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Who Gets Student Loans?

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Who gets student loans?

Costa Kapsalis

Canada places a high degree of importance on postsecondary education. Every year the Canada Student Loans Program (CSLP) provides approximately \$1.5 billion in loans and \$80 million in grants to students with a demonstrated financial need. However, rising tuition fees and increased student debt loads in recent years have raised concerns about the affordability of a postsecondary education. A recent report concluded that “Canada has a problem when it comes to ensuring equal access to the knowledge economy for all its citizens. Despite years of attempting to change the situation, a serious gap in postsecondary participation remains between children from upper- and lower-income backgrounds.” (Junor and Usher 2004).

This study looks at the role of the CSLP. While it is difficult to estimate the extent to which the CSLP has made it possible for low-income students to obtain a postsecondary education, the study addresses certain questions: How well are student loans targeted to low-income youth? To what extent does the amount of the loan reflect the level of financial need? What are the consequences of taking parental income into account for students considered dependent on their parents?

The study uses a database created by linking the Statistics Canada Longitudinal Administrative Database (LAD) to CSLP administrative records (see *Data sources and definitions*). The analysis concentrates on persons aged 18 to 24. Quebec, the Northwest Territories, and Nunavut do not participate in the CSLP and were therefore excluded. Yukon was also excluded because of sample size limitations.

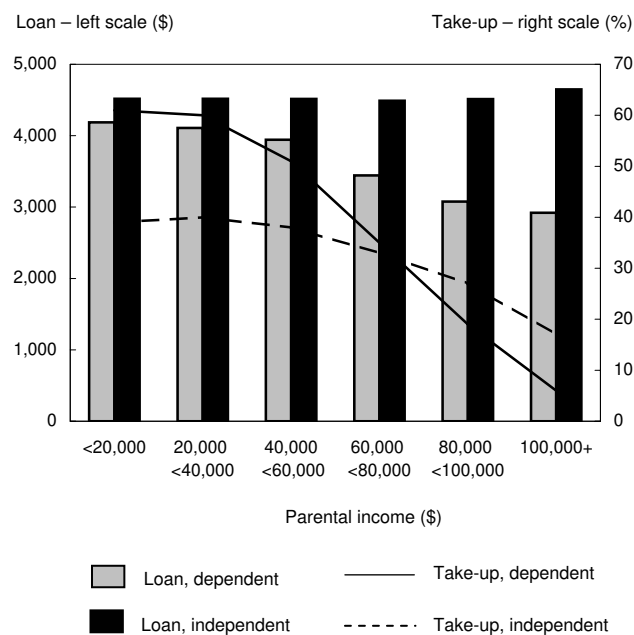
Student loans targeted to low-income families

The CSLP is intended to help students from lower- and middle-income families meet the costs of postsecondary education. The program distinguishes

between ‘dependent’ and ‘independent’ students. Married individuals, single parents, those who have been employed in the last 24 months, and those who left high school more than four years ago are considered independent; the rest are considered dependent.

In the case of dependent students, parental income is taken into account in assessing financial need. It is therefore not surprising that their CSLP take-up rate declines rapidly at higher parental incomes—from 61% in 2000 for those with parental income below \$20,000 to 6% for those with parental income of \$100,000 and over (Chart A). Even among

Chart A CSLP take-up declines as parental income increases.



Sources: Longitudinal Administrative Database, 2000; Canada Student Loans Program, 1999-2000

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independent students, however, the take-up rate declines as parental income increases, although less precipitously.

The average loan amount also declines for dependent students as parental income goes up; for independent students, it remains virtually unchanged. In 2000, about two-thirds of loan amounts went to students with parental income below \$60,000—73% in the case of dependent students and 51% in the case of independent students (Table 1).

Youth from low-income families still less likely to enrol in full-time postsecondary education

Despite the targeting of student loans to those from low-income families, full-time postsecondary enrolment rates for this group remain well below those of high-income families (Chart B). Among dependent youth, the enrolment rate for the top family income bracket in 2000 was almost twice as high as the bottom bracket (51% versus 29%). The gap was even wider in the case of independent youth (46% versus 17%).

