

Private Student Debt in Canada

Ten Year Trends from 2000-2010

Canadian Federation of Students



SPRING 2015

According to data released by Statistics Canada in 2014, the years of 2000 - 2010 have seen significant increases in large and private debt among graduating students, and skyrocketing private debt among graduates with doctoral degrees. Although the percentage of graduates in debt appears to be decreasing overall in this decade, this is both because of the introduction of the Canada Student Grants Program (which turns a portion of student loans into non-repayable grants) and because enrollment growth has outpaced increases in student loan borrowing. Even so, those who are borrowing are taking on much higher debts, and increasingly from private sources.

Between 2000 and 2010, the percentage of students with large debt (defined as \$25,000 and more) at graduation increased 33 percent among college graduates, 24 percent for those with bachelor's degrees, 36.7 percent for those with master's degrees, and 40 percent for those with those with doctoral degrees (Figure 1).¹

When examining the average total debt owed at the time of graduation between 2000 and 2010, there are slight increases for bachelor's degree graduates, slight decreases for college graduates, and startling increases in private debt for both. Private sources include bank loans, lines of credit, credit cards, and individuals such as parents, spouse or partner, family, friends.

Bachelor's degree students saw a 5.2 percent increase in total debt over 10 years, but debt to private sources increased 53 percent. While total college graduate student debt decreased by 3 percent, the amount owed to private sources increased by almost 16 percent. Graduates with master's degrees saw an increase of 7.5 percent overall, but an increase in private debt in excess of 25 percent.

DOCTORAL GRADUATE DEBT

PhD. graduates were most dramatically affected by student debt increases. For those who owed to public sources, the average debt increased 6.5 percent. Increases here are likely limited by lending restrictions applied to the Canada Student Loans Program and provincial student loans programs. However, total debt increased over 41 percent in ten years, and over 47 percent between 2005 and 2010 (Figure 2). For private sources, the number is much higher: between 2000 and 2010, average private debt skyrocketed 113.6 percent for those with doctoral degrees, with the most significant increase occurring between 2005 and 2010 (Figure 3).

PRIVATE DEBT: LEVELS AND GROWTH

To understand the significance of these findings on private student loan debt, it's useful to compare this to other kinds of private debt, and to consider the general reaction to high personal debt-levels. Economists and commentators typically analyze private debt (household and business debt like mortgages, car loans, credit cards, installment loans, bank loans, lines of credit) by looking at two related indicators: the level of debt and the speed or pace at which it is growing, which is to say the rate at which the amount of money being borrowed is rising. When the pace of growth accelerates, it is seen as a risk to the economy. Alarm bells usually ring when private debt grows 20 percent or more over five years, or 4 percent per year.

In fact, based on these indicators, economists and commentators, most notably The Bank of Canada, are expressing increasing concern about the accelerating growth of global household debt.²

Therefore, when it comes to private debt, economists and financial analysts worry about an annual growth of over 4 percent per year. If we apply the same standards to student loan debt to private sources, there is justifiable concern, particularly among PhD. and bachelor's graduates owing private debt. In both cases, the average levels of debt are increasing and the pace at which the amount is being borrowed is between 4 percent and 11.5 percent per year.

PUBLIC LOAN DEBT LIMITS

One likely reason that more people are turning to private sources of debt is that an increasing number of people are taking on the maximum amount of public loans available. By 2004-2005, half of all students receiving a Canada Student Loan took out the maximum loan amount (\$165 per week of studies) and still had unmet need. That year, the limit was increased to \$210 per week, allowing students to take on more public debt each year. Along with the creation of the Canada Student Grants Program in 2008, these changes saw the number of students take on the maximum amount of Canada Student Loans drop to 27 percent in 2009. Next year, it's expected that over 41 percent of borrowers will take on the maximum amount of public loans and will still have unmet need (Figure 4).

As tuition fees and other upfront costs continue to rise in most parts of the country and more people continue to hit the public loan borrowing limits, it makes sense that people will increasingly turn to private sources in order to make ends meet.

CONCLUSION

The latest data from Statistics Canada reveals disturbing trends about student debt, and particularly debt to private sources. In real terms, average student debt is higher than in 2000. The percentage of graduates with large debt is up significantly. Furthermore, on average the debt owed to private sources is accelerating at an alarming pace. While many people are graduating without debt, those who do need loans are borrowing much more, and increasingly from private sources.

Sources

1. Statistics Canada, National Graduates Survey (SC-NGS), Table 477-0068: student debt from all sources, by province & level of study, every 5 years, 2000-2010 CANSIM (database); M. Allen & C. Vaillancourt, Class of 2000: profile of postsecondary graduates & student debt (SC-NGS) Table A-7: student debt from all sources, by level of study, 34-35; SC-NGS, Class of 2005 graduates. Table 4A: Provincial comparison of student debt from all sources, by level of study; SC-NGS Class of 2009-2010 graduates. Table 4A: Provincial comparison of student debt from all sources, by level of study.
2. "Another economic crash is coming. How did this happen?" *The Guardian* Feb. 4, 2015. www.theguardian.com/commentisfree/video/2015/feb/04/another-economic-crash-is-coming-how-did-this-happen-video; Rob Carrick "Debt: Here's why Canadians need to kick our overspending habit," *The Globe and Mail*, Feb. 9 2015; Tavia Grant "New alarm bells over household debt as Canada faces 'downward spiral'" *The Globe and Mail*, Feb. 5, 2015; "TransUnion report says Canadian debt loads rose 2.3% in 2014," CBC News, March 18, 2015 www.cbc.ca/news/business/transunion-report-says-canadian-debt-loads-rose-2-3-in-2014-1.2999662

