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NEWS RELEASE

Canada Needs A New Student Financial Aid Architecture

***Institute for
Research on
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***Complex and poorly targeted, the current system does not deliver
necessary amounts of assistance to those who need it.***

Montreal – The Institute for Research on Public Policy (IRPP.org) released today a study by Ross Finnie, Alex Usher and Hans Vossensteyn entitled, “Meeting the Need: A New Architecture for Canada’s Student Financial Aid System.”

The authors assess Canada’s student financial aid system and argue that the current “student-centred model” does not do the job as well as it could to ensure that every qualified Canadian has the financial means to pursue post-secondary studies without suffering undue hardship. They enumerate several problems under the present financial aid system:

- ◆ Tax credits represent too large a share of student aid, and are poorly targeted;
- ◆ The “independent student” category is too easily accessed;
- ◆ The assistance limits, which have not changed since 1994 despite rising tuition fees, are inadequate;
- ◆ The expectations of parental contributions are wrong.

To replace the current hodgepodge of programs the authors propose a single and coherent system that would “deliver the full amount of aid required to those who need it in an efficient, effective, and nonwasteful manner.”

The new student financial aid architecture they propose includes the following:

- ◆ Full coverage of the difference between costs and resources available to students through a loan/grant support package. There would be no unmet need;
- ◆ Loans themselves would be capped at \$5,000 per year;
- ◆ A supplementary loan system for those whose parents do not make the contributions expected of them or who cannot make their own contributions;
- ◆ A relief program for those facing high debt-to-earnings ratios in repayment periods.

This new architecture is in many ways similar to the loan and grant programs now in place, thus avoiding a wholesale rebuilding of the system. And the proposal can be financed by reducing or eliminating existing programs such as the current education-related tax credits or various education savings programs.

“Meeting the Need: A New Architecture for Canada’s Student Financial Aid System” is the latest *Policy Matters* study to be released as part of the IRPP’s Family Policy series. It is now available on-line in Adobe (.pdf) format on the Institute’s Web site (www.irpp.org).

For more information or to request an interview, please contact the IRPP.

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