Data sources and definitions

The LAD/CSLP database was created by linking the Statistics Canada **Longitudinal Administrative Database (LAD)** with the **Canada Student Loans Program (CSLP)** database. The LAD consists of the income tax records of approximately 20% of taxfilers. The CSLP database consists of the administrative records of all borrowers. The sample used includes all taxpayers, regardless of whether they have a CSLP loan.

Full-time postsecondary students receive a full-time educational deduction. Individuals were classified as full-time students in 2000 if they had a full-time deduction that year. It is not possible, however, to distinguish whether they attended university, college, or a private institution.

CSLP borrowers received funds in a loan year (August to July). To be consistent with LAD, this was converted to two calendar years. For example, an individual receiving a loan in 1999-2000 appears as a borrower in 1999 and 2000.

For youths who lived with their parents in 2000, **parental income** refers to 2000. For others, it refers to the most recent year in which they were classified as children. Parental income from previous years was converted to 2000 dollars using the consumer price index. For 14% of full-time students and 28% of other youths, it was not possible to identify parental income. The weights were adjusted to account for the youth with missing parental income.

Table 1 Postsecondary enrolment and CSLP take-up by dependent status

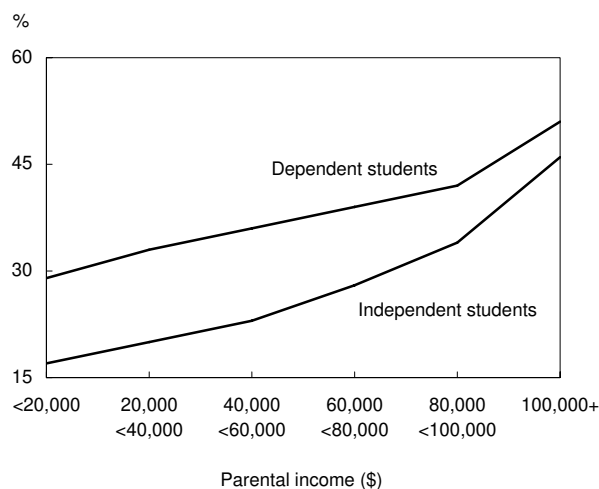
Parental income	Youths 18-24	Enrolled full- time	Borrowers	
			Total	Average loan
	'000	%	%	\$
All youth	2,034.9	33.4	32.0	4,073
Dependent	1,047.9	38.9	33.6	3,817
< \$20,000	116.3	28.6	60.6	4,186
\$20,000 < \$40,000	193.1	32.6	59.5	4,108
\$40,000 < \$60,000	199.1	36.1	50.7	3,943
\$60,000 < \$80,000	188.7	38.5	35.2	3,442
\$80,000 < \$100,000	137.8	42.2	18.8	3,077
\$100,000 and over	212.8	50.9	5.5	2,921
Independent	987.0	27.7	29.6	4,531
< \$20,000	135.1	16.8	39.4	4,516
\$20,000 < \$40,000	196.6	19.6	40.0	4,518
\$40,000 < \$60,000	189.1	23.4	37.7	4,514
\$60,000 < \$80,000	173.2	27.6	32.6	4,490
\$80,000 < \$100,000	118.6	33.7	26.8	4,513
\$100,000 and over	174.3	45.8	17.0	4,649

Sources: Longitudinal Administrative Database, 2000;
Canada Student Loans Program, 1999-2000

Of course, the entire difference in enrolment rates cannot be attributed to family income. Parental education is at least as important (Drolet 2005; Lambert et al. 2004). Additional estimates based on the 2001 Census confirm that full-time enrolments are sensitive to parental income, but even more to parental education. Moreover, parental income has a stronger effect on university enrolment than on college enrolment, and virtually no effect on part-time enrolment (see *Postsecondary enrolment by parental education*).¹ Nevertheless, parental income is important. And, although equality in postsecondary education participation cannot be achieved simply by financial means, student loans and grants remain the main public policy instrument.

