

# **Student Debt at the University of Lethbridge**

Dennis W Domoney  
Director, Institutional Analysis

Becky Lore  
Coordinator, Scholarships and Student Finance

# **Student Debt at the University of Lethbridge**

## Executive Summary

During the spring of 2004 Board Members, the President, Vice-President (Academic), and others in the University of Lethbridge expressed concern about student debt load. The purpose of this paper is to examine and draw conclusions about the University of Lethbridge student debt load utilizing data from several sources.

A review of government student loans is provided. The principles of the various federal/provincial/territorial loan and grant programs are: (a) the cost of post-secondary education is a shared responsibility among students, parents, spouse/partner, and government; (b) assistance is intended to supplement personal/family resources; and (c) assistance is based on need. The Alberta program has its own loan rules which are used in conjunction with the federal rules. Alberta students may borrow up to \$11,600/academic year with a lifetime borrowing of \$40,000 for an undergraduate degree.

The University of Lethbridge student debt experience shows that since the mid-to-late 1990s, median student debt has remained constant around \$20,000, while the proportion of students with debt has also remained constant around 65%. During that same period of time, the proportion of graduating students with large debt (large is defined as debt at least as large as expected income) has steadily declined. The relatively constant debt load and proportion of students with debt has been maintained during a time when the proportion of out-of-town students has increased from 56.7% to 73.3%. This level of debt is considerably lower than the anticipated amount of \$30,000—the number generally believed to be the level of student debt.

In the Spring of 2004 several members of the University Community expressed concern about student debt load at the University of Lethbridge. The purpose of this report is to examine student debt at the University of Lethbridge and to set that debt load in the context of provincial and national student financial rules/regulations. The student loans programs in the province and nation are summarized, and student debt, both nationally and at the University of Lethbridge, are summarized for the past few years.

## **Student Loan Programs**

### Government Student Loans Program in Canada

The provinces, territories and the federal government offer a loan and grant program to assist students who may not have the financial means to attend post-secondary studies. Assistance is provided to eligible Canadian citizens, permanent residents and Protected Persons.

The program principles are:

- The cost of post-secondary education is a shared responsibility among students, parents, spouses/partners and government (taxpayers).
- Assistance is intended to be supplemental to student and family resources
- Assistance is awarded based on financial need

The federal government created the Canada Student Loans Program including the needs assessment, policies and procedures. Provincial and territorial government loan programs vary greatly across the country:

- Ontario, Saskatchewan and Newfoundland are harmonized with the CSLP and use basically the same assessment, policies and procedures.
- British Columbia, Alberta, Manitoba, Nova Scotia, PEI and New Brunswick set up their own policies and procedures that are used along with the CSLP.
- Quebec, Northwest Territories and Nunavut have opted out of the CSLP and run their own program.
- Yukon has a grant only program (no loans), but students can qualify for Canada Student Loans as well if the grant assistance is not adequate.

When a student applies for government student loans, they must apply to the province or territory that considers them a resident. One application is assessed for both provincial or territorial assistance and CSLP loans/grants. Alberta residents apply to Alberta Students Finance, a division of Alberta Learning. Residency rules are complicated and are very different than health care, motor vehicles, social assistance or other government programs.

- If a student is a dependant\*, then the province/territory they are a resident of is the province/territory their parents reside (or the province/territory the student finished high school in if the parents no longer reside in Canada).
- If a student is an independent, residency is determined by the province/territory that the student has spent the last 12 consecutive months in not attending full-time post-secondary studies.
- If a student arrives in Canada after high school, then the province or territory the student “landed” in or has set up a permanent residence in and spent the last 12 consecutive months.

\*Dependant is defined as a:

- single person without children and
- been out of high school less than 4 years and
- has not been available for fulltime work for two years since leaving high school.

### Alberta Students Finance

For the purpose of this report, Alberta Students Finance assessment rules are referred to.

The standard assessment is  $\text{Financial Need} = \text{Allowable Costs} - \text{Resources Available}$   
(Academic achievement does not factor into a student's eligibility, although penalties are imposed if a student does not complete a funded period of study).

