Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Office of the Chief Actuary
Bureau de l'actuaire en chef

Actuarial Report CSFA

CANADA STUDENT FINANCIAL ASSISTANCE PROGRAM as at 31 July 2023

Canada

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19 July 2024

The Honourable Randy Boissonnault
Minister of Employment, Workforce Development and Official Languages
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister:

In accordance with section 19.1 of the *Canada Student Financial Assistance Act*, which provides that a report shall be prepared on financial assistance provided under this Act, I am pleased to submit the Actuarial Report on the Canada Student Financial Assistance Program, prepared as at 31 July 2023.

Yours sincerely,

ABillig

Assia Billig, FICA, FSA, PhD
Chief Actuary

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1 Highlights of the report

Main findings for the Canada Student Financial Assistance Program		Current report as at 31 July 2023	Previous report[1] as at 31 July 2020
Grants issued	Recipients in 2023-2024	586,000	544,000[b]
	Disbursement in 2023-2024	$2,634M	$1,596M
	Disbursement as at the end of the projection period[a]	$1,823M	$1,893M
Loans issued	Recipients in 2023-2024	652,000	645,000[b]
	Disbursement in 2023-2024	$4,669M	$3,956M
	Disbursement as at the end of the projection period	$5,507M	$5,772M
Direct loan portfolio	Balance as at 31 July 2024	$25.5B	$23.8B
	Balance as at the end of the projection period	$37.3B	$41.3B
	Academic year in which the limit of $34B is expected to be reached	2035-2036	2032-2033
Repayment assistance plan	Number of borrowers in 2023-2024	214,000	N/A[c]
	Allowance – principal as at 31 July 2024	$2,181M	$2,386M
Defaults (bad debt)	Long-term net default rate	6.9%	8.1%
	Allowance – principal as at 31 July 2024	$2,761M	$3,238M
	Allowance – interest as at 31 July 2024	$110M	$155M
Net cost	In 2023-2024	$5.3B	$3.6B
	End of the projection period	$5.3B	$4.8B
	Proportion of grants in 2023-2024	50%	44%

a. The end of the projection period for the current report is the academic year 2047-2048 and the academic year 2044-2045 for the previous report.
b. This information was not provided in the previous report, but it is added for comparison purposes.
c. This information was not calculated in the previous report.

Glossary	
Academic year	The period commencing on August 1 in any year and ending on July 31 in the following year (referred to as *loan year* in legislation).
Allowance	The amount that is set aside in the expectation of a cost that will be incurred at a future date. In this report, there is an allowance to cover the future cost of students benefiting from the RAP, and two allowances (principal and interest) to cover the risk of future default, net of recoveries, recalls and rehabilitations. Each allowance is determined as at 31 July.
Provision rates	Allowance divided by the related outstanding portfolio. It represents the portion of the related outstanding portfolio at risk of incurring a future cost.

[1] All references to the previous report refer to the Actuarial Report on the Canada Student Financial Assistance (CSFA) Program as at 31 July 2020, tabled before Parliament on 7 December 2021. As described in Section 2.3, there has been changes to the CSFA Program since the previous report. This may lead to significant differences with the previous projections.

2 Introduction

Since 1 August 2000, the Canada Student Financial Assistance Program (CSFA Program) is directly financed by the Government. The Office of the Chief Actuary has the mandate to conduct an actuarial review of the program.

2.1 Purpose

Section 19.1 of the *Canada Student Financial Assistance Act* defines the mandate given to the Chief Actuary, that is, to prepare a report on the financial assistance provided under this Act no later than three years apart. This is the eighth statutory Actuarial Report on the CSFA Program, prepared as at 31 July 2023. As provided in subsection 19.1(3), the report includes a forecast of the costs and revenues of the program for the next 25 years (through the 2047-2048 academic year). The purpose of the actuarial review of the CSFA Program is to provide a valuation of the program's overall financial costs and increase the level of information provided to the Minister of Employment, Workforce Development and Official Languages, Parliament and the public. The next triennial statutory report will be prepared as at 31 July 2026. Interim reports to support Employment and Social Development Canada (ESDC) accounting and policy analysis requirements will be prepared as at 31 July 2024 and 31 July 2025.

2.2 Scope

The report includes a forecast of the CSFA Program's costs and revenues for 25 years (through the academic year 2047-2048), and shows estimates of:

- the number of students receiving grants or loans under the CSFA Program;
- the amount of new grants or loans issued;
- the portfolio of loans in-study, loans in repayment and loans in default;
- the allowances under the direct loan regime in effect since August 2000; and
- the revenues, the expenses and the net resulting cost.

This valuation report is based on the program provisions as described in Appendix A.

Appendices B and C provide information on data, assumptions and methodologies. Appendix D illustrates the new loans and grants issued by institution type, Appendix E illustrates the number of borrowers in the Repayment Assistance Plan (RAP), Appendix F shows a reconciliation of the direct loan portfolio and Appendix G shows sensitivity tests.

2.3 Recent program changes

This section summarizes recent changes, impacting the projections, that were implemented since the previous report or will be implemented in future years. Unless stated otherwise, these measures have been reflected in the projections presented in this report.

Permanent changes		
Implementation date	Description	Source
August 2020	Remove the restriction which prevent borrowers who have been out of study for five years and have used the RAP for Students with Permanent Disabilities (RAP-PD) to receive further loans and grants until their outstanding loans are fully paid.	Budget 2019 / Approved
October 2020	Implement interest-free and payment-free leave, for a maximum of 18 months, for borrowers taking temporary leave from their studies for medical or parental reasons, including mental health leave.	Budget 2019 / Approved
August 2021	Flexibility to use current year's income instead of previous year's income to determine eligibility for Canada Student Grants (part of a three-year pilot project introduced in 2018-2019 made permanent).	Budget 2021 / Approved
August 2022	Expand access to supports for students and borrowers with persistent or prolonged disabilities that are not necessarily permanent.	Budget 2021 / Approved
November 2022	Increase accessibility to the RAP by increasing RAP income thresholds and reducing the maximum affordable payment.	Budget 2021 / Approved
April 2023	Permanently eliminating interest on Canada Student Loans.	2022 Fall Economic Statement / Approved
November 2023	Increase by 50% the maximum amount of loans that can be forgiven for doctors and qualifying nurses working in underserved rural or remote communities.	Budget 2022 / Approved
2024-2025 *(expected)*	Expand the reach of the Canada Student Loan forgiveness for doctors and qualifying nurses to more rural communities.	Budget 2023 / *Pending regulatory approval*

2025-2026 *(expected)*	Expand the list of professionals eligible for loan forgiveness while working in under-served rural or remote communities.	Budget 2024 / *Pending regulatory approval*
2024-2025 *(expected)*	Waiving the requirement for mature students, aged 22 years or older, to undergo credit screening in order to qualify for federal student grants and loans for the first time.	Budget 2024 / *Not considered in this report as details are not finalized*
2024-2025	Modernize the living allowances used when determining financial need, to reflect the recent rental housing costs.	Budget 2024 / Approved

Temporary changes

Start/End date	Description	Source
April 2020 to September 2020	Suspend student loan repayments and interest accrual.	Measure in response to COVID-19
August 2020 to July 2021	Double the amount for the following CSGs: - grant for full-time students (CSG-FT) - grant for part-time students (CSG-PT) - grant for students with permanent disabilities (CSG-PD) - grant for full-time students with dependants (CSG-FTDEP) - grant for part-time students with dependants (CSG-PTDEP)	Measures in response to COVID-19
	Change the need assessment so that no fixed student contribution or spousal contribution are considered. This helps students qualify for more financial support.	
	Increase the weekly loan limit, from $210 to $350.	
April 2021 to March 2022	Waiver of interest accrual on student loans.	Bill C-14 / Approved

August 2021 to July 2023	Extend the doubling of the grants.	Budget 2021 / Approved
	Extend the top-up grant of $200 per month for eligible adult learners returning to school full-time after being out of secondary school for at least 10 years (extension of the three-year pilot project introduced in the academic year 2018-2019).	
April 2022 to March 2023	Extend the waiver of interest accrual on student loans.	Budget 2021 / Approved
August 2023 to July 2024	Waiving the requirement for mature students, aged 22 years or older, to undergo credit screening in order to qualify for federal student grants and loans for the first time.	Budget 2023 / Approved
August 2023 to July 2024 and August 2024 to July 2025 *(expected)*	40% increase (compared with the academic year 2019-2020) to the amount for the following CSGs: - grant for full-time students (CSG-FT) - grant for part-time students (CSG-PT) - grant for students with disabilities (CSG-D) - grant for full-time students with dependants (CSG-FTDEP) - grant for part-time students with dependants (CSG-PTDEP)	Budget 2023 / Approved and Budget 2024 / *Pending regulatory approval*
	Increase the weekly student loan limit, from $210 to $300.	

3 Main assumptions

Several assumptions are needed to determine the future long-term costs of the CSFA Program. All assumptions used in this report are best-estimate assumptions and do not include any margin for adverse deviations. Assumptions used in the previous report were revised to incorporate new experience and recent program changes.

Table 1, Table 2 and Table 3 show a summary of the main assumptions used in this report for the academic year following the report's valuation date and the last academic year of the projection period, compared with those used in the previous report. A complete description of the assumptions is provided in Appendix C.

Table 1 Demographic assumptions

	Current report		Previous report	
	2023-2024	2047-2048	2020-2021	2044-2045
Base population	CPP31st	CPP31st	CPP30th	CPP30th
Enrolment rate (15 to 64)	7.1%	6.9%	7.0%	7.2%
Loan uptake rate	48.1%	49.8%	44.1%	54.2%

Table 2 Economic assumptions

	Current report		Previous report	
	2023-2024	2047-2048	2020-2021	2044-2045
Inflation	3.1%	2.0%	1.6%	2.0%
Real wage increase	0.2%	0.9%	4.3%	1.0%
Cost of borrowing (government)	3.0%	3.7%	1.1%	3.7%
Tuition increase	3.3%	3.8%	1.8%	3.8%

Table 3 Prepayments and net default rate assumptions

	Current report		Previous report	
	2023-2024	2047-2048	2020-2021	2044-2045
Prepayments	10.5%	13.0%	20.0%	15.0%
Net default rate[a]	6.4%	6.9%	8.4%	8.1%

a. Expected net default rate for all future academic years for the consolidation cohort year shown in the table.

Table 4 shows a summary of the provision rates as at 31 July of the year following the report's valuation date and the ultimate provision rates used in this report compared with those used in the previous report. A complete description of the provision rates is provided in Appendix C.

Table 4 Provision rates

	Current report		Previous report	
	As at 31 July 2024	Ultimate	As at 31 July 2021	Ultimate
RAP - principal				
In-study	6.7%	6.5%	7.1%	7.1%
In repayment (net of RAP)	1.7%	2.1%	1.9%	2.0%
In RAP (all stages combined)	36.9%	34.9%	34.3%	33.2%
Bad debt – principal				
In-study	5.9%	6.0%	6.9%	6.8%
In repayment	3.1%	4.4%	5.2%	4.2%
In default	69.2%	69.0%	77.4%	77.9%
Bad debt – interest				
In default	64.2%	N/A	66.5%	67.9%

4 Projections

This section presents projections of the various CSFA Program's components required to determine the forecasts of the total net cost. First, the amounts of new loans and grants issued are projected. Then, the portfolios for the three types of regimes (guaranteed, risk-shared and direct loan regimes) are projected and the sub-portfolios for the direct loan regime are used to determine the projection of allowances under the same regime. Finally, total expenses and total revenues are projected separately to determine the resulting total net costs. All steps involved in these forecasts are shown in this section.

4.1 Total new grants and loans

The projection of the total amount of new grants issued under the CSFA Program depends on many factors as illustrated by the following formula:

Chart 1 Formula for grants issued

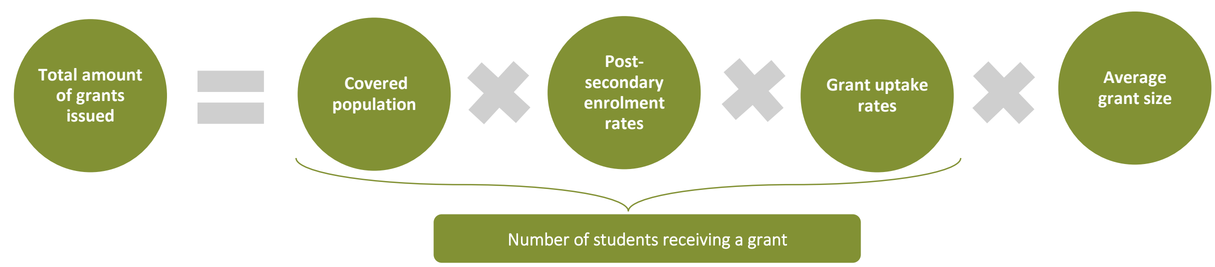


Table 5 presents the projection of new grants issued. This projection of the amount of new grants issued, along with the associated projection of students, is broken down by institution type in Appendix D.