Independent youths have lower enrolment rates than dependent youths, primarily because the former tend to be older and postsecondary enrolment declines with age. However, the enrolment rates of the independent group increase more sharply with parental income. It would seem that higher-income families are more likely to support their children's education for a longer time, and that the exclusion of parental income in assessing a student's financial need makes it easier for those from high-income families to become eligible for student loans.

Chart B Postsecondary enrolment rates increase with parental income.



Sources: *Longitudinal Administrative Database, 2000;*
Canada Student Loans Program, 1999-2000

Distance is an important barrier to postsecondary enrolment

Financial considerations are often compounded by other factors. One important concern is distance from college or university (Frenette 2003). At the bottom parental income bracket, young people living within

commuting distance (70km) of a university were more than twice as likely as those who lived farther away to attend postsecondary education (Chart C).

Living farther away is particularly significant when combined with low parental income. Among young people who did not live near a university or college, those in the top parental income bracket were almost four times as likely to enrol as those in the bottom bracket (41% versus 11%).

However, although distance can be an important barrier for some, it has a limited effect on overall enrolment rates. The reason is that most young people (81%) live within commuting distance of a university. (Virtually all those living near a university also live near a college.) An additional 15% are within commuting distance of a college only. This leaves just 5% living farther away (Table 2).

CSLP take-up rate is greatest for those living near a college only

The CSLP take-up rate is 11 percentage points higher for those who live near a college only (41%) than for those who live near a university (30%) (Table 2). The take-up rate for those living beyond commuting distance of either type of institution is 38%. So CSLP take-up does seem to be somewhat sensitive to distance issues, particularly as concerns the proximity to a university. These proximity effects are strongest among low-income students, who are most likely to make use of the CSLP.

About the CSLP

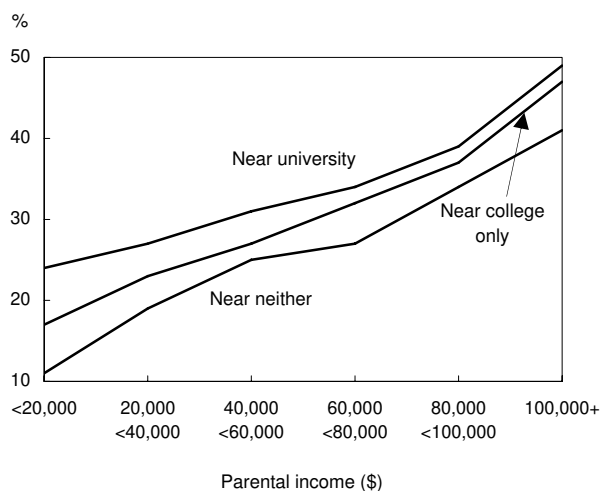
The Canada Student Loans Program (CSLP) is jointly administered by the federal government, nine participating provinces, and Yukon. Quebec, the Northwest Territories and Nunavut receive other payments from the federal government to compensate them for providing comparable assistance through their own student assistance programs. Most loans go to full-time students, less than 1% to part-time students.

The principal objective of the program is to help students from lower- and middle-income families meet the costs of postsecondary education. The level of assistance is based on financial need. This takes into account educational costs (tuition fees, books and supplies, and basic living expenses) and available resources (expected student and family income, if applicable). In 2000, the ceiling for the federal portion was \$165 per week of study or about \$5,610 for a typical 34-week school year.

Under CSLP rules, parental income is taken into account only in the case of dependent students. Students are classified as independent if they are married, are single parents, have been in the labour force in the last 24 months, or left high school more than four years ago. For example, for a family of four, the annual parental contribution for dependent students is considered zero if the combined gross parental income is under \$50,000, about \$3,000 if it is \$75,000, and about \$11,000 if it is \$100,000. Non-borrowers were approximately classified based on information available for all youth in the Longitudinal Administrative Database.