Allowable Costs include:

- Tuition and Fees
- Books and Supplies
- Living costs (based on a moderate standard of living set by Alberta)
- Child care
- Child support
- Medical costs
- Return Transportation (for single students living away from home)

Resources Available include:

- Savings (minimum contribution of \$1,350 for students who do not take full-time summer session and have 4 months between periods of study. \$720 contribution for 2 months.)
- Investments
- RRSP's (\$2,000/yr exemption for every year older than 18 years old)
- Wages (\$225/mn exemption)
- Spouse/Partner Income (\$200/mn exemption. Minimum contribution of \$550/mn)
- Parent Contribution (based on line 150 of previous year's tax return (or net worth of self employed business) and family size)
- Scholarships/ Bursaries (\$1,600/yr exemption)
- Assistantships (\$200/mn exemption)
- Government Funding, e.g. Disability Related Employment Supports, Assured Income for the Severely Handicapped, Employment Insurance, Worker's Compensation Benefits, Indian and Northern Affairs
- Other Income, e.g. orphan's benefits, pensions, rental property, business
- Vehicle (\$5,000 exemption)
- Alimony or Child Support

### University of Lethbridge Students Annual Loan and Grant Averages

A (1). Alberta residents accessing Alberta Students Finance – year to year.

Following is a summary for the last five years and the 1994/95 year for UofL students receiving Alberta Students Finance loans/grants. All students accessing this program must receive some set amount of loans (repayable funding) *before* bursaries and grants (non-repayable funding) are given. For most of the 1990's government policies (across Canada) eliminated much of the non-repayable funding. Governments have gradually been reintroducing non-repayable funding into what is presented below.

Repayable Funding			Non-Repayable Funding									
Combined Canada & Alberta Student Loans			AOB <sup>1</sup> 1 <sup>st</sup> & 2 <sup>nd</sup> year		CMB <sup>2</sup> 2 <sup>nd</sup> , 3 <sup>rd</sup> & 4 <sup>th</sup> yr		LRB <sup>3</sup> 1st yr students		MG <sup>4</sup> single parents		CSG <sup>5</sup> parents	
Year	# of Students	Average Loan	# of Students	Average Award	# of Students	Average Award	# of Students	Average Award	# of Students	Average Award	# of Students	Average Award
2003/04	2174	\$6,220	315	\$902	589	\$2,391	172	\$1,936	55	\$2,780	188	\$1,350
2002/03	2206	\$6,250	284	\$899	614	\$2,387	160	\$2,000	60	\$2,989	209	\$1,409
2001/02	2332	\$6,154	354	\$860	620	\$2,179	166	\$1,799	62	\$3,187	200	\$1,419
2000/01	2298	\$6,079	345	\$871	695	\$2,259	Award not in existence		69	\$2,701	204	\$1,319
1999/00	2243	\$5,798	351	\$854	598	\$2,985	Award not in existence		72	\$2,610	182	\$1,309
1994/95	2107	\$5,478	Non-repayable very different – can't compare						110	\$5,094	n/a	n/a

<sup>1</sup> Alberta Opportunities Bursary: available in the 1<sup>st</sup> and 2<sup>nd</sup> year of program. Minimum amount is \$500, maximum amount is \$1,500. Financial need must be greater than \$4,000.

<sup>2</sup> Canada Millennium Bursary: available in the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> year of program. Minimum amount is \$2,250, maximum amount is \$3,000. Student cannot get both AOB and CMB in the same year. Financial need must be greater than \$8,500.

<sup>3</sup> Loan Relief Benefit: available in 1<sup>st</sup> year only. A student must have a minimum \$5,000 debt per academic year in student loans (ASL and/or CSL), any further **Alberta loan** assistance in their first year may be issued as a LRB.

<sup>4</sup> Maintenance Grant: available to disadvantaged students which includes single parents and married students whose spouse cannot work for medical reasons. Must have minimal loan debt.

<sup>5</sup> Canada Study Grant for Students with Dependents: \$40/wk for students with 1 or 2 dependents and \$60/wk for students with 3 or more dependents. Student must have a minimum of \$275/wk in financial need.

A. (2) Alberta Loan Relief Program for those students that leave or graduate:

Alberta Students Finance also has the Loan Relief Program Completion Payment, for students who have completed their full-time studies. The Loan Relief Completion Payment is applied to Alberta Student Loan debt only. The student must have combined ASLs and/or CSLs that exceeds \$20,000 for an undergraduate program. The portion of ASL that exceeds \$20,000 is eligible for the Loan Relief Completion Payment. (Prior to 2001, this program was called Loan Remission.)

Example: A student finishes with \$15,000 in Canada Student Loans and \$10,000 Alberta Student Loans. Total loan amount is \$25,000 which exceeds the minimum debt level of \$20,000. \$5,000 of this student's Alberta Student Loan would be considered for repayment under the Loan Relief Completion Payment Program.