Table 5 New grants issued

Academic year	Covered population (15 to 64) (thousands) (1)	Enrolment rates (%) (2)	Grant uptake rate (%) (3)	Students in CSFA receiving a grant (thousands) (4) = (1) * (2) * (3)	Average grant ($) (5)	New grants issued ($ millions) (4) * (5)
2022-2023	18,798	6.6	45.1	558	6,312	3,520
2023-2024	18,983	7.1	43.2	586	4,498	2,634
2024-2025	19,142	7.1	43.6	592	4,465	2,642
2025-2026	19,275	7.1	43.5	593	3,174	1,881
2026-2027	19,380	7.0	43.4	592	3,158	1,869
2027-2028	19,481	7.0	43.1	590	3,161	1,866
2028-2029	19,566	7.0	42.9	589	3,164	1,864
2029-2030	19,645	7.0	42.6	588	3,165	1,860
2030-2031	19,732	7.0	42.3	586	3,168	1,855
2031-2032	19,835	7.0	41.9	583	3,172	1,848
2032-2033	19,958	7.0	41.6	580	3,175	1,840
2033-2034	20,080	6.9	41.2	575	3,181	1,829
2034-2035	20,196	6.9	40.9	570	3,186	1,816
2035-2036	20,304	6.9	40.5	564	3,193	1,802
2036-2037	20,406	6.8	40.1	559	3,208	1,792
2037-2038	20,546	6.8	39.6	555	3,224	1,788
2038-2039	20,701	6.8	39.2	551	3,238	1,784
2039-2040	20,864	6.8	38.7	548	3,253	1,782
2040-2041	21,028	6.8	38.3	545	3,267	1,779
2041-2042	21,197	6.8	37.9	543	3,273	1,777
2042-2043	21,370	6.8	37.6	543	3,279	1,780
2043-2044	21,546	6.8	37.2	544	3,284	1,786
2044-2045	21,717	6.8	36.8	545	3,294	1,795
2045-2046	21,877	6.9	36.4	547	3,302	1,806
2046-2047	22,028	6.9	36.1	550	3,307	1,819
2047-2048	22,170	6.9	35.7	550	3,313	1,823

The average grant amount is higher over the first three academic years due to the temporary increase in the maximum amount of grants. For academic year 2022-2023, maximum grants were doubled while they are increased by 40% (compared with the academic year 2019-2020) for the next two academic years. The number of students receiving a grant is expected to decrease slightly over the projection period as less students become eligible, as described in Appendix C.

The following formula is used for the projection of the total amount of new loans issued under the CSFA Program:

Chart 2 Formula for loans issued

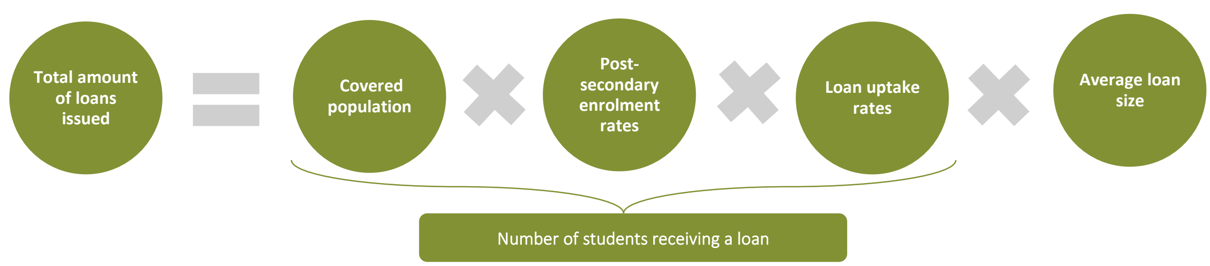


Table 6 presents the projection of new loans issued. This projection of the amount of new loans issued, along with the associated projection of students, is broken down by institution type in Appendix D.

Table 6 New loans issued

Academic year	Covered population (15 to 64) (thousands) (1)	Enrolment rates (%) (2)	Loan uptake rate (%) (3)	Students in CSFA receiving a loan (thousands) (4) = (1) * (2) * (3)	Average loan ($) (5)	New loans issued ($ millions) (4) * (5)
2022-2023	18,798	6.6	45.8	566	5,545	3,137
2023-2024	18,983	7.1	48.1	652	7,166	4,669
2024-2025	19,142	7.1	48.3	655	7,509	4,922
2025-2026	19,275	7.1	48.5	661	6,488	4,287
2026-2027	19,380	7.0	48.8	666	6,464	4,302
2027-2028	19,481	7.0	49.2	673	6,514	4,384
2028-2029	19,566	7.0	49.6	681	6,566	4,469
2029-2030	19,645	7.0	49.8	688	6,617	4,552
2030-2031	19,732	7.0	49.8	691	6,676	4,610
2031-2032	19,835	7.0	49.8	693	6,731	4,662
2032-2033	19,958	7.0	49.8	694	6,781	4,709
2033-2034	20,080	6.9	49.8	695	6,828	4,745
2034-2035	20,196	6.9	49.9	695	6,871	4,773
2035-2036	20,304	6.9	49.9	694	6,910	4,796
2036-2037	20,406	6.8	49.9	695	6,946	4,829
2037-2038	20,546	6.8	49.9	698	6,979	4,874
2038-2039	20,701	6.8	49.9	702	7,009	4,921
2039-2040	20,864	6.8	49.9	706	7,038	4,970
2040-2041	21,028	6.8	49.9	710	7,063	5,017
2041-2042	21,197	6.8	49.9	715	7,086	5,063
2042-2043	21,370	6.8	49.9	721	7,106	5,124
2043-2044	21,546	6.8	49.9	729	7,124	5,194
2044-2045	21,717	6.8	49.9	738	7,139	5,271
2045-2046	21,877	6.9	49.9	748	7,153	5,353
2046-2047	22,028	6.9	49.8	760	7,165	5,442
2047-2048	22,170	6.9	49.8	767	7,176	5,507

Overall, the total new loans issued is expected to increase from $3,137 million in 2022-2023 to $4,922 million in 2024-2025 following the temporary increase in the student loan limit. In 2047-2048, projected new loans issued total $5,507 million, which corresponds to an average annual increase of 2.3%[1]. This average annual increase can be attributed to two factors: an average annual increase in the number of students in the program of 1.3% and an average annual increase in the average loan size of 1.0% over the projection period.

4.1.1 Population

Any eligible student enrolled in a designated post-secondary institution (excluding students from Quebec, Nunavut and the Northwest Territories) can apply for a loan under the CSFA program. Students aged 15 to 29 represent the largest segment of the student population and are used for illustrative purposes thereafter. As shown in Table 7, the population aged 15 to 29 is expected to increase from 5,031,000 in 2022-2023 to 5,987,000 in 2047-2048, or 0.7% per year.

[1] The average annual increase in new loans issued post temporary measures, that is, from the academic year 2025-2026 to the academic year 2047-2048, is 1.1%.

4.1.2 Post-secondary enrolment

Table 7 shows the evolution of the number of eligible students (age group 15 to 29, age group 30 to 64 and total) enrolled full-time in a post-secondary institution for the covered population.

Table 7 Population and post-secondary enrolment of participating provinces

Academic year	Covered population (15 to 29) (thousands)	Covered population (30 to 64) (thousands)	Students enrolled full-time (15 to 29) (thousands)	Students enrolled full-time (30 to 64) (thousands)	Students enrolled full-time (total) (thousands)	Increase (%)
2022-2023	5,031	13,767	1,077	159	1,237	N/A
2023-2024	5,103	13,880	1,167	188	1,354	9.5
2024-2025	5,161	13,982	1,165	192	1,357	0.2
2025-2026	5,202	14,073	1,173	189	1,362	0.4
2026-2027	5,228	14,152	1,179	185	1,364	0.2
2027-2028	5,263	14,219	1,187	182	1,368	0.3
2028-2029	5,297	14,269	1,195	178	1,373	0.3
2029-2030	5,328	14,318	1,202	178	1,380	0.5
2030-2031	5,354	14,377	1,208	178	1,386	0.4
2031-2032	5,387	14,449	1,212	178	1,390	0.3
2032-2033	5,422	14,536	1,215	178	1,393	0.2
2033-2034	5,456	14,625	1,215	179	1,394	0.0
2034-2035	5,477	14,719	1,214	179	1,393	0.0
2035-2036	5,492	14,812	1,212	180	1,392	-0.1
2036-2037	5,498	14,908	1,213	181	1,394	0.2
2037-2038	5,523	15,023	1,218	182	1,400	0.4
2038-2039	5,550	15,151	1,224	184	1,408	0.5
2039-2040	5,583	15,281	1,230	186	1,415	0.6
2040-2041	5,621	15,407	1,236	187	1,424	0.6
2041-2042	5,670	15,527	1,243	189	1,432	0.6
2042-2043	5,719	15,651	1,254	191	1,445	0.9
2043-2044	5,773	15,774	1,269	192	1,461	1.1
2044-2045	5,828	15,889	1,286	194	1,480	1.3
2045-2046	5,882	15,995	1,305	196	1,501	1.4
2046-2047	5,935	16,093	1,327	197	1,524	1.5
2047-2048	5,987	16,182	1,342	199	1,540	1.1

The total number of enrolled students is expected to increase from its current level of 1,237,000 to 1,540,000 at the end of the projection period. Students aged 15 to 29 represent more than 85% of the total post-secondary enrolment. Overall, the aggregate enrolment rate for students aged 15 to 29 is expected to remain between 21% and 23% over the next 25 years.

4.1.3 Students receiving a loan or a grant

Enrolled students must apply to receive a loan or a grant. The ratio of loan or grant recipients to enrolled students is called the uptake rate. Table 8 shows an increasing trend for the uptake rate following the reduction between 2022-2023 and 2023-2024 that is based on data known for the partial year. It slightly increases from 53.1% in 2023-2024 to 53.8% in 2047-2048. This, combined with the increase in students enrolled in post-secondary education, results in 109,000 more students in the program over the projection (from 720,000 students in 2023-2024 to 829,000 in 2047-2048).

The number of students in the CSFA receiving a loan is 566,000 for the academic year 2022-2023.

Table 8 Loan and/or grant recipients

Academic year	Students enrolled full-time (thousands)	Uptake rate (%)	Students in CSFA receiving a loan and/or a grant (thousands)	Increase (%)	Students in CSFA receiving a loan (thousands)	Students in CSFA receiving a grant (thousands)
2022-2023	1,237	55.1	682	N/A	566	558
2023-2024	1,354	53.1	720	5.6	652	586
2024-2025	1,357	53.4	724	0.6	655	592
2025-2026	1,362	53.4	727	0.5	661	593
2026-2027	1,364	53.6	732	0.6	666	592
2027-2028	1,368	53.7	735	0.5	673	590
2028-2029	1,373	53.8	739	0.5	681	589
2029-2030	1,380	53.8	743	0.5	688	588
2030-2031	1,386	53.8	745	0.4	691	586
2031-2032	1,390	53.8	748	0.3	693	583
2032-2033	1,393	53.8	750	0.2	694	580
2033-2034	1,394	53.8	750	0.1	695	575
2034-2035	1,393	53.8	750	0.0	695	570
2035-2036	1,392	53.8	749	-0.1	694	564
2036-2037	1,394	53.8	751	0.2	695	559
2037-2038	1,400	53.8	754	0.5	698	555
2038-2039	1,408	53.9	758	0.5	702	551
2039-2040	1,415	53.9	762	0.6	706	548
2040-2041	1,424	53.9	767	0.6	710	545
2041-2042	1,432	53.9	772	0.6	715	543
2042-2043	1,445	53.9	779	0.9	721	543
2043-2044	1,461	53.9	787	1.1	729	544
2044-2045	1,480	53.9	797	1.3	738	545
2045-2046	1,501	53.9	808	1.4	748	547
2046-2047	1,524	53.8	821	1.5	760	550
2047-2048	1,540	53.8	829	1.1	767	550

4.1.4 Average loan size

The amount of student loan depends on the expected need of the student. Table 9 summarizes the main elements of the student need calculation. All students who receive a loan or a grant are included. The student net need in Table 9 is then determined as a percentage of the student need less admissible grants.