Students must begin to repay their loan six months after completing or ceasing full-time postsecondary studies. Interest on the loan accrues from the time they stop being a full-time student. The actual rates and conditions for repayment are set when they begin repaying.

Chart C Proximity to a postsecondary institution has more impact on enrolment rates at lower incomes.



Sources: Longitudinal Administrative Database, 2000; Canada Student Loans Program, 1999-2000

Proximity to university or college has little influence on loan amounts

Students whose families live beyond commuting distance to postsecondary institutions are far more likely to leave home to study. This implies greater costs. Previous research has shown that “the median annual non-educational expenditure of full-time students living with their parents was \$3,800 compared with just over \$8,000 for those who did not live with their parents” (Barr-Telford et al. 2003).

The take-up rate of CSLP loans appears to reflect the difference in financial need of students. For example, it is higher for those who live near a college (41%) than for those who live near a university (30%). On the other hand, the average level of CSLP loan varied by only about \$400 across the three proximity groups (Table 2). Several reasons are possible. For example, youth who live beyond commuting distance of a university are more likely to attend a nearby college. Another factor may be that the same loan limit applies for all students.

Table 2 Postsecondary enrolment and CSLP take-up by proximity to institution

Parental income	Youths 18-24	Enrolled full-time	Borrowers	
			Total	Average loan
	'000	%	%	\$
Near university¹	1,644.1	34.6	30.3	4,023
< \$20,000	195.0	24.4	50.8	4,223
\$20,000 < \$40,000	303.2	27.2	50.8	4,142
\$40,000 < \$60,000	308.7	30.8	43.9	4,026
\$60,000 < \$80,000	292.5	33.7	32.6	3,759
\$80,000 < \$100,000	210.1	38.6	20.6	3,750
\$100,000 and over	334.6	49.1	9.7	4,181
Near college only	297.8	29.8	41.2	4,349
< \$20,000	38.0	16.7	61.6	4,605
\$20,000 < \$40,000	65.0	23.0	59.5	4,561
\$40,000 < \$60,000	61.2	26.7	56.0	4,463
\$60,000 < \$80,000	54.6	32.5	42.0	4,096
\$80,000 < \$100,000	36.6	37.3	29.5	3,911
\$100,000 and over	42.5	46.7	15.8	4,156
Near neither	93.0	23.9	37.9	3,924
< \$20,000	18.4	10.9	50.0	4,555
\$20,000 < \$40,000	21.6	19.4	51.5	4,445
\$40,000 < \$60,000	18.3	24.7	49.0	4,378
\$60,000 < \$80,000	14.9	27.3	39.2	4,090
\$80,000 < \$100,000	9.7	33.8	26.7	3,935
\$100,000 and over	10.0	40.9	13.7	2,661

¹ Virtually all youth who live within commuting distance (70 km) of a university also live within commuting distance of a college.
Sources: Longitudinal Administrative Database, 2000; Canada Student Loans Program, 1999-2000

Young women have higher CSLP take-up and postsecondary enrolment

In 2000, young women had both a higher full-time postsecondary participation rate and a higher CSLP take-up rate than young men. On average, the enrolment gap was 8 percentage points (38% versus 30%), while the CSLP take-up rate gap was 5 points (34% versus 29%) (Table 3).

Loans in Ontario are well targeted to low-income families

The Atlantic region had the highest CSLP take-up rate (45% versus 31% or less elsewhere). Nevertheless, its average postsecondary enrolment rate (30%) was similar to the other regions except Ontario (36%) (Table 4).