B. Out-of-province residents attending the University of Lethbridge.

Following is a summary of the last 4 years for U of L students accessing other provincial/territory loan programs. There is no data from 1994/95.

Year	# of Students	Average Loan
2003/04	448	\$7,110
2002/03	410	\$7,137
2001/02	409	\$6,854
2000/01	419	\$6,680

I'm unable to give an accurate representation of the grants/bursaries available to out-of-province students as this funding is not always sent to the school but disbursed directly to the student. Currently, Ontario Students Assistance Program is the only other program that has any debt repayment similar to Alberta's Loan Relief Completion Payment. Ontario students are eligible for loan "remission" on yearly loan amounts over \$7,000.

Alberta Students Finance has the most generous loan and grant program for single students and single parent students. They are one of the least generous programs for married students with dependants. Married students with dependants can only receive an additional grant of \$1020/semester more than a student without dependants can. They cannot access the \$3,000/semester maintenance grant that is available to single parents.

Although the cost of tuition and enrolment numbers continue to rise, the number of students accessing Alberta Students Finance has been stable. This could be because the expected parental contribution has not changed significantly since 1993, so fewer students may be eligible based on the assessment. Private student loans (all major banks offer this product) became available to undergraduate students in 1995 and this product does not have a needs assessment, but it does require a co-signer. Many students have chosen this product *instead* of government student loans and some have chosen this product to *supplement* government student loans.

#### Current example of Expected Parental Contribution:

Number of persons in the family	Parent's 2003 total income as reported on line 150 of their Income Tax Return(s)				
	Up to \$46,000	Up to \$50,000	Up to \$60,000	Up to \$70,000	Up to \$80,000
3	\$510	\$1,122	\$4,284	\$7,718	\$11,492
4	\$0	\$0	\$2,346	\$5,542	\$9,316
5	\$0	\$0	\$408	\$3,604	\$7,378

Alberta Students Finance yearly loan limits are legislated and are subject to change each year. In the last 5 years, the yearly loan limit has increased by \$300 per year to the current limit of \$11,600 for an 8 month academic year. Typically the only University of Lethbridge students who are borrowing the maximum loan limit are students with dependants. Alberta also has a lifetime maximum for undergraduate degree programs that is currently set at \$40,000 (has not been increased since 1995). According to ASF, 8% of current students are at their lifetime maximum (works out to approximately 180 UofL students).

The weekly loan limit for the Canada Student Loan portion of the program has not changed since 1993 and has been at \$165 per week or \$5,610 for an 8 month academic year. It will increase to \$210/wk or \$7,140 in the 2005/06 academic year. This could have a significant impact on Alberta student's debt, as the Canada Student Loan portion is not eligible for the Loan Relief

Completion Payment. Parental Contribution tables will also be adjusted next academic year, which will increase government loan eligibility.

## **Student Debt**

### Student Debt Data Sources

The major data sources for this paper include two recent government of Canada publications<sup>i, ii</sup>, plus the results from student surveys conducted by the Canadian Undergraduate Survey Consortium<sup>iii, iv, v, vi, vii, viii, ix</sup> and for the Alberta University/Alberta Learning Key Performance Indicators<sup>x, xi, xii, xiii, xiv, xv, xvi</sup>. These data sources will be referred to respectively as Millennium Scholarship, Statistics Canada, CUSC, and KPI.

### Background

In the last decade, beginning with academic year 1994/95 and ending in the most recent academic year, 2003/2004, The University of Lethbridge has grown from 4809 to 7402 students in the Fall term<sup>xvii</sup>, a growth of just over 58%. During that same decade, the full time enrolment at The University of Lethbridge has grown from 8.9% of the total Alberta university enrolment to 10.7%. This rapid growth has brought with it a change in the character of the student body. In the fall of 1994 the County of Lethbridge portion of the student body was just over 50% and the visa student portion was just under 1.4%, while a decade later those proportions had changed to 26.7% and 4.6% respectively. Clearly, as our Newfoundland students might say, the preponderance of our student body has shifted to students from “away”. This is not an insignificant detail when we look at student debt loads below.

It is important to note that the student debt information reported herein were all obtained from self-reported surveys, and that the debts are debts from all sources.