Table 9 Student need (in dollars)

Academic year	Resources (1)	Tuition (2)	Other expenses (3)	Total expenses (4) = (2) + (3)	Average student need (5) = (4) – (1)	Average grant for net need calculation (6)	CSFA average student net need (7) = (5) * 60% - (6)
2022-2023	3,200	9,600	14,800	24,300	21,100	5,200	7,500
2023-2024	3,200	9,900	15,200	25,100	21,800	3,500	9,600
2024-2025	3,300	10,100	17,600	27,700	24,400	3,500	11,100
2025-2026	3,400	10,300	18,000	28,300	24,900	2,500	12,400
2026-2027	3,500	10,500	18,400	28,800	25,400	2,500	12,800
2027-2028	3,600	10,800	18,700	29,500	26,000	2,400	13,100
2028-2029	3,700	11,200	19,100	30,300	26,600	2,400	13,600
2029-2030	3,700	11,600	19,500	31,100	27,300	2,400	14,000
2030-2031	3,800	12,000	19,900	31,900	28,100	2,400	14,500
2031-2032	3,900	12,500	20,300	32,800	28,800	2,400	14,900
2032-2033	4,000	12,900	20,700	33,600	29,600	2,300	15,400
2033-2034	4,100	13,400	21,100	34,500	30,400	2,300	15,900
2034-2035	4,200	14,000	21,500	35,500	31,200	2,300	16,400
2035-2036	4,400	14,500	22,000	36,400	32,100	2,300	17,000
2036-2037	4,500	15,000	22,400	37,400	33,000	2,300	17,500
2037-2038	4,600	15,600	22,800	38,400	33,800	2,300	18,100
2038-2039	4,700	16,200	23,300	39,500	34,800	2,200	18,600
2039-2040	4,800	16,800	23,700	40,500	35,700	2,200	19,200
2040-2041	4,900	17,500	24,200	41,600	36,700	2,200	19,800
2041-2042	5,100	18,100	24,600	42,800	37,700	2,200	20,400
2042-2043	5,200	18,800	25,100	43,900	38,700	2,200	21,100
2043-2044	5,400	19,500	25,600	45,200	39,800	2,100	21,700
2044-2045	5,500	20,300	26,100	46,400	40,900	2,100	22,400
2045-2046	5,700	21,100	26,600	47,700	42,000	2,100	23,100
2046-2047	5,800	21,900	27,200	49,000	43,200	2,100	23,800
2047-2048	6,000	22,700	27,700	50,400	44,400	2,100	24,600

Following Budget 2024 proposed changes, the living allowance expense (included in other expenses) is modified starting in academic year 2024-2025. The average grant for the need calculation is strictly used for the purpose of calculating the net need. It is derived from the need assessment data and includes some students with a grant of zero. The real average grant (paid to grant recipients only) in the academic year 2022-2023 is $6,312. The average grant for the first three academic years is higher due to the temporary increase in grants.

As shown in Table 10, the average loan size is calculated as the ratio of new loans issued over the number of students receiving a loan under the CSFA Program. The growth rate of the average loan size is moderated due to the fixed weekly student loan limit of $210, except for academic years 2023-2024 and 2024-2025 where the limit is $300.

Over time, more students reach the loan limit without their needs being completely fulfilled. This is shown in Table 10, where the percentage of students at the loan limit is projected to increase from 64.9% in 2025-2026 to 92.1% in 2047-2048.

Table 10 Average loan size

Academic year	New loans issued ($ million) (1)	Increase (%)	Students in CSFA receiving a loan (thousands) (2)	Average loan size ($) (1) / (2)	Increase (%)	% of students at limit (%)
2022-2023	3,137	N/A	566	5,540	N/A	41.7
2023-2024	4,669	48.8	652	7,166	29.4	32.5
2024-2025	4,922	5.4	655	7,509	4.8	39.4
2025-2026	4,287	-12.9	661	6,488	-13.6	64.9
2026-2027	4,302	0.3	666	6,464	-0.4	65.2
2027-2028	4,384	1.9	673	6,514	0.8	66.5
2028-2029	4,469	1.9	681	6,566	0.8	67.9
2029-2030	4,552	1.9	688	6,617	0.8	69.4
2030-2031	4,610	1.3	691	6,676	0.9	71.2
2031-2032	4,662	1.1	693	6,731	0.8	73.0
2032-2033	4,709	1.0	694	6,781	0.8	74.7
2033-2034	4,745	0.8	695	6,828	0.7	76.5
2034-2035	4,773	0.6	695	6,871	0.6	78.4
2035-2036	4,796	0.5	694	6,910	0.6	80.0
2036-2037	4,829	0.7	695	6,946	0.5	81.5
2037-2038	4,874	0.9	698	6,979	0.5	82.7
2038-2039	4,921	1.0	702	7,009	0.4	83.7
2039-2040	4,970	1.0	706	7,038	0.4	84.8
2040-2041	5,017	1.0	710	7,063	0.4	85.9
2041-2042	5,063	0.9	715	7,086	0.3	87.1
2042-2043	5,124	1.2	721	7,106	0.3	88.3
2043-2044	5,194	1.4	729	7,124	0.2	89.3
2044-2045	5,271	1.5	738	7,139	0.2	90.3
2045-2046	5,353	1.6	748	7,153	0.2	91.1
2046-2047	5,442	1.7	760	7,165	0.2	91.7
2047-2048	5,507	1.2	767	7,176	0.2	92.1

The average loan amount is lower during the first academic year due to the temporary doubling of the grants. The average loan for the academic years 2023-2024 and 2024-2025 is higher than the previous and following academic years (starting from 2025-2026), despite the temporary increase of grants. This is due to the temporary increase to the weekly student loan limit ($210 to $300). The percentage of students at the limit of 32.5% and 39.4% for the academic years 2023-2024 and 2024-2025 is also based on a maximum weekly student loan of $300 instead of the standard $210. The increase in the percentage of students at the limit is also partially due to the updated living allowance.

4.2 Portfolios

This section presents projections of the portfolio for all three regimes described in Appendix A (guaranteed, risk-shared and direct loan regimes). The amounts for loans in-study represent loans issued to students who are still in the post-secondary educational system. Loans in repayment consist of outstanding loans that have already consolidated and were not sent to the Canada Revenue Agency (CRA) for collection (defaulted loans).

4.2.1 Direct loan regime

The projection of the direct loan portfolio includes the balance of outstanding loans (in-study and in repayment separately) and the balance of loans in default. The projection of the direct loan portfolio (principal only) is shown in Table 11.

Table 11 Direct loan portfolio (in millions of dollars)

As at July 31	Loans in-study	Loans in repayment	Defaulted loans	Total
2023	7,876	13,263	2,518	23,657
2024	9,484	13,421	2,573	25,478
2025	10,939	13,816	2,623	27,378
2026	11,252	14,376	2,671	28,299
2027	11,487	14,715	2,732	28,934
2028	11,729	14,901	2,793	29,423
2029	11,963	14,993	2,840	29,796
2030	12,204	15,133	2,906	30,243
2031	12,423	15,310	2,968	30,701
2032	12,616	15,512	3,039	31,167
2033	12,788	15,717	3,115	31,620
2034	12,936	15,918	3,194	32,048
2035	13,061	16,113	3,270	32,444
2036	13,167	16,296	3,344	32,807
2037	13,266	16,465	3,413	33,144
2038	13,371	16,628	3,476	33,475
2039	13,484	16,787	3,534	33,805
2040	13,606	16,939	3,588	34,133
2041	13,732	17,092	3,638	34,462
2042	13,858	17,247	3,686	34,791
2043	13,999	17,405	3,734	35,138
2044	14,157	17,569	3,780	35,506
2045	14,335	17,744	3,826	35,905
2046	14,529	17,934	3,872	36,335
2047	14,740	18,140	3,917	36,797
2048	14,941	18,363	3,964	37,268

The outstanding direct loans in the in-study portfolio are projected to increase to $9.5 billion as at 31 July 2024 and to $10.9 billion as at 31 July 2025 due to higher loans issued (which is the result of the temporary increased weekly limit to $300). The outstanding direct loans portfolio is projected to increase from $23.7 billion as at 31 July 2023 to $29.4 billion five years later. By the end of the 2047-2048 academic year, the portfolio is projected to reach $37.3 billion.

The outstanding direct loan portfolio as at 31 July 2023 is retrospectively derived from the experience[1] during academic years 2000-2001 to 2022-2023 as follows[2]:

New loans issued	$56.5 billion
Plus the interest accrued during the non-repayment period[3]	$ 1.4 billion
Minus repayments[4]	$31.0 billion
Minus loans forgiven and debt reductions in repayment[5]	$ 1.4 billion
Minus defaulted loans written off	$ 1.8 billion
	$23.7 billion

1 According to the Monthly Financial Information Schedule, the Department Account Receivable System (DARS) and the Public Sector Collection Database.

2 Components may not sum to totals due to rounding.

3 Effective on 1 November 2019, student loans no longer accumulate interest during the six-month non-repayment period after a student loan borrower leaves school.

4 Either prepayments while in-study, normal payments while in repayment, affordable payments while in RAP, or recoveries while in default.

5 Under the former Debt Reduction in Repayment (DRR) or the Repayment Assistance Plan (RAP) measures.

4.2.2 Defaulted loans portfolio – principal

Table 12 provides the calculation details for the projection of the defaulted loans portfolio (principal only) under the direct loan regime.

Table 12 Defaulted loans (in millions of dollars)

Academic year	Balance 1 August (1)	New defaulted loans (2)	Collected loans (3)	Write-offs (4)	Balance 31 July (1+2) - (3+4)
2022-2023	2,434	377	113	180	2,518
2023-2024	2,518	372	137	180	2,573
2024-2025	2,573	370	144	176	2,623
2025-2026	2,623	376	154	174	2,671
2026-2027	2,671	390	162	166	2,732
2027-2028	2,732	393	167	165	2,793
2028-2029	2,793	393	172	174	2,840
2029-2030	2,840	410	176	168	2,906
2030-2031	2,906	427	179	185	2,968
2031-2032	2,968	443	183	188	3,039
2032-2033	3,039	458	187	195	3,115
2033-2034	3,115	472	191	202	3,194
2034-2035	3,194	481	195	209	3,270
2035-2036	3,270	488	199	215	3,344
2036-2037	3,344	495	202	224	3,413
2037-2038	3,413	501	205	233	3,476
2038-2039	3,476	507	209	239	3,534
2039-2040	3,534	512	212	246	3,588
2040-2041	3,588	517	215	252	3,638
2041-2042	3,638	521	218	255	3,686
2042-2043	3,686	526	221	258	3,734
2043-2044	3,734	531	223	262	3,780
2044-2045	3,780	536	226	265	3,826
2045-2046	3,826	542	228	267	3,872
2046-2047	3,872	548	231	272	3,917
2047-2048	3,917	554	233	275	3,964

Collected loans (principal recoveries) are expected to increase starting in 2023-2024 following the removal of interest accrual since a higher share of total recoveries will be applied to outstanding principal instead of outstanding interest.

The balance of loans in default (principal only) was $2,518 million as at 31 July 2023. The defaulted loans portfolio is projected to reach $3,964 million by the end of the projection period.

As shown in Table 12, an amount of $180 million was written off in 2022-2023. The corresponding amount in 2023-2024 is also $180 million and includes all the non-recoverable loans that were identified and approved for write-off by ESDC and CRA between July 2022 and June 2023. These write-offs were approved on 22 March 2024, via Royal Assent of Bill C-67 (Appropriation Act No. 5, 2023-2024). The decision to write off particular loans is part of a multi-step process inevitably resulting in some volatility in the actual amount written off from year to year.

4.2.3 Defaulted loans portfolio – interest

The projection of the balance of interest on defaulted loans is presented in Table 13.

Table 13 Interest on defaulted loans (in millions of dollars)

Academic year	Balance 1 August (1)	Interest transferred in default (2)	Interest accrued (3)	Interest collected (4)	Write-offs (5)	Balance July 31 (1+2+3) - (4+5)
2022-2023	280	-3	12	23	41	225
2023-2024	225	-1	0	21	32	171
2024-2025	171	-1	0	14	26	130
2025-2026	130	0	0	10	19	100
2026-2027	100	0	0	8	13	79
2027-2028	79	0	0	6	10	63
2028-2029	63	0	0	4	7	51
2029-2030	51	0	0	3	6	42
2030-2031	42	0	0	3	4	35
2031-2032	35	0	0	2	4	29
2032-2033	29	0	0	2	3	23
2033-2034	23	0	0	1	3	19
2034-2035	19	0	0	1	3	15
2035-2036	15	0	0	1	2	12
2036-2037	12	0	0	1	2	9
2037-2038	9	0	0	1	2	7
2038-2039	7	0	0	0	2	5
2039-2040	5	0	0	0	1	4
2040-2041	4	0	0	0	1	2
2041-2042	2	0	0	0	1	2
2042-2043	2	0	0	0	0	1
2043-2044	1	0	0	0	0	1
2044-2045	1	0	0	0	0	0
2045-2046	0	0	0	0	0	0
2046-2047	0	0	0	0	0	0
2047-2048	0	0	0	0	0	0

Interest accrual on student loans has been permanently eliminated starting on 1 April 2023. However, interest is still accruing in some special cases for certain borrowers in defaults that have a court judgement. The interest transferred in defaults can be negative due to expected rehabilitations, recalls and other adjustments that occur during the year.

Table 13 shows that an additional amount of $12 million in interest was accrued during the academic year 2022-2023 on the principal balance of the recoverable defaulted loans portfolio.

In the academic year 2022-2023, $41 million in interest was written off. As shown in Table 13, the balance of interest in default was $280 million at the beginning of the academic year 2022-2023 and it decreased to $225 million as at 31 July 2023. The balance of interest in default is projected to be fully eliminated by the end of the projection period as interest no longer accrues on loans.

4.2.4 Guaranteed and risk-shared regimes

Table 14 presents the projections of the guaranteed and risk-shared loans owned by financial institutions and by the Government, as well as the loans returned to the Government because of default (principal only). The guaranteed and risk-shared regimes are gradually being phased out.