Table 3 Postsecondary enrolment and CSLP take-up by sex

Parental income	Youths 18-24	Enrolled full- time	Borrowers	
			Total	Average loan
	'000	%	%	\$
Men	1,072.0	29.5	29.2	4,025
< \$20,000	135.9	19.0	47.8	4,241
\$20,000 < \$40,000	205.8	22.0	48.1	4,177
\$40,000 < \$60,000	204.6	25.9	43.5	4,041
\$60,000 < \$80,000	189.7	29.6	30.8	3,770
\$80,000 < \$100,000	134.3	34.3	20.4	3,675
\$100,000 and over	201.7	44.8	9.6	4,125
Women	963.0	37.8	34.4	4,107
< \$20,000	115.6	26.0	55.6	4,307
\$20,000 < \$40,000	183.9	30.6	55.3	4,266
\$40,000 < \$60,000	183.7	34.4	47.7	4,182
\$60,000 < \$80,000	172.1	37.4	37.1	3,877
\$80,000 < \$100,000	122.1	42.6	23.7	3,866
\$100,000 and over	185.4	52.7	11.2	3,877

Sources: Longitudinal Administrative Database, 2000;
Canada Student Loans Program, 1999-2000

Of all the regions, Ontario stands out as having the most targeted loans and the most evenly distributed enrolment rates. Its average CSLP take-up rate was similar to other regions except the Atlantic, but the gap in take-up rates between low and high parental incomes was the greatest.

Ontario also had one of the narrowest gaps in enrolment rates between low and high parental income youth. While it is tempting to conclude that the more targeted CSLP loans are a factor, the differences between Ontario and other regions need further investigation.

Immigrant youth have higher CSLP take-up and postsecondary enrolment rates

Finally, students from families that came to Canada since 1980 had a much higher CSLP take-up rate than others (45% versus 31%). The difference was concentrated mostly in the \$40,000 to \$100,000 parental income range (a gap of about 7 percentage points). The remaining gap was attributable to lower parental incomes (for example, 58% of immigrant students had parental income below \$40,000, compared with 29% of other students) (Table 5).

Table 4 Postsecondary enrolment and CSLP take-up by region

Parental income	Youths 18-24	Enrolled full- time	Borrowers	
			Total	Average loan
	'000	%	%	\$
Atlantic	234.6	30.3	45.4	4,680
< \$20,000	36.2	16.5	66.5	4,866
\$20,000 < \$40,000	58.0	22.3	65.9	4,838
\$40,000 < \$60,000	54.3	28.6	59.6	4,696
\$60,000 < \$80,000	38.8	35.3	42.2	4,271
\$80,000 < \$100,000	22.4	43.8	26.4	4,389
\$100,000 and over	25.0	52.4	16.5	5,037
Ontario	982.4	35.9	31.0	3,896
< \$20,000	108.1	25.7	56.0	4,141
\$20,000 < \$40,000	172.7	28.6	54.6	4,062
\$40,000 < \$60,000	177.1	31.9	46.9	3,966
\$60,000 < \$80,000	177.0	34.1	34.5	3,603
\$80,000 < \$100,000	130.7	39.0	20.9	3,467
\$100,000 and over	216.8	49.6	8.3	3,898
Manitoba and Saskatchewan	215.9	31.0	29.7	4,079
< \$20,000	30.4	14.9	46.9	4,327
\$20,000 < \$40,000	47.7	23.9	47.4	4,182
\$40,000 < \$60,000	46.7	28.7	41.0	4,126
\$60,000 < \$80,000	39.6	33.9	26.8	3,920
\$80,000 < \$100,000	24.2	40.9	18.6	4,219
\$100,000 and over	27.2	52.5	10.1	3,556
Alberta	284.6	30.7	30.9	3,753
< \$20,000	30.0	17.8	50.3	3,896
\$20,000 < \$40,000	52.5	22.5	50.5	3,735
\$40,000 < \$60,000	53.2	25.9	43.1	3,675
\$60,000 < \$80,000	50.1	30.6	36.5	3,660
\$80,000 < \$100,000	38.0	35.6	24.2	3,726
\$100,000 and over	60.8	45.1	12.7	3,978
British Columbia	316.6	32.3	28.2	4,279
< \$20,000	46.7	26.2	38.1	4,299
\$20,000 < \$40,000	58.7	27.3	37.5	4,390
\$40,000 < \$60,000	57.0	29.5	35.4	4,204
\$60,000 < \$80,000	56.2	31.4	30.3	4,204
\$80,000 < \$100,000	41.1	34.1	24.1	4,160
\$100,000 and over	56.9	44.9	13.8	4,415

Sources: Longitudinal Administrative Database, 2000;
Canada Student Loans Program, 1999-2000

Immigrant youth also had slightly higher full-time enrolment rates. The difference was more pronounced within similar parental income groups. The reason is that immigrant parental incomes are lower. As a result, the overall differential in enrolment rates is smaller than that observed within specific income brackets.

