

# What Really Happened to Student Debt in the Nineties?

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## Why do we care about student debt?

- ❖ Size of debt not really important as long as students able to repay (debt-to-income ratio).
- ❖ Ability to repay is difficult to capture at the macro-level details; too individual, movement too dynamic.
- ❖ Average debt-upon graduation is simply a handy macro-indicator.

## Why don't we know what average student debt is?

- ❖ The best source of data (NGS) doesn't take account of major round of policy changes in 90s.
- ❖ The next-best national source of data (CSL) captures nothing about provincial debt.
- ❖ Provincial information is largely unobtainable.

## What do we mean by average debt, anyway?

- ❖ All students vs. students who borrow
- ❖ 4-year program vs. shorter programs
- ❖ 4-year program vs. people who borrow for 4 years
- ❖ Canada vs. CSL zone
- ❖ Public vs. private

## Where the heck does the figure \$25,000 come from?

- ❖ From *Take on The Future: the report of the Ministerial Task Force on Youth:*

"According to Statistics Canada, the average student debt at graduation was \$8,700. By 1996, this had risen to \$17,000 and is expected to rise to \$25,000 by 1998."

## Where the heck does the figure \$25,000 come from?

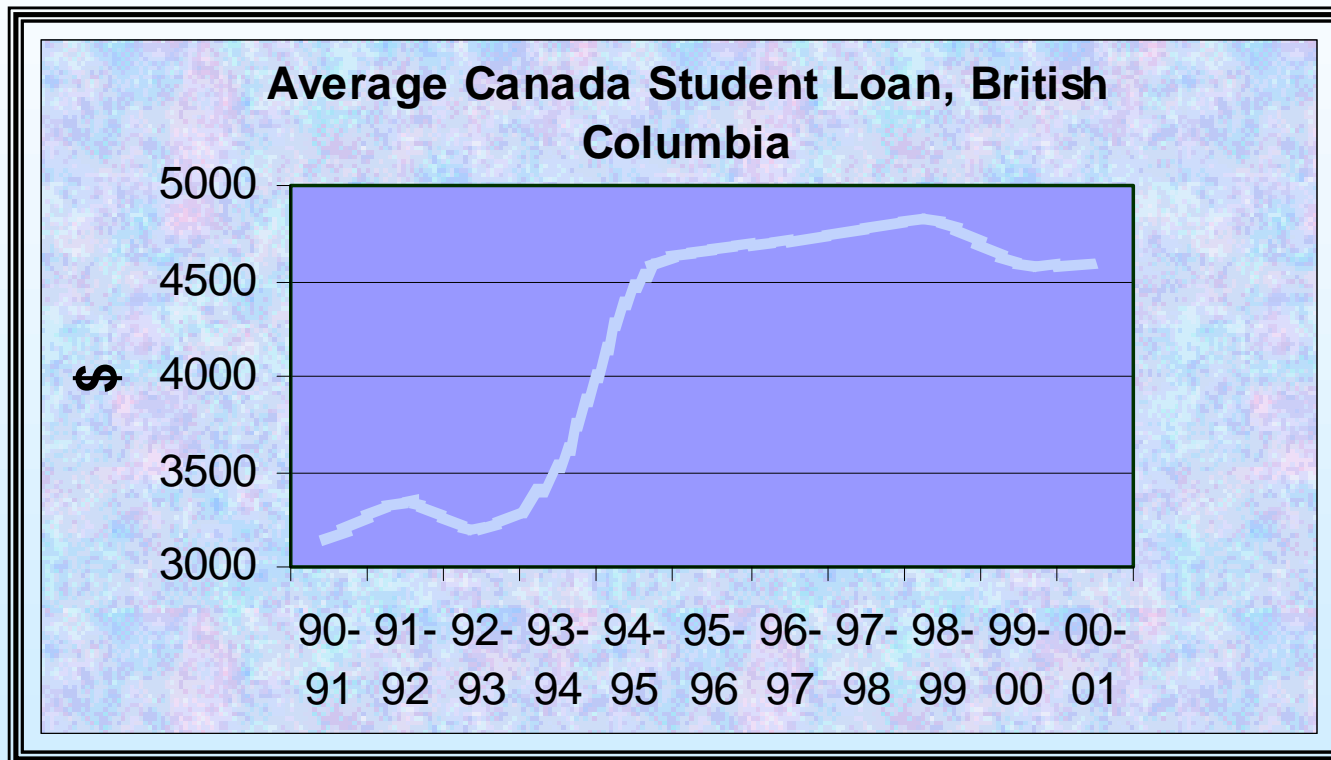
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- ❖ \$25,000 figure was a projection, not a statistic.
- ❖ Calculation based on:
  - ❖ Actual CSL debt = \$9,666 (round up to \$10,000)
  - ❖ Implied PSL debt based on 60/40 = \$6,666 (round up to \$7,000)
  - ❖ Total = \$17,000
  - ❖ Draw the trend out to 1998 and you get the \$25,000
- ❖ No account taken of provincial remission programs.