Table 14 Guaranteed and risk-shared regimes portfolio (in millions of dollars)

	Loans in study or repayment		Loans in default		
	(with financial institutions)	(bought back by the government)	(Returned to the government)		
As at July 31	Guaranteed and risk-shared	Guaranteed and risk-shared[a]	Guaranteed	Risk-shared	Total
2023	12	10	38	25	85
2024	0	8	34	22	64
2025	0	5	29	19	53
2026	0	2	25	16	43
2027	0	0	20	14	34
2028	0	0	16	11	27
2029	0	0	12	8	20
2030	0	0	8	5	13
2031	0	-	4	2	6
2032	0	-	0	0	0
2033	0	-	-	0	0
2034	0	-	-	0	0
2035	0	-	-	-	0
2036	-	-	-	-	-
2037	-	-	-	-	-

a. Most guaranteed and risk-shared loans were bought back by the Government from financial institutions in order to phase out these old regimes.

At the end of the 2022-2023 academic year, the sum of all loans coming from the guaranteed and risk-shared regimes that are owned by the Government amounts to approximately $122[1] million.

4.2.5 Limit on the aggregate amount of outstanding loans

The *Canada Student Financial Assistance Regulations* (CSFAR) imposes a limit on the aggregate amount of outstanding loans in the program. The current limit of $34 billion was last increased in June 2019.

Table 15 presents the projection of the aggregate amount of outstanding loans. It is the sum of:

- Total principal amount of direct loans in study, in repayment and in default;
- Total principal amount of defaulted risk-shared loans returned[2] to the Government from financial institutions.

In comparison with Table 11, which show the projection of the loan portfolio at the end of academic years, Table 15 presents the estimated peak of the portfolio during the academic year. Monthly fluctuations throughout the year cause the aggregate amount of loans to be lower both

[1] This is equal to the $74 million principal held by the Government ($10 million bought back plus $38 million and $25 million returned to the Government from Table 14) plus an additional $48 million of outstanding interest.

[2] Loans purchased under an agreement made pursuant to the *Canada Student Financial Assistance Act* are considered. Good-standing loans purchased by the Government and shown in Table 14 are excluded.

at the beginning and at the end of the academic year. The peak usually occurs in the middle of the academic year (January) and is 3% to 5% higher than the aggregate amount at the end of the academic year.

Table 11 shows an aggregate amount of outstanding direct loans of $23.7 billion as at 31 July 2023. Table 15 shows that the aggregate amount of outstanding direct loans reached $24.4 billion in December 2022 (academic year 2022-2023) and $26.2 billion in February 2024 (academic year 2023-2024).

The projection shows that the $34 billion limit is expected to be reached during the academic year 2035-2036 if the program's provisions do not change and assumptions materialize. The limit is reached three years later than estimated in the previous report.

Table 15 Estimated peak of aggregate amount of outstanding loans (in millions of dollars)

Academic year	Direct loans	Risk-shared loans	Total
2022-2023	24,379	28	24,407
2023-2024	26,203	24	26,227
2024-2025	28,167	21	28,188
2025-2026	29,308	18	29,326
2026-2027	30,093	15	30,108
2027-2028	30,688	12	30,700
2028-2029	31,151	9	31,160
2029-2030	31,585	6	31,591
2030-2031	32,066	3	32,069
2031-2032	32,547	1	32,548
2032-2033	33,026	0	33,026
2033-2034	33,482	0	33,482
2034-2035	33,907	0	33,907
2035-2036	34,297	-	34,297
2036-2037	34,662	-	34,662
2037-2038	35,015	-	35,015
2038-2039	35,365	-	35,365
2039-2040	35,714	-	35,714
2040-2041	36,060	-	36,060
2041-2042	36,406	-	36,406
2042-2043	36,765	-	36,765
2043-2044	37,148	-	37,148
2044-2045	37,558	-	37,558
2045-2046	38,000	-	38,000
2046-2047	38,479	-	38,479
2047-2048	38,967	-	38,967

4.3 Allowances

This section presents projections of the three allowances under the direct loan regime described in Appendix A. There is an allowance for the RAP (principal) to cover the future cost of students benefiting from this program, and two allowances for bad debt (principal and interest) to cover the risk of future default, net of recoveries, recalls and rehabilitations.

The provision rates used to determine the 2023-2024 allowance and the ultimate provision rates are presented in Appendix C. The portfolios to which those provision rates apply are presented in Table 11.

The Government sets up a separate allowance for guaranteed and risk-shared loans, which is not included in this report. Expenses related to those loans are presented in Table 20 and Table 21.

4.3.1 Allowance for the Repayment Assistance Plan (RAP)

Table 16 provides the calculation details for the projection of the allowance for the RAP – principal under the direct loan regime[1].

Table 16 Allowance for RAP – principal (in millions of dollars)

Academic year	Allowance 1 August (1)	RAP expenses (2)	Allowance 31 July (3)	Yearly expense (3) - (1-2)
2022-2023	2,448	170	2,006[a]	-272
2023-2024	2,006	189	2,181	364
2024-2025	2,181	191	2,319	329
2025-2026	2,319	197	2,406	284
2026-2027	2,406	206	2,485	285
2027-2028	2,485	215	2,558	288
2028-2029	2,558	222	2,630	294
2029-2030	2,630	228	2,701	299
2030-2031	2,701	236	2,768	303
2031-2032	2,768	244	2,830	306
2032-2033	2,830	252	2,887	309
2033-2034	2,887	259	2,938	310
2034-2035	2,938	266	2,984	312
2035-2036	2,984	271	3,024	311
2036-2037	3,024	275	3,057	308
2037-2038	3,057	281	3,086	310
2038-2039	3,086	287	3,120	321
2039-2040	3,120	292	3,153	325
2040-2041	3,153	296	3,185	328
2041-2042	3,185	300	3,216	331
2042-2043	3,216	304	3,247	335
2043-2044	3,247	307	3,280	340
2044-2045	3,280	311	3,314	345
2045-2046	3,314	314	3,351	351
2046-2047	3,351	317	3,391	357
2047-2048	3,391	320	3,431	360

a. Calculated using the provision rates (as at 31 July 2023) from the report as at 31 July 2022 but updated with the actual outstanding balances.

The allowance for the RAP – principal is estimated at $2,006 million as at 31 July 2023, which is lower than the $2,300 million projected in the previous report. For the academic year 2022-2023, the negative yearly expense for the allowance for RAP – principal is $272 million, which is mainly due to the partial recognition of the recent lower RAP utilization experience. The allowance as at 31 July 2024 reflects updated assumptions, including updated RAP utilization rates which have been revised to reflect the actual experience for the RAP threshold changes and the recent lower RAP experience.

[1] The RAP–interest allowance is determined by ESDC and does not figure in this report.

4.3.2 Allowance for bad debt – principal

Table 17 provides the calculation details for the projection of the allowance for bad debt – principal under the direct loan regime.

Table 17 Allowance for bad debt – principal (in millions of dollars)

Academic year	Allowance 1 August (1)	Write-offs (2)	Allowance 31 July (3)	Yearly expense (3) - (1 - 2)
2022-2023	3,035	180	2,678[a]	-177
2023-2024	2,678	180	2,761	263
2024-2025	2,761	176	2,875	290
2025-2026	2,875	174	2,952	251
2026-2027	2,952	166	3,039	253
2027-2028	3,039	165	3,133	259
2028-2029	3,133	174	3,225	266
2029-2030	3,225	168	3,329	272
2030-2031	3,329	185	3,418	274
2031-2032	3,418	188	3,508	278
2032-2033	3,508	195	3,595	282
2033-2034	3,595	202	3,677	284
2034-2035	3,677	209	3,754	286
2035-2036	3,754	215	3,827	288
2036-2037	3,827	224	3,892	289
2037-2038	3,892	233	3,952	293
2038-2039	3,952	239	4,008	295
2039-2040	4,008	246	4,059	297
2040-2041	4,059	252	4,108	301
2041-2042	4,108	255	4,157	304
2042-2043	4,157	258	4,206	307
2043-2044	4,206	262	4,255	311
2044-2045	4,255	265	4,306	316
2045-2046	4,306	267	4,359	320
2046-2047	4,359	272	4,412	325
2047-2048	4,412	275	4,466	329

a. Calculated using the provision rates (as at 31 July 2023) from the report as at 31 July 2022 but updated with the actual outstanding balances.

The allowance for bad debt – principal is estimated at $2,678 million as at 31 July 2023, which is lower than the $3,129 million projected in the previous report. For the academic year 2022-2023, the negative yearly expense for the allowance for bad debt – principal is $177 million, which mainly reflects an increase in observed rehabilitation experience as well as higher expected recoveries due to the elimination of the interest accrual. The allowance as at 31 July 2024 reflects updated assumptions. Expected rehabilitations and recalls are increased to reflect recent experience. Accordingly, higher rehabilitations are expected to translate in fewer recoveries (i.e., those that rehabilitated their loans will have no recoveries following their rehabilitation).

4.3.3 Allowance for bad debt – interest

The projection of the allowance for bad debt – interest under the direct loan regime is presented in Table 18.

Table 18 Allowance for bad debt – interest (in millions of dollars)

Academic year	Allowance 1 August (1)	Write-offs (2)	Allowance July 31 (3)	Yearly expense (3) - (1-2)
2022-2023	201	41	136[a]	-24
2023-2024	136	32	110	6
2024-2025	110	26	83	0
2025-2026	83	19	65	0
2026-2027	65	13	51	0
2027-2028	51	10	41	0
2028-2029	41	7	34	0
2029-2030	34	6	28	0
2030-2031	28	4	24	0
2031-2032	24	4	20	0
2032-2033	20	3	17	0
2033-2034	17	3	14	0
2034-2035	14	3	11	0
2035-2036	11	2	9	0
2036-2037	9	2	7	0
2037-2038	7	2	6	0
2038-2039	6	2	4	0
2039-2040	4	1	3	0
2040-2041	3	1	2	0
2041-2042	2	1	1	0
2042-2043	1	0	1	0
2043-2044	1	0	0	0
2044-2045	0	0	0	0
2045-2046	0	0	0	0
2046-2047	0	0	0	0
2047-2048	0	0	0	0

a. Calculated using the provision rate (as at 31 July 2023) from the report as at 31 July 2022 but updated with the actual outstanding balance.

The allowance for bad debt – interest is estimated at $136 million as at 31 July 2023, which is lower than the $153 million projected in the previous report. For the academic year 2022-2023, the negative yearly expense for the allowance for bad debt – interest is $24 million, which is mainly due to the permanent removal of the interest accrual. Starting in 2024-2025, there are no more yearly expenses due to the removal of the interest accrual. However, there are allowances for the current outstanding interest balance, which is projected to be gradually written-off over the next years. The allowance as at 31 July 2024 reflects updated assumptions.

4.4 Total expenses

As shown in Table 19, and notwithstanding impacts from temporary measures, total expenses associated with the program increase from $4.4 billion in 2026-2027[1] to $5.3 billion in 2047-2048. On average, total expenses are projected to increase at an annual rate of 0.9%.

Table 19 Summary of expenses (in millions of dollars)

Academic year	Student related expenses	Government liabilities on outstanding loans	Alternative payments	Administrative expenses: Fees paid to provinces	Administrative expenses: General	Total
2022-2023	3,961.4	-150.0	999.2	31.3	107.6	4,949.5
2023-2024	3,722.1	314.4	1,138.0	32.4	109.2	5,316.2
2024-2025	3,755.5	364.2	962.1	33.3	110.1	5,225.2
2025-2026	2,983.9	366.4	994.2	34.3	112.5	4,491.2
2026-2027	2,999.3	385.5	831.0	35.3	115.1	4,366.2
2027-2028	3,041.5	413.2	855.5	36.4	118.5	4,465.2
2028-2029	3,086.8	430.8	884.4	37.4	122.1	4,561.5
2029-2030	3,129.7	438.4	910.3	38.6	125.8	4,642.8
2030-2031	3,153.8	442.6	939.6	39.7	129.6	4,705.3
2031-2032	3,164.7	448.8	963.5	40.9	133.5	4,751.4
2032-2033	3,208.9	454.0	980.7	42.2	137.5	4,823.2
2033-2034	3,256.9	458.0	1,003.3	43.4	141.6	4,903.3
2034-2035	3,270.5	461.6	1,023.6	44.7	145.9	4,946.4
2035-2036	3,268.8	464.8	1,028.0	46.1	150.3	4,958.0
2036-2037	3,266.9	468.6	1,024.8	47.5	154.8	4,962.6
2037-2038	3,275.3	473.1	1,020.4	48.9	159.5	4,977.2
2038-2039	3,294.8	477.7	1,019.4	50.4	164.3	5,006.6
2039-2040	3,307.1	482.5	1,020.5	51.9	169.2	5,031.1
2040-2041	3,319.3	487.1	1,021.6	53.5	174.3	5,055.8
2041-2042	3,331.5	491.7	1,018.0	55.1	179.6	5,075.9
2042-2043	3,350.7	497.2	1,012.9	56.7	185.0	5,102.5
2043-2044	3,374.3	503.3	1,010.0	58.4	190.6	5,136.6
2044-2045	3,402.1	509.8	1,006.4	60.2	196.3	5,174.8
2045-2046	3,433.1	515.2	1,000.1	62.0	202.2	5,212.6
2046-2047	3,467.7	523.1	990.4	63.9	208.3	5,253.4
2047-2048	3,493.3	528.7	980.9	65.8	214.6	5,283.3

The larger student related expenses over the first three academic years and the larger alternative payments over the first four academic years are mainly due to the temporary increase of the grants. The reduction in Government liabilities in the academic year 2022-2023 is mostly due to the immediate recognition of the impact of removing interest accrual on all future years for all outstanding student loans.