### National Student Debt

In the spring of 2004, Statistics Canada reported that average student debt, in constant 2000 dollars, had grown from about \$11,000 in 1990 to \$19,500 in 2000, while the proportion of students with debt had fluctuated between 43 and 44%.

The Millennium Scholarship report on student debt utilizes data from several sources which report average student debt varies across the country. At a national level, the amount of debt was reported to be just over \$21,000 in 2001, while in Western Canada for the same year, debt level was just over \$20,000. The same report indicates that at the national level, about 50% of the university graduates had debt in 2001, while in Western Canada the proportion of students graduating with debt was about 53%.

The CUSC graduating surveys of 1997, 2000, and 2003 show that graduating student median debt levels were respectively \$15,000, \$18,500, and \$17,000, while the proportion of students with debt remained very close to 55%. For primarily undergraduate universities in the same

years, graduating student median debt was respectively \$15,000, \$20,000, and \$20,000, while the proportion of students with debt remained very close to 60% in each of those years.

### Alberta Student Debt

The Alberta KPI surveys of 1998, 1999, and 2001 show that at graduation, student median debts for university students was \$17,000, \$17,000, and \$18,500, while the proportion of students with debt rose from 57%, through 58%, to 61% respectively. It is also worth noting that in the 2001 KPI survey separate analyses were undertaken for the university colleges and the debt load for those students was \$20,000 while the proportion of university college students with debt was 72%.

### University of Lethbridge Student Debt

In all the CUSC and KPI data sources noted above it is possible to extract the debt loads and the proportion of students with debt for the University of Lethbridge. Thus for the 1997 (CUSC), 1998 (KPI), 1999 (KPI), 2000 (CUSC), 2001 (KPI), 2003 (CUSC), and 2004 (KPI) surveys, the University of Lethbridge graduating student median debt load was \$19,000, \$19,000, \$20,000, \$19,000, \$20,000, \$20,000, and \$20,000 respectively. The respective proportion of students with debt was 66.5%, 64%, 58%, 62%, 68%, 64.5%, and 64.1%. See Chart 1 for a graphical view of these data.

With the CUSC data it is also possible to determine the median salaries of students from undergraduate universities as well as determining the proportion of students who have debts as large or larger than the median salary. This provides a measure of the degree to which students are graduating from the universities with relatively high debt loads. For the three years in question, 1997, 2000, and 2003, the median salaries for graduates from undergraduate universities across the country were \$24,000, \$27,000, and \$30,000 respectively. The median salaries for graduates from the University of Lethbridge were \$20,400, \$26,400, and \$33,000. The proportions of graduates from undergraduate universities across the country with educational debt at least as large as the median salaries of those students were 18.3%, 17.3%, and 14.6% for the three respective years. The corresponding proportions for graduates from the University of Lethbridge were 28.3%, 15.1% and 12.8%.

For the University of Lethbridge, it is possible to extract the government sponsored debt loads of graduating students for the 2003/04 academic year. For that year, the median debt load was \$20,200.

It is widely believed that female students carry a higher debt load than their male counterparts, and an examination of the CUSC surveys of 1997, 2000, and 2003 seems to confirm this belief. For those years, median female debt loads at the University of Lethbridge were \$20,000, while male student median debt loads were \$17,000, \$15,000, and \$20,000 respectively. Although male debt loads were smaller than debt loads for females, the proportion of males with debt appears to be higher than the corresponding proportions for females. For the respective observation years, the proportion of females with debts were 60.3%, 59.7%, and 64.3%, while the proportion of males with debts were respectively 76.4%, 66.4%, and 65.2%.



## Student Employment

From the CUSC Freshmen surveys of 1998 and 2004; the CUSC Undergraduate surveys of 1999 and 2002; and the CUSC Graduating survey of 2003 it is possible to determine the percentage of students with jobs and the average weekly workload.

For Freshmen students in undergraduate institutions, 32.7% held jobs and worked an average of 15.3 hours per week in 1998, while in 2004, 40.62% worked an average of 15.9 hours per week. The corresponding numbers for University of Lethbridge students were 32.2% and 34.6% working an average of 16.6 and 17.6 hours per week.

For general undergraduate students in undergraduate institutions, 55.7% were employed in 1999 and worked 18.8 hours per week, while 56.3% were employed in 2002 and worked 19.3 hours per week. For University of Lethbridge students the employment rates were 57.6% and 48.9% and the workloads were 16.0 and 21.0 hours per week respectively.