FIGURE 1. PERCENTAGE OF GRADUATES WITH LARGE DEBT AT GRADUATION (\$25,000 AND MORE)

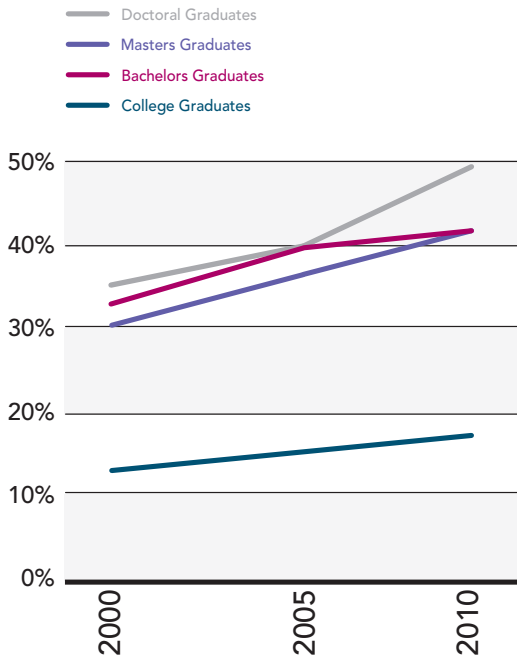


FIGURE 2. AVERAGE TOTAL DEBT AT TIME OF GRADUATION (ADJUSTED TO 2010)

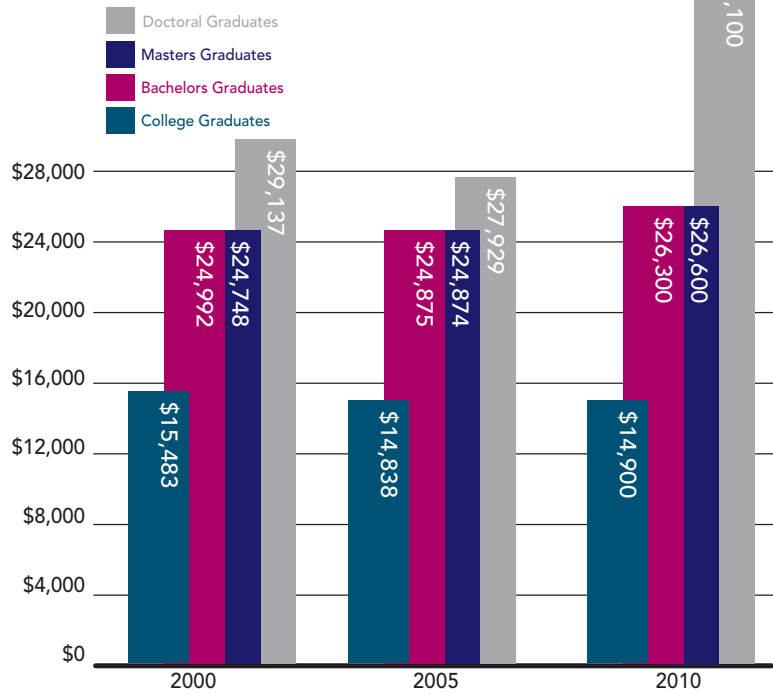


FIGURE 3 - AVERAGE PRIVATE LOAN DEBT AT TIME OF GRADUATION (ADJUSTED TO 2010)

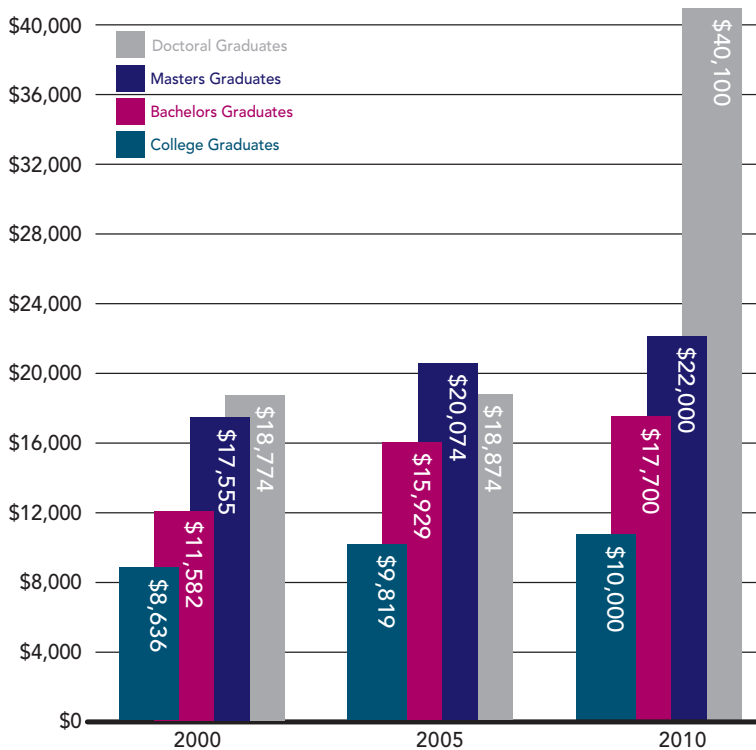


FIGURE 4. PERCENTAGE OF BORROWERS TAKING ON THE MAXIMUM STUDENT LOAN AMOUNTS