[1] First academic year not impacted by temporary measures.

4.4.1 Student related expenses

The primary expense of the CSFA Program is the cost of supporting students during their study and repayment periods. The student related expenses are presented in Table 20.

Table 20 Student related expenses (in millions of dollars)

	Direct loan				Risk-shared and guaranteed loans		
Academic year	Interest subsidy - before consolidation	Interest subsidy - after consolidation	RAP – interest	Allowance for RAP – principal	RAP – interest and principal	Canada student grants	Total
2022-2023	267.8	443.5	0.0	-272.2	1.9	3,520.3	3,961.4
2023-2024	293.3	429.2	0.0	364.2	1.2	2,634.3	3,722.1
2024-2025	342.2	440.9	0.0	329.0	1.2	2,642.3	3,755.5
2025-2026	361.1	456.2	0.0	284.9	1.1	1,880.6	2,983.9
2026-2027	372.2	473.4	0.0	284.2	0.8	1,868.6	2,999.3
2027-2028	391.1	495.1	0.0	289.0	0.0	1,866.3	3,041.5
2028-2029	412.7	515.7	0.0	294.1	0.0	1,864.3	3,086.8
2029-2030	434.0	536.3	0.0	299.1	0.0	1,860.3	3,129.7
2030-2031	447.4	548.8	0.0	302.6	0.0	1,855.0	3,153.8
2031-2032	454.6	556.0	0.0	305.8	0.0	1,848.2	3,164.7
2032-2033	476.9	583.1	0.0	308.7	0.0	1,840.2	3,208.9
2033-2034	502.2	615.0	0.0	310.9	0.0	1,828.8	3,256.9
2034-2035	513.1	630.3	0.0	311.4	0.0	1,815.8	3,270.5
2035-2036	517.4	638.2	0.0	311.6	0.0	1,801.6	3,268.8
2036-2037	521.3	645.5	0.0	308.0	0.0	1,792.0	3,266.9
2037-2038	525.5	652.5	0.0	309.8	0.0	1,787.5	3,275.3
2038-2039	529.8	659.4	0.0	321.3	0.0	1,784.3	3,294.8
2039-2040	534.6	665.9	0.0	324.9	0.0	1,781.7	3,307.1
2040-2041	539.5	672.3	0.0	328.2	0.0	1,779.2	3,319.3
2041-2042	544.4	678.8	0.0	331.4	0.0	1,776.8	3,331.5
2042-2043	549.9	685.4	0.0	335.5	0.0	1,780.0	3,350.7
2043-2044	556.0	692.0	0.0	340.0	0.0	1,786.4	3,374.3
2044-2045	562.8	698.9	0.0	345.1	0.0	1,795.3	3,402.1
2045-2046	570.3	706.3	0.0	350.6	0.0	1,805.9	3,433.1
2046-2047	578.5	714.2	0.0	356.5	0.0	1,818.6	3,467.7
2047-2048	586.5	722.7	0.0	360.8	0.0	1,823.3	3,493.3

Starting on 1 April 2023, there is permanently no interest accrual on student loans. This results in higher interest subsidies after the loans consolidate. The negative value of $272.2 million for the allowance for the RAP mainly stems from the immediate recognition of the expected reduction in the RAP utilization for all future years on all outstanding loans. Assumptions for the RAP are provided in Appendix C.

Interest subsidies are still projected for the risk-shared and guaranteed loans for the first four years of the projection. However, those results were removed from Table 20 since they are negligible (they round to $0M).

In the academic year 2022-2023, a total of $3,520 million of Canada Student Grants were disbursed. Those grants are projected to decrease in 2023-2024 (due to the change in the temporary grant increase from an additional 100% to 40% (compared with the academic year 2019-2020) and to decrease again in 2025-2026 (due to the end of the temporary grant increase).

4.4.2 Government liabilities on outstanding loans

Another expense for the Government corresponds to the risk that loans will never be repaid. This includes the risk of loan default and the risk of loans being forgiven upon a student's death or severe and permanent disability. Loans forgiven for family physicians, qualifying nurses, early childhood educators as well as additional health care and social services professionals practicing in under-served rural or remote communities are also included in Table 21 below.

Table 21 Government liabilities on outstanding loans (in millions of dollars)

	Direct loan		Risk-shared	Guaranteed		
Academic year	Allowance for bad debt Principal	Allowance for bad debt Interest	Risk premium, put-backs & refunds to FIs	Claims for defaulted loans	Loans forgiven	Total
2022-2023	-177.2	-23.9	4.5	-0.2	46.8	-150.0
2023-2024	263.2	5.7	-1.7	0.2	47.0	314.4
2024-2025	289.7	0.0	-0.5	0.1	74.9	364.2
2025-2026	251.7	0.0	0.1	0.0	114.6	366.4
2026-2027	252.7	0.0	0.1	0.0	132.7	385.5
2027-2028	259.3	0.0	0.1	0.0	153.9	413.2
2028-2029	265.8	0.0	0.0	-	164.9	430.8
2029-2030	271.9	0.0	0.0	-	166.5	438.4
2030-2031	274.4	0.0	0.0	-	168.2	442.6
2031-2032	278.8	0.0	0.0	-	170.0	448.8
2032-2033	282.2	0.0	0.0	-	171.7	454.0
2033-2034	284.4	0.0	-	-	173.5	458.0
2034-2035	286.1	0.0	-	-	175.4	461.6
2035-2036	287.5	0.0	-	-	177.3	464.8
2036-2037	289.5	0.0	-	-	179.1	468.6
2037-2038	292.2	0.0	-	-	180.9	473.1
2038-2039	295.0	0.0	-	-	182.7	477.7
2039-2040	297.9	0.0	-	-	184.5	482.5
2040-2041	300.8	0.0	-	-	186.4	487.1
2041-2042	303.6	0.0	-	-	188.2	491.7
2042-2043	307.2	0.0	-	-	190.0	497.2
2043-2044	311.4	0.0	-	-	191.9	503.3
2044-2045	316.0	0.0	-	-	193.8	509.8
2045-2046	319.5	0.0	-	-	195.7	515.2
2046-2047	325.4	0.0	-	-	197.7	523.1
2047-2048	329.0	0.0	-	-	199.7	528.7

The increase in loans forgiven is due to the increase in the maximum amount of forgivable loans for doctors and qualifying nurses, the expansion of the program to more rural communities and the new Budget 2024 proposed expansion of the program to early childhood educators as well as to more health care and social services professionals starting in 2025-2026.

The reductions in the allowance for bad debt in the academic year 2022-2023 are mostly due to the full recognition of the impact of removing interest accrual on student loans going forward.

4.4.3 Other expenses

Other expenses are composed of alternative payments and administrative expenses (fees paid to participating province and general expenses) and are presented in Table 19. Alternative payments are made directly to Quebec, the Northwest Territories and Nunavut, as they do not participate in the CSFA Program. The calculation of alternative payments is based on expenses and revenues for a given academic year and the payment is accounted for in the following academic year.

The short-term projection of the administrative fees was provided by ESDC. All collection activities on defaulted loans are fulfilled by CRA and a cost is included in the projected general administrative fees for this purpose.

4.5 Total revenues

With the permanent elimination of interest accrual, revenues for the direct loan regime have nearly been reduced to zero. Only a small share of loans in default still accrues interest. It is expected that these loans will also be reduced to zero in the short-term future.

Under the guaranteed and risk-shared regimes, revenues come from recoveries of principal and interest from defaulted loans owned by the Government.

As shown in Table 22, total revenues are projected to decrease to $0.

Table 22 Total revenues (in millions of dollars)

	Direct loan	Risk-shared	Guaranteed	
Academic year	Interest revenues	Principal and interest from recovery	Principal and interest from recovery	Total revenues
2022-2023	9.7	1.4	2.6	13.8
2023-2024	0.0	1.0	2.3	3.4
2024-2025	0.0	1.0	2.0	3.0
2025-2026	0.0	0.9	1.8	2.6
2026-2027	0.0	0.8	1.5	2.3
2027-2028	0.0	0.7	1.2	1.9
2028-2029	0.0	0.6	1.0	1.5
2029-2030	0.0	0.4	0.7	1.1
2030-2031	0.0	0.3	0.5	0.7
2031-2032	0.0	0.1	0.4	0.6
2032-2033	0.0	0.0	0.0	0.0
2033-2034	0.0	0.0	-	0.0
2034-2035	0.0	0.0	-	0.0
2035-2036+	0.0	-	-	0.0

4.6 Total net cost

Table 23 shows projected total expenses, total revenues and the total net cost of the program for all three regimes for the projection period. The expenses and revenues shown correspond to values presented earlier in this report.

Table 23 Net annual cost of the program (in millions of dollars)

Academic year	Total expenses	Total revenues	Total net cost	Increase (%)	Direct loan	Risk-shared & guaranteed
2022-2023	4,949.5	13.8	4,935.8	N/A.	4,932.6	3.3
2023-2024	5,316.2	3.4	5,312.8	7.6	5,316.5	-3.8
2024-2025	5,225.2	3.0	5,222.2	-1.7	5,224.5	-2.3
2025-2026	4,491.2	2.6	4,488.6	-14.0	4,490.0	-1.4
2026-2027	4,366.2	2.3	4,363.9	-2.8	4,365.3	-1.5
2027-2028	4,465.2	1.9	4,463.2	2.3	4,465.1	-1.9
2028-2029	4,561.5	1.5	4,559.9	2.2	4,561.4	-1.5
2029-2030	4,642.8	1.1	4,641.6	1.8	4,642.7	-1.1
2030-2031	4,705.3	0.7	4,704.5	1.4	4,705.3	-0.7
2031-2032	4,751.4	0.6	4,750.9	1.0	4,751.4	-0.5
2032-2033	4,823.2	0.0	4,823.2	1.5	4,823.2	0.0
2033-2034	4,903.3	0.0	4,903.3	1.7	4,903.3	0.0
2034-2035	4,946.4	0.0	4,946.4	0.9	4,946.4	0.0
2035-2036	4,958.0	0.0	4,958.0	0.2	4,958.0	0.0
2036-2037	4,962.6	0.0	4,962.6	0.1	4,962.6	0.0
2037-2038	4,977.2	0.0	4,977.2	0.3	4,977.2	0.0
2038-2039	5,006.6	0.0	5,006.6	0.6	5,006.6	-
2039-2040	5,031.1	0.0	5,031.1	0.5	5,031.1	-
2040-2041	5,055.8	0.0	5,055.8	0.5	5,055.8	-
2041-2042	5,075.9	0.0	5,075.9	0.4	5,075.9	-
2042-2043	5,102.5	0.0	5,102.5	0.5	5,102.5	-
2043-2044	5,136.6	0.0	5,136.6	0.7	5,136.6	-
2044-2045	5,174.8	0.0	5,174.8	0.7	5,174.8	-
2045-2046	5,212.6	0.0	5,212.6	0.7	5,212.6	-
2046-2047	5,253.4	0.0	5,253.4	0.8	5,253.4	-
2047-2048	5,283.3	0.0	5,283.3	0.6	5,283.3	-

As shown in Table 23, the initial net annual cost for the direct loan regime is $4.9 billion for the academic year 2022-2023. The net cost is projected to increase between the academic year 2026-2027[1] and the academic year 2047-2048 from $4.4 billion to $5.3 billion, representing an annual average increase of 0.9%.

The net costs shown in Table 23 include the amount of grants disbursed, representing 71% of the net cost for the academic year 2022-2023. Moreover, the net costs also include yearly expenses to account for allowances that recognize in advance the risk of future losses associated with student loans.

[1] First academic year not impacted by temporary measures. The higher net annual cost for academic years 2023-2024 and 2024-2025 mostly comes from the temporary increased grants, as shown in Table 20. Academic year 2025-2026 is also impacted indirectly from the temporary grants increase due to a higher alternative payment based on the grants disbursed in the previous year.

5 Actuarial opinion

In our opinion, considering that this Actuarial Report on the Canada Student Financial Assistance Program was prepared pursuant to the Canada Student Financial Assistance Act:

- the data on which this report is based are sufficient and reliable for the purposes of this report;
- the assumptions used are, individually and in aggregate, reasonable and appropriate for the purposes of this report; and
- the methods employed are appropriate for the purposes of this report.

This report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada, in particular, the General Standards of the Standards of Practice of the Canadian Institute of Actuaries.