## If \$25,000 isn't true, why do people think debt has gone up?

- ❖ Rising tuition a common explanation, but probably not the right one.
- ❖ Average tuition has risen, but so have after-tax family incomes and average student wages (up over \$1.00/hr in last five years).
- ❖ Student Aid program details far more important than tuition.

## Why did debt increase?



- ❖ CSL Loan Limit increase from \$105/week to \$165/week in 1994/95 was the major cause of increased borrowing.
- ❖ If you let people borrow more, they will.

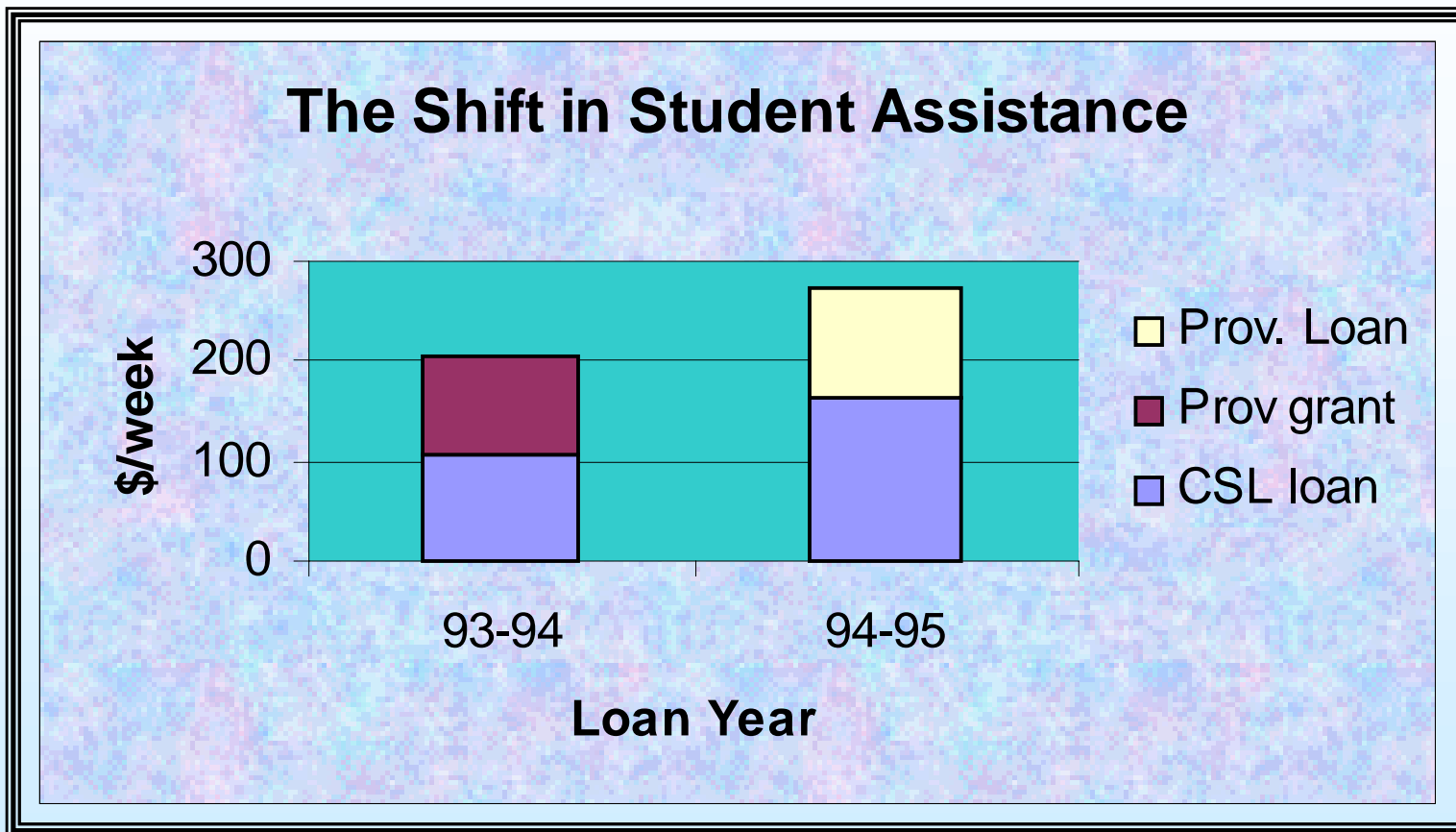




## Why did debt increase?

- ❖ 1994/95 CSL switch to 60-40 cost-sharing pushed provinces out of grants, into loans.
- ❖ Between 1993 and 1995, NF, PEI, NS and ON got rid of grants entirely; MB, NB and AB scale back.
- ❖ Total loan limit in most provinces rose from \$105 to \$275/week, a 167% increase.

## Why did debt increase?



## So, what is average student debt, anyway? (CSL data)

Province / Territory	Average CSL debt	Average Prov/Terr debt	Average total student debt
NF	\$8,900.00	\$6,248.00	\$13,631.00
PEI	\$8,458.00	\$5,263.00	\$13,037.00