For baccalaureate graduands at undergraduate universities there are data only for 2003. In that year, 60.3% of the baccalaureate graduands from undergraduate institutions were employed during their last term at university and worked 19.3 hours per week, while the corresponding figures for those students graduating from the University of Lethbridge were 55.7% and 22 hours per week.

## **Conclusions**

The student debt load at the University of Lethbridge is both encouraging and discouraging. It is encouraging because the median student debt load has remained constant since the mid to late 1990s, as has the proportion of students with debt. It is also encouraging to note that the proportion of graduated students with loan debts which are at least as large as the students' income has steadily declined. Finally it is encouraging that the median debt load at the University of Lethbridge is considerably lower than the "well known" average student debt load of \$30,000. On the discouraging side, although the median debt load is lower than it was expected to be, it is still substantial. When the average starting salary is \$33,000 for graduates from the University of Lethbridge, those who have debts will on average find that they cannot obtain a loan through conventional means for either a home or a car. It also discouraging to see that while the proportion of students who have part time jobs has declined, the number of hours they work has increased. Finally it is discouraging to note that in 2003, the most recent year for which there are debt data, several students reported debt in excess of \$50,000.

## **Challenges**

- The complexity of the government student loan programs is a challenge for borrowers and administrators.
- Minimum wage in Alberta has not kept pace with cost of living and rising tuition fees. Alberta's minimum wage is \$5.90/hr., set in 1999.
- Gender plays a role in debt. Women finish post-secondary school with higher debt loads and take longer to repay debt.

## **Recommendations**

### Recommendations for Alberta Students Finance:

- Implement the Loan Relief Benefit on a yearly basis instead of the first and last year of studies.
- Expand the maintenance grant available to single parents to include married parents
- Explore monthly disbursements instead of disbursements every 4 months. (Saskatchewan is the only program with monthly disbursements)
- Implement the moderate standard of living tables that Canada has calculated (for a single student paying rent the difference in the two tables is \$115 month).

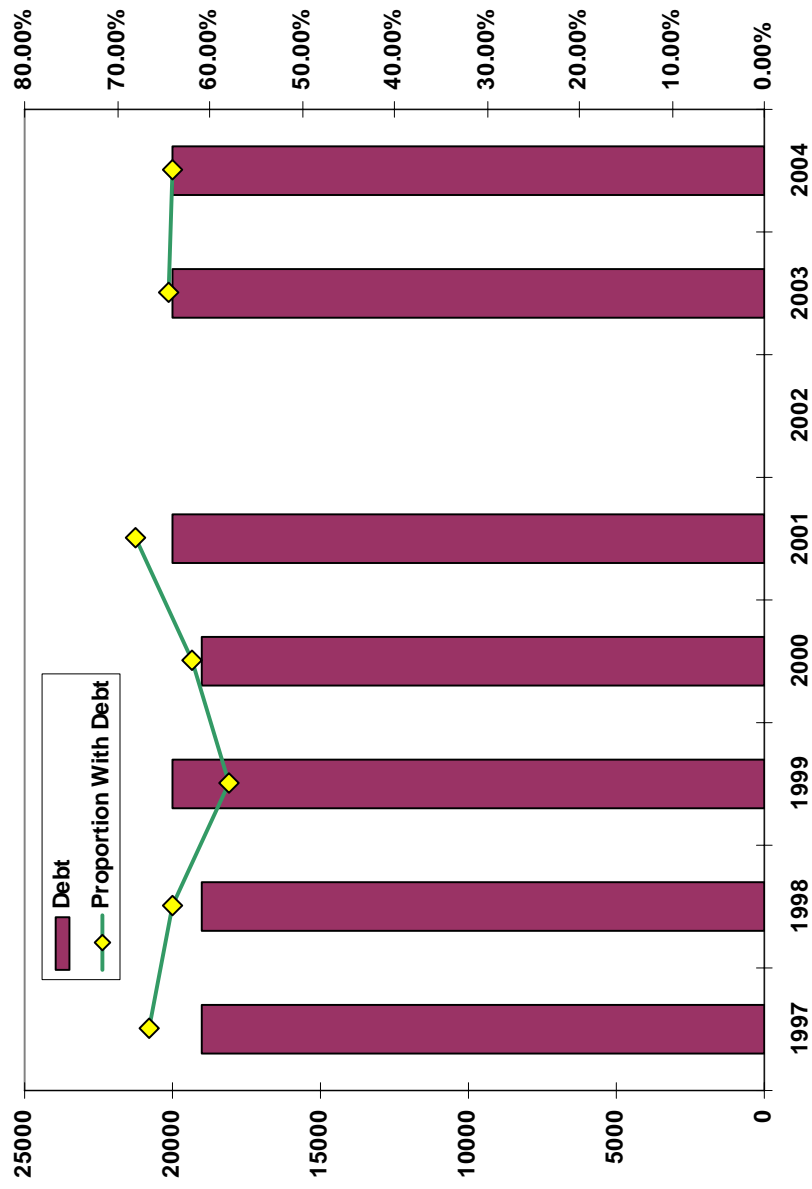
### Recommendations for the University of Lethbridge