Subsequent events occurred after the valuation date. They consist of upcoming temporary and permanent changes to the program proposed in Budget 2024, as described in Section 2.3. In order to provide projections based on up-to-date information, these changes were considered in our report.

Assia Billig, FICA, FSA
Chief Actuary

Laurence Frappier, FCIA, FSA

Mathieu Désy, FCIA, FSA

Ottawa, Canada
19 July 2024

Appendix A — Summary of program provisions

The Canada Student Financial Assistance Program (CSFA Program) came into force on 28 July 1964 to provide Canadians equal opportunity to study beyond the secondary level and to encourage successful and timely completion of post-secondary education. The CSFA Program is meant to supplement resources available to students from their own earnings, their families', and other student awards.

Historically, two successive acts were established to assist qualifying students. The *Canada Student Loans Act* applied to academic years preceding August 1995 while the subsequent *Canada Student Financial Assistance Act* applies to academic years starting after July 1995.

The population covered by the CSFA Program is the Canadian population excluding non-permanent residents as well as the non-participating province and territories of Québec, Northwest Territories and Nunavut.

A.1 Eligibility criteria

In order to be eligible for financial assistance, a student must be a Canadian citizen, permanent resident, protected person within the meaning of the Immigration and Refugee Protection Act or a person registered as an Indian under the Indian Act, and must demonstrate the need for financial assistance, which is determined by the Need Assessment Process under the program. The assessed need is the difference between the student's costs and the student's resources. A student must also fulfill a series of criteria (scholastic standard and financial) to be considered for financial assistance. Each year, upon application with their province of residence, financial assistance is available to full-time students regardless of age, and since 1983, financial assistance is also available to part-time students.

A multi-year student financial assistance agreement was implemented in all jurisdictions starting in the academic year 2013-2014. It is referred to as the Master Student Financial Assistance Agreement (MSFAA) and replaces the former single-year student loan agreement. By signing an MSFAA, a borrower agrees to repayment terms that will apply to their loans when they leave their studies.

Starting in the academic year 2017-2018, the student's resources definition was modified to consider only the student contribution as well as the parental or spousal contribution, if applicable. The student contribution is comprised of the fixed student contribution, merit-based scholarships, need-based bursaries, and targeted resources.

The fixed student contribution depends on the borrower's previous year's gross annual family income, family size and the number of weeks of study. Students with gross family income from the previous year equal to or below a low-income threshold will contribute up to $1,500 per academic year. Students with gross family income from the previous year above a low-income threshold will contribute $1,500 plus an additional 15% of income above the threshold up to a maximum total contribution of $3,000 per academic year. The low-income thresholds vary depending on the student's family size. The previous year's gross family income is defined by the applicable student category. For independent students and single parent, family income is comprised of the student's income only. For dependent students, family income is comprised of the student's parental income only. In the case of a married or common-law student, family income is comprised of the student's and the spouse's or partner's income. Indigenous learners, students with a disability recognized by the CSFA Program, students with dependants and current or former Crown wards are exempted from the fixed student contribution.

The expected contribution from merit-based scholarships and need-based bursaries is equivalent to the combined assessed actual amount less an exemption of $1,800 per academic year.

Targeted resources are those provided to help with specific educational costs and may include funds received from municipal, provincial, or federal governments (e.g., training allowances from the skills portion of Employment Insurance benefits), or from the private sector (e.g., room and board provided by an employer while a full-time student). They are assessed at 100%.

Parents of single dependent students are expected to contribute to their children's education. The amount of parental contribution depends on family income and size, but do not depend on the living situation of the student.

The spouses and partners of married or common-law students are expected to make a spousal contribution equal to 10% of their gross family income exceeding the low-income thresholds. Spouses and partners at or below the low-income threshold, as well as those who are themselves full-time students, are not expected to make any spousal contribution.

For the academic year 2023-2024, the credit screening requirement for mature student applicants, aged 22 years or older, applying for Canada Student Grants and loans for the first time was temporarily eliminated. Budget 2024 proposed to make this change permanent.

Partnerships

Since the program's inception in 1964, the Minister entered into an agreement with the participating provinces/territory regarding their powers, duties and functions related to the administration of the program. The participating provinces have their own student financial assistance programs that complement the CSFA Program. On behalf of the Government of Canada, the provinces and territory determine whether students require financial assistance as well as their eligibility for the CSFA Program. Provincial/territorial authorities determine the students' required financial needs based on the difference between their expected expenses and available resources.

In general, for each academic year, the CSFA Program covers around 60% of the assessed need up to the sum of the maximum grant (for eligible students) and a maximum of $210 per week in student loans. This maximum was temporarily increased:

- To 350$ per week for the academic year 2020-2021; and
- To 300$ per week for the academic year 2023-2024.

The government intends to extend the 2023-2024 temporary increase to 2024-2025 as announced in Budget 2024. The participating provinces and territory complement the CSFA Program by providing additional financial assistance up to established maximum amounts. The amount of money students may borrow depends on their individual circumstances.

The National Student Loans Service Centre (NSLSC) was established on 1 March 2001 and is responsible for the administration of student loans and grants. The NSLSC processes all applicable documentation from loans' disbursement to their consolidation and repayment for the federal portion of the loans, as well as for the provincial portion of integrated loans. It keeps students informed of all available options to assist in repaying their loans. The NSLSC is run by a private entity contracted by the government.

The type of financial arrangement has changed through time and legislation. The following describes the different arrangements and explains who bears the risk associated with default.

- Guaranteed loan regime: Student loans provided by lenders (financial institutions) under the Canada Student Loans Act prior to August 1995 were fully guaranteed by the Government to the lenders. The Government reimbursed lenders for the outstanding principal, accrued interest and costs in the event of default or death of the borrower. Therefore, the Government bore all the risk involved with guaranteed loans.
- Risk-shared loan regime: Between August 1995 and July 2000, student loans continued to be disbursed, serviced and collected by financial institutions. However, the loans were no longer fully guaranteed by the Government. Instead, the Canada Student Financial Assistance Act permitted the Government to pay financial institutions a risk premium of five per cent of the value of loans that consolidated in each academic year. Under this financial arrangement, the Government was not at risk except for the payment of the risk premium. Financial institutions could also decide to sell a certain amount of defaulted loans and the Government had to pay a put-back fee of five cents on the dollar for these loans. Finally, the agreement provided that part of the recoveries be shared with financial institutions.
- Direct loan regime: The direct loan arrangement came into force, effective 1 August 2000, following the restructuring of the delivery of the program and the amendments made to the Canada Student Financial Assistance Act and Regulations. Under this regime, the Government issues loans directly to students and bears all the risk involved.

The Government of Canada currently has integration agreements in place with six provinces: Ontario (August 2001), Saskatchewan (August 2001), Newfoundland and Labrador (April 2004), New Brunswick (May 2005), British Columbia (August 2011) and Manitoba (July 2022). Students in integrated provinces benefit from having one single loan administered through the NSLSC instead of managing two separate loans (federal and provincial).

A.2 Canada Student Grants

The Canada Student Grants (CSGs), implemented in August 2009, provide non-repayable assistance to targeted groups of students, including students from low- and middle-income families, students with a disability recognized by the CSFA Program and students with children under the age of 12. These grants are not taxable.

The regulated CSGs include:

- CSG-FT: a grant of up to $375 per month of study for full-time university undergraduate or college students with a family income that falls below the maximum threshold (which scales up based on family size). To be eligible, a student’s academic program must be at least two years (60 weeks) in duration.
- CSG-D: a grant of $2,000 per school year for students with a disability recognized by the

CSFA Program.

- **CSG-DSE**: a grant of up to $20,000 per school year to help cover exceptional education-related costs associated with a student's disability recognized by the CSFA Program.
- **CSG-FTDEP**: a grant of up to $200 per month of full-time study based on family size and income, for every dependent child under the age of 12.
- **CSG-PT**: a grant of up to $1,800 per school year for part-time students with a family income that falls below the maximum threshold (which scales up based on family size).
- **CSG-PTDEP**: a grant of up to $40 per week of study for part-time students with one or two children under 12 years of age and up to $60 per week of study for students with three or more children under 12 years of age, up to a maximum of $1,920 per year. The exact amount payable for each week depends on family size and income.

Grants amounts are stated in the *Canada Student Financial Assistance Regulations*. The thresholds and phase-out rates for CSG-FT, CSG-FTDEP, CSG-PT and CSG-PTDEP are based on family size and income and are set out in Schedule 4 of the Regulations.

Grants amounts for the CSG-FT, CSG-FTDEP, CSG-D, CSG-PT and CSG-PTDEP were temporarily increased:

- By 100% (compared with the academic year 2019-2020) for the academic years 2020-2021, 2021-2022 and 2022-2023; and
- By 40% (compared with the academic year 2019-2020) for the academic year 2023-2024.

Budget 2024 announced the Government's intention to extend for an additional year (academic year 2024-2025) the temporary increase of 40%.

A.3 Loan benefit

A.3.1 In-study interest subsidy

The CSFA Program provides an interest-free loan during the borrower's study period and during the six-month non-repayment period for both full-time and part-time students. The benefit takes the form of an in-study interest subsidy. During this period, the Government pays interest (Government's cost of borrowing) on the loan and no payment on the principal is required.

Since June 2008, members of the Reserve Force who interrupt their program of study to serve on a designated operation are considered full-time students until the last day of the month in which their service ends and, as such, benefit from an extended in-study interest-free period.

A.3.2 Loan consolidation

During the first six months following the end of the study period (six-month non-repayment period), all loans previously received by a student are added together and consolidated. No payment is required. With the implementation of the MSFAA, the *Canada Student Financial Assistance Regulations* were amended to remove the regulatory requirement that borrowers sign a consolidation agreement. Repayment terms are part of the MSFAA and a repayment letter is sent to borrowers upon leaving their studies. The letter provides information on their loans balance, repayment options and available repayment assistance measures.

In general, the student's monthly payment is calculated based on a standard 114-month repayment period. However, loans with an outstanding balance smaller than $7,000 are amortized over a shorter period of time as per ESDC's guidelines.

Students must provide their financial institution or the NSLSC with a proof of enrolment for each study period in which they are enrolled even if they are not applying for a new loan. This prevents an automatic consolidation from occurring while they are still in school.

Since October 2020, more flexibility is provided for borrowers who take a temporary leave from their studies for medical or parental reasons, including mental health leaves. Borrowers are eligible for an interest-free and payment-free leave for a maximum period of 18 months.

A.3.3 In repayment interest subsidy

Bill C-14 waived the interest accrual on student loans for fiscal year 2021-2022 and Budget 2021 extended this waiver for one more year, up to 31 March 2023.

The interest accrual was permanently eliminated starting on 1 April 2023.

A.3.4 Repayment assistance

The RAP is designed to make it easier for borrowers to manage their debt by calculating affordable payments ($0 for those under the established minimum income threshold or up to 10%[1] of family income for those above the established minimum income threshold) based on family income and family size. Therefore, the affordable payment formula ensures no borrower pays more than 10% of their gross income towards their student loan debt. Borrowers are deemed eligible for the RAP for a six-month period if their affordable payment is less than their required monthly payment. The RAP is composed of two stages to help borrowers fully repay their loan within a maximum of 15 years of leaving school (or 10 years for borrowers with a disability).

At the beginning of the academic year 2016-2017, the RAP income thresholds were increased to ensure that students would not be required to repay their student loan until they earned at least $25,000 per year ($25,000 being the threshold for a single student with no dependants, which scales up based on family size). It was further increased in the academic year 2022-2023 to $40,000 while thresholds for borrowers from larger households were modified to match the Canada Student Grants thresholds. All thresholds also now increase with inflation, every year, on August 1st.

Under Stage 1, the required monthly payment is determined by amortizing a borrower's outstanding principal amount over a period that ends 120 months after leaving school. The borrower's monthly affordable payment, if any, goes directly towards the loan principal first, and then the interest, if any, while the Government covers any interest amount not covered by the affordable payment. The principal portion of the loan not covered by the affordable payment is deferred. Stage 1 can last for a maximum of five years in cumulative six-month periods.

Stage 2 is available to borrowers who continue to experience financial difficulty after Stage 1 has been exhausted and to those whose loan has been in repayment for more than 10 years. Under Stage 2, the required payment is calculated by amortizing the outstanding principal between the start date of Stage 2 and the date corresponding to 15 years after the borrower left school

[1] Decreased in the academic year 2022-2023 from 20%.

(10 years for borrowers with a disability recognized by the CSFA Program). The Government covers both the required principal amount and the interest amount, if any, not covered by the borrower's affordable payment such that the student loan is repaid in full within 15 years (10 years for borrowers with a disability recognized by the CSFA Program) of the borrower leaving school.

Since January 2020, the eligibility for loan rehabilitation is expanded after a borrower defaults on their student loan. Financially vulnerable borrowers in default could access support such as the RAP and begin making affordable payments on their outstanding debt again.

Borrowers with a disability recognized by the CSFA Program who are not eligible for the Severe Permanent Disability Benefit have access to the RAP-D[1]. Additional expenses related to costs faced by borrowers with a disability recognized by the CSFA Program are taken into account in the income calculation when they apply for RAP-D. Similar to all borrowers in RAP Stage 2, additional student loans or grants are not available under RAP-D until existing loans are paid in full.