NS	\$7,923.00	\$4,469.00	\$12,309.00
NB	\$9,252.00	\$5,123.00	\$13,861.00
QC	NA	\$13,181.00	\$13,181.00
ON	\$8,979.00	\$6,995.00	\$14,054.00
MB	\$7,556.00	\$3,741.00	\$10,489.00
SK	\$9,751.00	\$2,445.00	\$11,973.00
AB	\$8,349.00	\$3,527.00	\$11,387.00
BC	\$8,644.00	\$3,326.00	\$11,500.00
Yukon	\$6,609.00	NA	\$6,609.00
NT/NU	NA	-	-
Canada	-	-	\$13,056.00

## So, what is average student debt, anyway? (CSL data)

- ❖ Precise values using administrative data
- ❖ Includes all final-year students, regardless of program length
- ❖ Not much use if concern is cost of a 4-year degree.

## So, what is average student debt, anyway? (CUSC data)

Discipline	Percentage with debt	Mean (students with debt only)
<b>Professional</b>	65%	\$25,894
<b>Agriculture</b>	63%	\$21,304
<b>Education</b>	61%	\$17,850
<b>Physical Sciences</b>	59%	\$18,898
<b>Engineering</b>	58%	\$22,421
<b>Biological Sciences</b>	57%	\$20,758
<b>Overall</b>	56%	\$20,286
<b>Other Fields</b>	56%	\$19,143
<b>Arts and Humanities</b>	55%	\$19,559
<b>Social Services</b>	54%	\$20,722
<b>Business</b>	50%	\$17,054
<b>All Students</b>	<b>56%</b>	<b>\$20,273</b>