- Investigate reasons for non-completion of program.
- Provide early intervention for students who are struggling academically.
- Lobby Alberta Students Finance for the above recommendations.
- Lobby the Federal Government for grant/bursary programs that extend or replace the Canada Millennium Bursary (due to expire in 2010) and for a “remission” program on Canada Student Loans.
- Promote more funding for bursaries in the awards campaign. Less than 10% of the funds in the awards program are determined by financial need (and academic achievement).
- Educate entering and continuing students on financial management.

### Recommendation for the students at the University of Lethbridge

- Before starting a program, have a good reason for your chosen program.
- Know your rights and responsibilities if you are accessing government student loan programs.
- Use credit and loan programs wisely.
- Plan well ahead, know what your expenses will be and stay on a reasonable budget.

University of Lethbridge Student Debt Loads/Proportion With Debt (Chart 1)



---

## References

- <sup>i</sup> Junor, S., & Usher, A. (2002) *The Price of Knowledge: Access and Student Finance in Canada*. Montreal: The Canada Millennium Foundation.
- <sup>ii</sup> Allen, M. & Vaillancourt, C. (2004) *Class of 2000: Profile of postsecondary graduates and student debt*, Catalogue no 81-595-MIE2004016. Ottawa: Ministry of Industry for Statistics Canada.
- <sup>iii</sup> Walker, James L (1997) *1997 Graduating Student Survey at Nine Canadian Universities, University of Lethbridge Edition*. Winnipeg: University of Manitoba, Student Life and Housing.
- <sup>iv</sup> Prairie Research Associates (2000) *Graduating Students Survey 2000, University of Lethbridge*. Winnipeg: Student Life and Housing.
- <sup>v</sup> Prairie Research Associates (2003) *Graduating Students Survey 2003, University of Lethbridge*. Winnipeg: Student Life and Housing.
- <sup>vi</sup> Walker, James L (1998) *Survey of First-Year University Students University of Lethbridge Edition*. Winnipeg: University of Manitoba Student Life and Housing.
- <sup>vii</sup> Prairie Research Associates (2004) *Survey of First-Year University Students: 2004 University of Lethbridge*. Winnipeg: University of Manitoba Student Life and Housing.
- <sup>viii</sup> Walker, James L (1999) *1999 Student Information Survey University of Lethbridge Edition*. Winnipeg: University of Manitoba Student Life and Housing.
- <sup>ix</sup> Prairie Research Associates (2002) *Survey of Undergraduate University Students University of Lethbridge*. Winnipeg: University of Manitoba Student Life and Housing.
- <sup>x</sup> Sorensen, M. & Krahn, H. (2001) *Labour Market and Educational Experiences of 1998 Graduates*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xi</sup> Sorensen, M. & Krahn, H (2001) *Labour Market and Educational Experiences of 1998 University of Lethbridge Graduates*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xii</sup> Krahn, H. & Sorensen, M. (1999) *Student Satisfaction in Alberta Universities and University Colleges, 1999*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xiii</sup> Krahn, H. & Sorensen, M. (1999) *Student Satisfaction at the University of Lethbridge*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xiv</sup> Sorensen, M. & Krahn, H. (2001) *Student Satisfaction in Alberta Universities and University Colleges, 2001*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xv</sup> Sorensen, M. & Krahn, H. (2001) *Student Satisfaction at the University of Lethbridge, 2001*. Edmonton: University of Alberta Population Research Laboratory.
- <sup>xvi</sup> (2004) *University of Lethbridge Data Set, 2004 Key Performance Indicator Labour Market Survey*. Edmonton: Malatest and Associates, Ltd.
- <sup>xvii</sup> Domoney, D.W. & Hallas, M. (2004) *2003-04 Facts Book*. Lethbridge: University of Lethbridge, Institutional Analysis.