A.3.5 Loan forgiveness

The Minister has the authority, upon application and qualification, to forgive a loan in the event of a borrower's severe permanent disability or death while in school or during the repayment period. Effective 1 August 2009, in order for a borrower's loan to be forgiven due to a permanent disability, the Minister must be satisfied that the borrower's condition respects the definition of "severe permanent disability", is unable to repay the student loan and will never be able to repay it.

Effective 1 January 2013, a portion of student loans allocated to family physicians (including residents in family medicine programs), registered nurses, registered practical nurses, licensed practical nurses, registered psychiatric nurses and nurse practitioners (together referred to as "qualifying nurses" throughout the report) who work during a year in an under-served rural or remote community can be forgiven for that year. Prior to November 2023, qualifying family physicians were eligible for up to a maximum of $40,000 over five years. Qualifying nurses were eligible for up to a maximum of $20,000 over five years. Qualifying participants who started their current employment in under-served communities on or after 1 July 2011 and who complete a year of work (starting on or after 1 April 2012) are eligible for loan forgiveness.

Starting in November 2023, the maximum amount of forgivable Canada Student Loans increased by 50% for doctors and nurses. As a result, qualifying family physicians are now eligible for up to $60,000 over five years while nurses are now eligible for up to $30,000 over five years.

Budget 2023 proposed to expand the reach of the Canada Student Loan Forgiveness for doctors and qualifying nurses to more rural communities. Budget 2024 proposed to expand the list of professionals eligible for loan forgiveness while working in under-served rural or remote communities. The following professionals were proposed to be added: dentists, dental hygienists, pharmacists, midwives, teachers, social workers, personal support workers, physiotherapists, psychologists, and early childhood educators.

[1] Before Budget 2021, only those with a permanent disability were eligible for RAP–Permanent Disability (RAP-PD).

Appendix B — Data

The input data required with respect to direct loans were extracted from data files provided by Employment and Social Development Canada (ESDC).

B.1 Direct loans issued

Table 24 presents information extracted from ESDC's data files on the amount of direct loans issued and the number of students for academic years 2000-2001 to 2022-2023. According to the Monthly Financial Information Schedule (MFIS), the total amount of loans issued in 2022-2023 rounded to the million was $3,137, which is nearly identical (2% difference) to the value calculated using the data file. These data were found to be complete.

Table 24 Direct loans issued (in millions of dollars) and number of students

Academic year	Amount of loans issued	Number of students
2000-2001	1,573	343,746
2001-2002	1,507	328,671
2002-2003	1,549	331,042
2003-2004	1,648	342,264
2004-2005	1,633	339,204
2005-2006	1,936	345,549
2006-2007	1,916	344,214
2007-2008	2,004	353,548
2008-2009	2,071	366,145
2009-2010	2,088	403,566
2010-2011	2,225	427,054
2011-2012	2,412	450,246
2012-2013	2,583	477,394
2013-2014	2,721	497,636
2014-2015	2,723	495,297
2015-2016	2,722	496,998
2016-2017	2,627	497,045
2017-2018	3,352	592,091
2018-2019	3,575	625,135
2019-2020	3,449	607,861
2020-2021	3,969	576,463
2021-2022	2,940	558,356
2022-2023	3,078	553,983

ESDC provided an updated data set in June 2024, which consisted of $3,137 million of loans issued for 565,848 students.

B.2 Direct loans consolidated

Table 25 presents the amount of consolidated direct loans, the amounts that were reversed due to students returning to school and the accrued interest during the six-month non-repayment period according to the MFIS. These data closely match consolidations from individual data for the most recent years. It was observed that reversals (students returning to school) generally occur in the same academic year as consolidation or the year after.

Table 25 Direct loans consolidated (in millions of dollars)

	Consolidations (1)	Reversal[a] (2)	Interest accrued (3)	Total amount consolidated (1) - (2) + (3)
2000-2001	65.7	4.1	0.7	62.2
2001-2002	901.0	154.9	26.0	772.2
2002-2003	1,211.9	262.7	39.6	988.8
2003-2004	1,434.3	326.6	43.7	1,151.4
2004-2005	1,632.6	388.4	52.6	1,296.7
2005-2006	1,720.0	435.4	61.8	1,346.4
2006-2007	1,936.3	499.8	82.7	1,519.3
2007-2008	2,100.8	571.8	90.4	1,619.3
2008-2009	2,187.5	638.2	74.8	1,624.0
2009-2010	2,302.3	703.3	54.9	1,654.0
2010-2011	2,464.8	762.0	65.3	1,768.1
2011-2012	2,580.8	799.9	72.1	1,852.9
2012-2013	2,684.9	801.3	75.0	1,958.6
2013-2014	2,797.6	788.3	78.8	2,088.2
2014-2015	2,909.9	797.6	82.0	2,194.3
2015-2016	3,034.1	852.6	81.7	2,263.2
2016-2017	3,082.9	904.2	83.6	2,262.2
2017-2018	3,072.5	963.8	88.3	2,197.0
2018-2019	3,396.2	966.0	110.0	2,540.2
2019-2020	3,723.7	983.5	85.7	2,825.9
2020-2021	3,905.9	1,326.6	0.0	2,579.3
2021-2022	4,491.4	1,130.9	0.0	3,360.5
2022-2023	4,266.5	1,200.1	0.0	3,066.4

a. Includes all reversals regardless of the original consolidation year.

B.3 Defaults and recoveries for direct loans

Table 26 shows the main items of the defaulted loans portfolio (principal only). This information is extracted from ESDC’s data files.

- Defaults: amount of loans transferred to the Government in each academic year after nine months without a payment;
- Account adjustments: loans recalled and financial adjustments made by ESDC;
- Rehabilitations: amount of loans rehabilitated under certain criteria;
- Recoveries: payments recovered by the CRA from borrowers in default;
- Write-offs: amounts approved for write-off when a loan meets certain criteria and has exceeded the six-year limitation period.

Adjustments, rehabilitations, recoveries and write-offs shown in Table 26 represent the amounts recorded in each academic year, regardless of the time of default. For example, in the academic year 2022-2023, there were $113.4 million in recoveries. This amount includes recoveries for loans that could have been transferred in default in any academic year between 2000-2001 and now.

Table 26 shows that the balance of the portfolio in default is $2,522.7 million as at 31 July 2023 based on the information extracted from the data file. There is a non-material difference between the balance determined in the DARS/PSCD data file received and the balance provided by ESDC of $2,518 million as at 31 July 2023.

Table 26 Direct loans default portfolio - principal (in millions of dollars)

Academic year	Defaults	Account adjustments	Rehabilitated	Net defaults	Recoveries	Write-offs	Balance
2000-2001	5.3	-	-	5.3	0.3	-	5.0
2001-2002	5.0	-	0.1	4.9	0.7	-	9.1
2002-2003	244.3	0.6	17.5	226.2	23.8	-	211.6
2003-2004	265.9	12.4	3.1	250.4	48.8	-	413.1
2004-2005	364.4	19.0	2.2	343.2	83.0	-	673.3
2005-2006	275.6	12.3	7.8	255.5	85.6	-	843.2
2006-2007	257.7	8.7	5.8	243.2	83.7	0.2	1,002.5
2007-2008	303.4	11.1	5.0	287.4	91.8	0.3	1,197.8
2008-2009	308.3	8.7	7.0	292.6	85.4	-	1,404.9
2009-2010	301.2	6.1	10.9	284.3	81.1	-	1,608.2
2010-2011	335.2	6.4	18.0	310.8	92.8	-	1,826.2
2011-2012	382.8	6.9	34.9	341.0	99.3	220.9	1,847.0
2012-2013	353.4	5.9	31.4	316.1	105.0	167.6	1,890.5
2013-2014	372.9	12.5	39.0	321.3	113.0	-	2,098.8
2014-2015	357.6	6.3	39.3	312.0	120.2	218.0	2,072.6
2015-2016	346.0	2.0	40.9	303.1	118.5	131.7	2,125.9
2016-2017	350.4	2.6	73.8	274.1	114.8	136.1	2,149.1
2017-2018	340.6	-0.9	73.6	267.9	113.7	155.1	2,148.3
2018-2019	353.1	2.1	67.7	283.3	114.5	126.1	2,191.0
2019-2020	306.3	1.9	65.9	238.5	78.3	138.2	2,213.0
2020-2021	350.3	3.7	69.8	276.8	55.6	146.1	2,288.0
2021-2022	487.6	15.7	81.1	390.8	105.4	133.7	2,439.7
2022-2023	492.4	9.5	107.0	375.9	113.4	179.6	2,522.7

B.4 Repayment Assistance Plan (RAP)

The RAP was implemented in August 2009. Detailed data files by applicant are available. The data files received were found to be complete and have been used to update the assumptions for the utilization rates (both entrance and continuation) for each stage. Table 27 and Table 28 present the RAP expenses split by stage as found in the MFIS as well as the totals calculated from the data files. Those expenses correspond to the portion of the monthly payments covered by the Government for all borrowers in the RAP.

Table 27 RAP - principal payments (in millions of dollars)

	MFIS			Data files
Academic year	Stage 2	Disability	Total	Total
2009-2010	3.3	1.2	4.4	2.8
2010-2011	2.9	6.1	8.9	10.2
2011-2012	6.3	11.7	18.1	17.1
2012-2013	11.1	12.9	24.0	24.3
2013-2014	16.7	15.5	32.2	32.7
2014-2015	25.5	20.2	45.7	44.1
2015-2016	33.8	23.4	57.2	56.2
2016-2017	45.8	28.9	74.7	73.3
2017-2018	59.0	31.4	90.4	90.0
2018-2019	70.1	34.5	104.5	103.9
2019-2020	56.6	25.6	82.2	81.6
2020-2021	99.6	47.5	147.1	146.4
2021-2022	105.9	49.8	155.7	156.2
2022-2023	114.5	55.4	169.9	171.1

Table 28 RAP - interest payments (in millions of dollars)

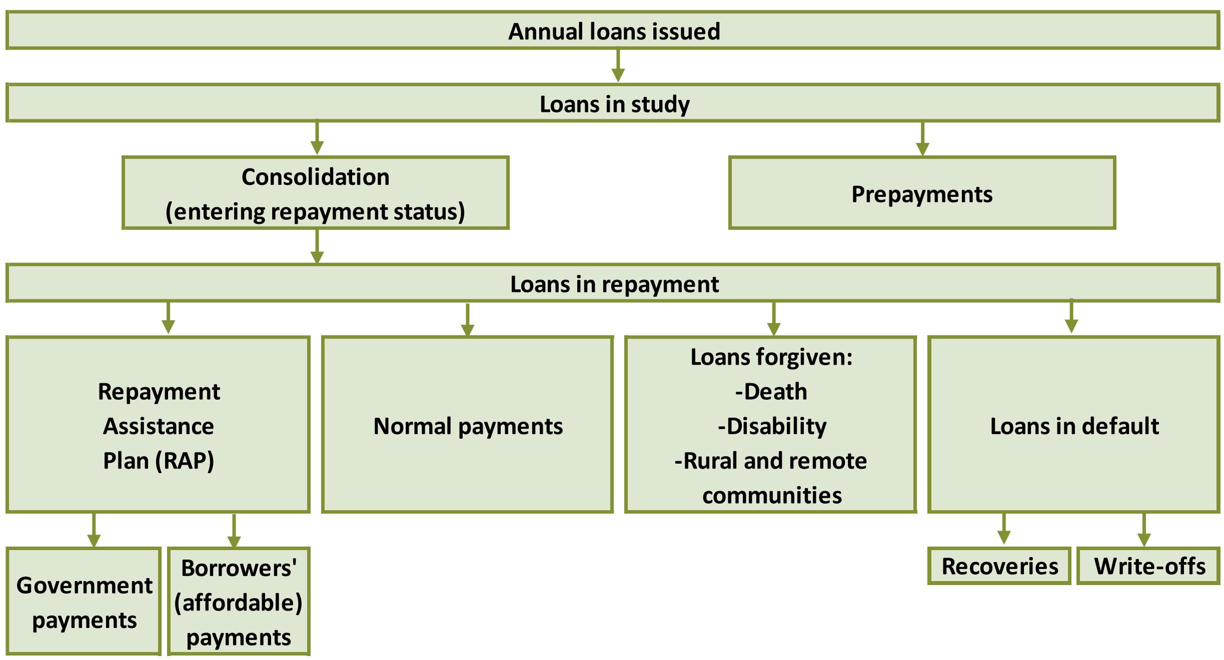
	MFIS				Data files
Academic year	Stage 1	Stage 2	Disability	Total	Total
2009-2010	67.5	0.5	0.7	68.7	73.7
2010-2011	82.7	1.8	3.0	87.5	87.6
2011-2012	94.1	3.9	5.8	103.8	101.9
2012-2013	106.1	6.5	6.1	118.7	119.3
2013-2014	119.2	9.3	6.8	135.3	139.1
2014-2015	131.3	12.9	8.5	152.7	153.9
2015-2016	137.8	15.4	9.3	162.5	164.0
2016-2017	154.3	19.2	11.1	184.7	182.3
2017-2018	182.2	27.0	13.6	222.8	219.4
2018-2019	199.3	34.6	16.6	250.5	245.3
2019-2020	96.8	18.9	8.6	124.3	125.3
2020-2021	40.2	6.6	3.6	50.4	51.5
2021-2022	0.1	0.0	0.0	0.2	0.0
2022-2023	0.0	0.0	0.0	0.0	0.0

Appendix C — Assumptions and methodology

Several economic and demographic assumptions are needed to determine the future long-term costs of the CSFA Program. The assumptions are determined by considering historical experience, recent trends and forward looking expectations. These assumptions reflect the actuary's best judgment and are referred to as "best-estimate" assumptions.