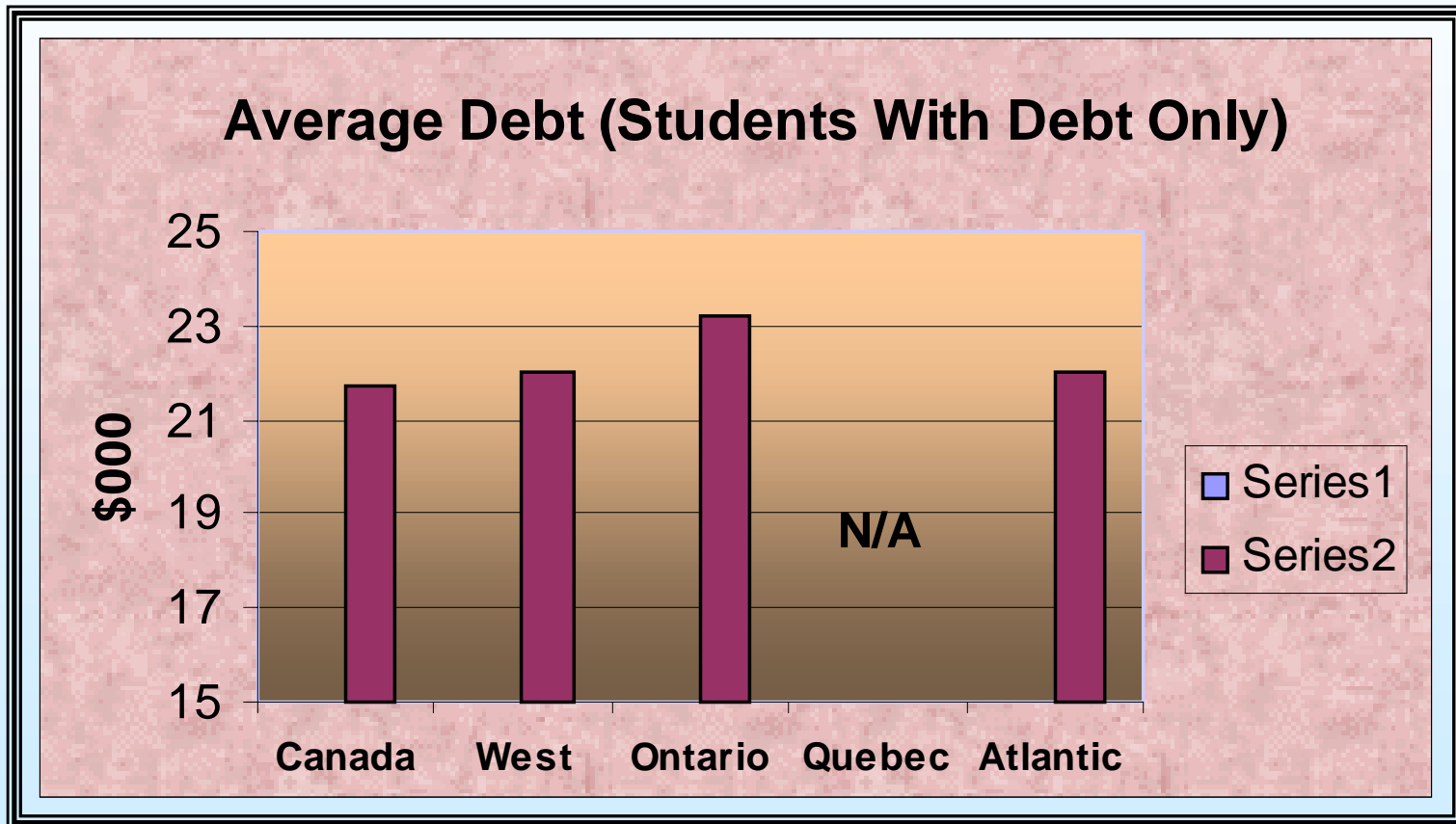
## So what is average student debt anyway? (CUSC data)

- ❖ Incomplete sample (20 institutions,  $n = 6300$ ).
- ❖ Focus is on 4-year students.
- ❖ Asks about total debt, not government student loan debt.

## A Digression on Other Forms of Debt (Foundation - Ekos)

- ❖ Debt can come in forms other than student loans.
- ❖ 40% of students report carrying credit card debt, with median value of \$900.
- ❖ 23% of students report carrying a balance from a personal line of credit, over half say balance is \$5,000.
- ❖ 48% of student who receive money from parents say they will have to repay some of the money; 16% say they will have to repay **all** of it.

# So what is average student debt, anyway? (Meta-Survey data)





## So what is average student debt, anyway? (Provincial data)

- ❖ Some Provinces publish their debt statistics on a regular or occasional basis.
- ❖ Ontario (2000) = \$20,496

## Is there a conclusion to all of this?

- ❖ It can be said with a fair degree of confidence that student loan debt – for those with debt – is around \$20,000.
- ❖ Other forms of debt collectively push debt above this level...
- ❖ ... but not by much.

## What's next for Student Debt?

- ❖ Major rises unlikely because:
  - ❖ No major policy changes on horizon, except in BC.
  - ❖ Effects of shift back to grants (AB, SK, Foundation) not yet factored into equation.
- ❖ Final happy thought: data on student debt from the next NGS will be "valid" for a very long time.