Table 5 Postsecondary enrolment and CSLP take-up by immigration status

Parental income	Youths 18-24	Enrolled full- time	Borrowers	
			Total	Average loan
	'000	%	%	\$
Recent immigrants¹	181.1	34.7	44.8	3,857
< \$20,000	52.8	29.2	50.5	4,196
\$20,000 < \$40,000	51.9	32.1	54.4	3,868
\$40,000 < \$60,000	32.6	35.1	52.3	3,721
\$60,000 < \$80,000	20.5	38.8	40.4	3,406
\$80,000 < \$100,000	10.9	44.3	28.4	3,528
\$100,000 and over	12.4	52.8	11.5	3,709
Others	1,853.4	33.3	30.7	4,077
< \$20,000	198.5	20.4	52.6	4,343
\$20,000 < \$40,000	337.9	25.2	51.6	4,284
\$40,000 < \$60,000	355.5	29.4	45.0	4,168
\$60,000 < \$80,000	341.3	32.9	33.7	3,859
\$80,000 < \$100,000	245.5	38.0	21.8	3,807
\$100,000 and over	374.7	48.5	10.4	3,787

¹ 1980 or later

Sources: Longitudinal Administrative Database, 2000;
Canada Student Loans Program, 1999-2000

Summary

The CSLP is well targeted by level of parental income. Ignoring the distinction between dependent and independent students, 52% of all full-time postsecondary students with parental income below \$40,000 received a loan in 2000, compared with 14% of students with parental income of \$80,000 and over. However, wide discrepancies in enrolment rates by level of parental income still remain. For example, the enrolment rate for the group with parental income of \$80,000 or more was almost double that of the group under \$40,000 (44% versus 25%).

Of course, differences by parental income are not entirely due to financial factors. Parental education, although highly correlated with income, is an even stronger factor. Nevertheless, low parental income remains a significant barrier to postsecondary education.

Perspectives

Postsecondary enrolment by parental education

Parental education and income	Full- time univer- sity	Full- time college	Part- time either
	%		
All youth	19.2	12.7	10.8
University	32.9	11.2	10.8
< \$20,000	27.5	9.8	12.1
\$20,000 < \$40,000	27.4	11.0	10.2
\$40,000 < \$60,000	27.5	11.3	11.9
\$60,000 < \$80,000	29.6	11.9	11.5
\$80,000 < \$100,000	33.0	12.1	10.9
\$100,000 and over	39.4	10.7	9.9
College only	15.8	16.1	11.4
< \$20,000	12.1	13.6	10.6
\$20,000 < \$40,000	13.2	14.1	11.2
\$40,000 < \$60,000	14.5	15.9	11.0
\$60,000 < \$80,000	15.7	16.6	11.5
\$80,000 < \$100,000	18.0	17.2	12.2
\$100,000 and over	20.3	18.2	11.7
No postsecondary	11.0	11.7	10.4
< \$20,000	8.8	9.3	9.4
\$20,000 < \$40,000	10.2	10.4	10.1
\$40,000 < \$60,000	11.2	11.6	10.6
\$60,000 < \$80,000	11.6	13.6	10.9
\$80,000 < \$100,000	12.9	13.5	10.9
\$100,000 and over	14.5	15.1	11.6

Note: Excludes Quebec, Northwest Territories and Nunavut
Source: 2001 Census of Population

Note

1 Additional evidence in the literature shows that the proportion of those going to college is more evenly distributed across family-income levels (De Broucker 2005). Moreover, the majority of young people from low-income families went to college, whereas those who came from high-income families went to university (Lavallée, Pereboom and Grignon 2001).

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