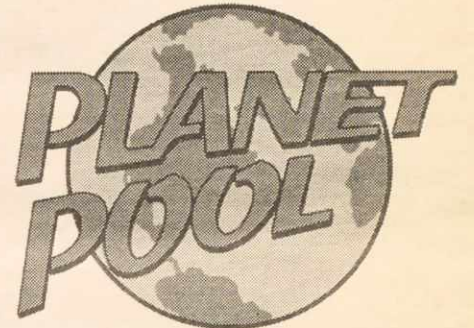
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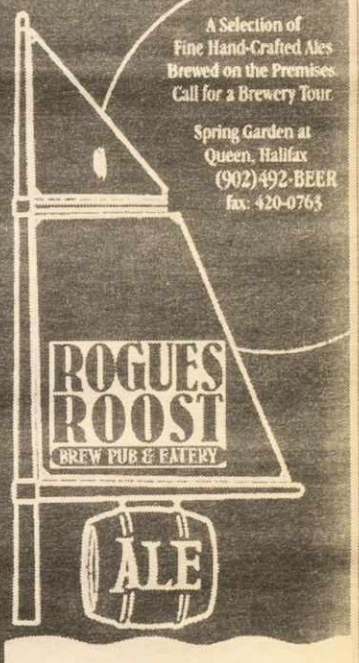
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