

Newfoundland harmonizes student loans

Banks back out of the student loan business

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ST. JOHN'S (CUP) — One loan, one student. It sounds like a simple concept, yet the idea of harmonizing the federal and provincial student loan programs just arrived in Newfoundland and Labrador.

Provincial Minister of Education John Ottenheimer announced last week that the change will happen on April 1, 2004. This is the same day the provincial government will officially buy the province's \$220-million student loan debt from CIBC, the bank that currently holds the loans.

In the past, students had to visit four or five different places to get information for their loans, and even then, some students didn't receive their payments until the end of the semester, long after tuition was due.

"It is a nightmare for students to try to navigate the system," said Keith Dunne, chairperson of the Newfoundland and Labrador chapter of the Canadian Federation of Students.

Most of the problems students encounter are due to administrative issues that may soon be fixed. Under the new system, students will fill out the same application as before, but receive one lump sum payment for both loans from the Student Loan Corporation of Newfoundland and Labrador (SLCNL). When changes need to be made in a student's status, or the loan is due for repayment, only the SLCNL needs to be contacted, and one repayment is made.

Dunne hailed the new integrated system as an important improvement for the student loan system.

"There's a number of perks to this system, and certainly, we applaud the government for making this step. But again, we're going to be there every step of the way to make sure things are being done properly," he said.

Memorial University VP Academic Jessica Magalios is unsure of how much of a difference students will notice. "It seems like it should result in a lot less headaches for students, so I think students will overall be happy. But it's still a loan, so I don't know how happy students will be."

Students holding or paying back student loans from after 1998, and new students applying for loans, will be brought into the new loan servicing arrangement. The new combined agency will deal with approximately 30,000 student borrowers, some who are in repayment, and others still studying.

Although started under the Liberal government last year, Ottenheimer presented the agreement as proof of the government's commitment to equal opportunity post-secondary education, and offering a "more streamlined and much simpler loan process."

"We may see other provinces following suit," said Ottenheimer.

The new government-run system will be more cost-effective than the current contract with CIBC, and will save the provincial government several millions over the next two fiscal years, according to Ottenheimer.

However, the government will still lose about \$20-million a year in difference between the defaulted student loans and the interest earned on loans. Ottenheimer broached the subject of collection carefully, saying his department is attempting to find a consumer friendly approach to defaulted loans that is reasonable and humane.

As of yet, the issue of collection hasn't been finalized; it may or may not be contracted by the government to an outside agency.

Ottenheimer also indicated that the savings in administration might go back into the program for students, a prospect which excited Keith Dunne.

"There are a number of ways to put it directly back into the post-secondary institutions whether that be through core funding, or reducing tuition fees, or special grants for disadvantaged students," said Dunne.

However, no changes will be initially made to the actual student loan policies, leaving students to satisfy very different loan criteria to qualify for both loans. Under the new agreement, the province will continue to set loan policies itself, but there is the possibility of being able to lobby the government to synchronize the loan criteria.

Chairperson Joel Duff of the CFS in Ontario has found that with the integrated system in his province they were able to convince the governments to make the application criteria the same for both loans over a period of three years.

Now Duff says when students apply for loans, the procedure is much simpler and quicker, as officials only have to check the one set of criteria. Also, when the changes were made to the loan criteria, it was usually to the advantage of students, meaning longer grace periods for repayment and lower parental contributions.

"That was a lot of hard work. It meant that students had to be constantly at the table arguing our case and on just about every point we managed to bring in the better of the two policies. In that sense, it's

been a good thing to bring in harmonization," said Duff.

Provincial NDP leader Jack Harris is wary about the new integrated loan agency being a privately contracted federal company in Ontario. He said it remains to be seen if they deal with student's problems effectively, but it should be a modest improvement.

"I think the integration is going to take a lot of headaches away from students in the sense that they're going to deal with one agency, particularly when it comes to dealing with problems," said Harris.

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