Chart 3 shows the typical evolution of CSFA loans starting from the moment they are issued. Multiple underlying assumptions and methodologies are needed to determine the expected path of a loan issued through the program. Those assumptions and methodologies are described in this Appendix.

Chart 3 Evolution of CSFA loans issued through the program



C.1 Demographic

C.1.1 Covered population projections

Demographic projections are based on the population projected in the 31st Actuarial Report on the Canada Pension Plan as at 31 December 2021. More specifically, it starts with the Canadian population on 1 July 2021, to which future fertility, mortality and migration assumptions, as shown in Table 29, are applied. The Canadian population is adjusted to exclude the non-participating province of Québec as well as the Northwest Territories, Nunavut, and non-permanent residents. The CPP population projections are essential in determining the future number of students expected to pursue a post-secondary education.

Table 29 Demographic assumptions

Total fertility rate for Canada (ultimate)	1.54 per woman (for 2029+)
Mortality	Statistics Canada Life Tables with CPP 31st assumed future improvements
Net migration rate for Canada (ultimate)	0.64% of population (for 2031+)

C.1.2 Post-secondary enrolment

Projections of post-secondary enrolment are based on enrolment data from Statistics Canada's Labour Force Survey up to April 2024. The enrolment rates for students enrolled full-time in post-secondary institutions vary according to the following:

Age group
- 15 to 19
- 20 to 24
- 25 to 29
- 30 and over

Gender
- Male
- Female

Labour force status
- In labour force (individuals who are employed or looking for employment)
- Out of labour force

Educational institution
- University
- Public college
- Private college

Table 30 presents the youth labour force participation rate for participating provinces/territory for ages 15 to 29, based on the population projected in the 31st Actuarial Report on the Canada Pension Plan as at 31 December 2021[1].

Table 30 Labour force assumptions for ages 15 to 29 (in percentage)

Academic year	Participation rate
2021-2022	68.9
2022-2023	68.9
2023-2024	68.9
2024-2025	69.0
2025-2026	69.2
•	•
2047-2048	71.6

For each sub-group, historical enrolment data and recent enrolment trends are analyzed. From these, expected future enrolment rates are determined. The future enrolment rates are then multiplied with the corresponding population subset (in or not in the labour force) to determine the expected number of students enrolled full-time. Since international students are not eligible to participate in the CSFA Program, they are excluded from the enrolment numbers.

Table 31 presents full-time post-secondary enrolment rates by age group, separated according to their labour force status, for academic years 2022-2023, 2032-2033 and 2047-2048. In 2022-2023, 48% of students aged 15-29 who were enrolled full-time in post-secondary institutions were also participating in the labour force. The projected number of part-time students is assumed to stay equal to the last known academic year and represents about 1% of total students taking a loan in the CSFA program.

[1] The projection from the CPP31st Actuarial Report does not reflect the *2023 Revisions of the Labour Force Survey* as it was completed prior to the update.

Table 31 Full-time post-secondary enrolment rate by labour force status (in percentage)

		2022-2023 (1)	2032-2033 (2)	Change in enrolment (2)/(1)-1	2047-2048 (3)	Change in enrolment (3)/(1)-1
In labour force	15-19	20.6	20.8	1.3	20.8	1.2
	20-24	24.6	26.5	7.6	26.4	7.3
	25-29	4.5	5.0	9.1	5.0	9.0
	30-64	0.8	0.9	10.9	0.9	11.0
	15-29	14.8	16.2	9.2	16.4	10.6
	15-64	4.1	4.6	10.6	4.6	11.8
Not in labour force	15-19	22.0	23.8	8.3	23.8	8.3
	20-24	70.8	73.4	3.7	73.4	3.7
	25-29	25.7	23.9	-6.9	23.9	-6.8
	30-64	2.7	2.9	11.2	2.9	10.8
	15-29	36.1	37.8	4.8	37.6	4.4
	15-64	10.3	11.7	14.4	11.5	12.0
Total enrolment over population	15-19	21.3	22.3	4.7	22.3	4.5
	20-24	36.8	37.9	3.0	37.5	2.0
	25-29	8.0	7.5	-6.4	7.3	-8.6
	30-64	1.2	1.2	6.0	1.2	6.0
	15-29	21.4	22.4	4.6	22.4	4.7
	15-64	6.6	7.0	6.1	6.9	5.6

Over the projection period, most enrolment rates, by age, are expected to increase.

C.1.3 Loan uptake rate and grant uptake rate

The projection of the loan uptake rates is based on the historical number of students receiving a loan under the CSFA Program according to the educational institution attended:

Educational institution

- University
- Public college
- Private college

A trend is defined for each group based on historical data, current socio-economic conditions and the future expected mix of the student population.

The product of the number of students enrolled full-time and the CSFA Program loan uptake rate gives the number of students receiving a loan under the CSFA Program.

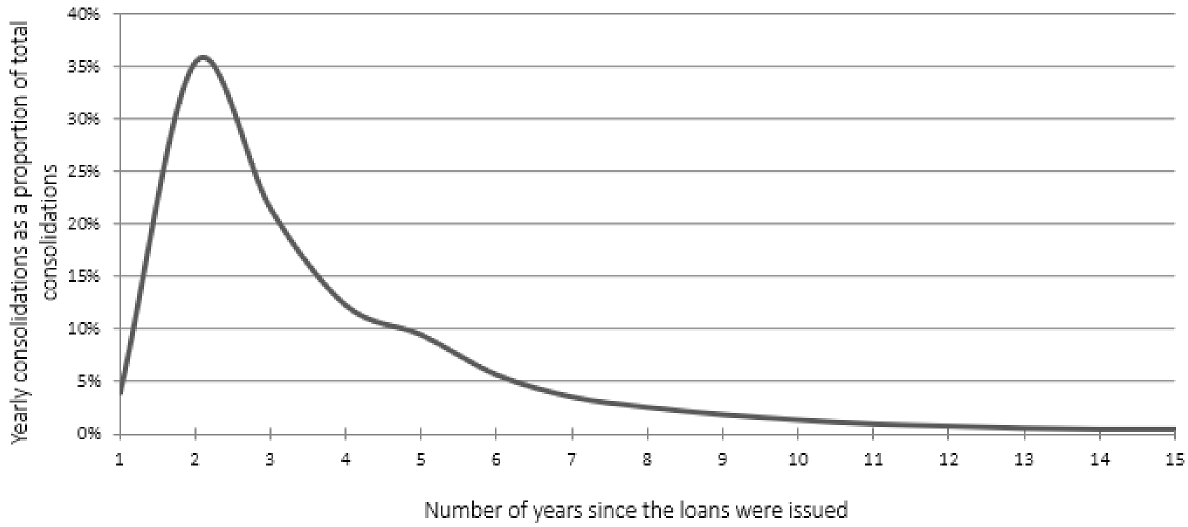
The same methodology is used for both the grant uptake rate and the loan and/or grant uptake rate.

C.1.4 Consolidation

Under the direct loan regime, loans are assumed to consolidate according to the distribution of consolidation by year shown in Chart 4 over a period of fifteen years after a loan is issued. This distribution is built using the experience of direct loan consolidations. The assumption remains fairly similar to the assumption from the previous report.

Each year, some borrowers having previously consolidated their student loans choose to return to school. For projection purposes, the consolidated loan amounts in each future academic year are calculated net of loans for borrowers who returned to school. Hence, the students only consolidate once for modeling purposes.

Chart 4 Distribution of consolidation amounts over 15 years



C.2 Economic

C.2.1 Inflation

Table 32 presents the inflation assumption. The ultimate inflation assumption is consistent with the assumption used in the 31st Actuarial Report on the Canada Pension Plan as at 31 December 2021.

Table 32 Inflation assumption (in percentage)

Academic year	Inflation
2023-2024	3.1
2024-2025	2.3
2025-2026	2.1
2026-2027	2.1
2027-2028+	2.0

C.2.2 Real wage increase

Table 33 presents the real wage increase assumption. The ultimate real wage increase is based on the 31st Actuarial Report on the Canada Pension Plan as at 31 December 2021.

Table 33 Real wage increase assumption (in percentage)

Academic year	Real wage increases
2023-2024	0.19
2024-2025	0.55
2025-2026	0.80
2026-2027+	0.90

C.2.3 Cost of borrowing

Table 34 presents the interest rates assumptions used to calculate the cost of borrowing for the Government. Since the normal repayment period lasts nine and a half years for most loans issued, the cost of borrowing for the Government is based on the expected 10-year Government of Canada bond yield.

Table 34 Borrowing cost (in percentage)

Academic year	Government's cost of borrowing	Government's real cost of borrowing[a]	Prime rate[b]
2023-2024	3.0	-0.2	7.2
2024-2025	3.0	0.7	5.7
2025-2026	3.0	0.9	4.8
2026-2027	3.0	1.0	4.7
2027-2028	3.1	1.1	4.6
2028-2029	3.2	1.2	4.6
2029-2030	3.3	1.3	4.6
2030-2031	3.4	1.4	4.6
2031-2032	3.4	1.4	4.5
2032-2033	3.5	1.5	4.5
2033-2034	3.6	1.6	4.5
2034-2035+	3.7	1.7	4.5

a. Equals to the Government's cost of borrowing minus inflation.
b. Average expected interest rate declared by Canadian financial institutions.

The government's cost of borrowing is expected to increase gradually from the academic year 2023-2024 to an ultimate rate of 3.7% in the academic year 2034-2035.

C.2.4 Tuition increase

Tuition fees are, in part, determined by government policies. Thus, they are projected using provincial and/or university budgets, along with recent and historical experience of tuition fee increases. The short-term projected increases in tuition fees are shown in Table 35.

Table 35 Short-term increase of tuition expenses (in percentage)

Province	Weight	2022-2023[a]	2023-2024[a]	2024-2025[b]	2025-2026[b]	2026-2027[b]
Newfoundland	1.3	11.1	3.6	31.5	31.5	31.5
Prince Edward Island	0.3	1.9	4.2	5.0	3.3	3.2
Nova Scotia	4.5	2.6	3.3	2.0	2.0	2.0
New Brunswick	2.9	3.9	4.8	3.0	3.1	3.1
Ontario	49.8	1.9	2.4	0.0	0.0	0.0
Manitoba	0.6	3.6	2.7	2.8	2.8	2.8
Saskatchewan	2.7	4.6	4.4	3.8	3.4	3.4
Alberta	26.0	9.4	5.3	2.0	2.0	2.0
British Columbia	11.9	2.0	2.0	2.0	2.0	2.0
Weighted average		4.1	3.3	1.5	1.5	1.5

a. Increases based on Canadian undergraduate tuition published by Statistics Canada (table 37-10-0045-01).
b. Increases based on provincial and/or university budgets, historical experience or expected future increases.

Long-term estimates of tuition are based on past increases in tuition relative to increases in inflation. Academic years 2019-2020 to 2023-2024 represent outlier points in terms of tuition increase due to the 10% decrease in tuition during the first year and the tuition freeze in the following years, both enacted by the Ontario Government. Therefore, they are excluded in the calculations of historical average increases. Over the 10-year period ending in 2018-2019, tuition increases have been, on average, close to inflation plus 1.75%. Therefore, the ultimate tuition increase is 3.75%.

Following the end of Ontario’s tuition freeze and taking into consideration that most students are currently under a provincial government that has a cap on tuition increase, it is assumed that the tuition will gradually revert from 1.5% in the academic year 2026-2027 to the long-term assumption of 3.75% (inflation plus 1.75%). This is shown in Table 36.

Table 36 Tuition increase assumption (in percentage)

Academic year	Tuition fee increases
2022-2023	4.10
2023-2024	3.30
2024-2025	1.50
2025-2026	1.50
2026-2027	1.50
2027-2028	3.00
2028-2029	3.25
2029-2030	3.50
2030-2031+	Inflation + 1.75

The starting point for the 2021-2022 tuition fees is calculated from the need assessment data file and represents the average tuition fees for students who received a loan or a grant. Tuition fees were calculated for each of the three student groups (university, public college and private college) and a weighted average was determined based on the number of students in each group. This calculation resulted in a tuition fee estimate of $9,200 for the academic year 2021-2022. The estimated weighted average tuition fees (including compulsory fees) for 2022-2023 is $9,600 (resulting in an increase of 4.0% from 2021-2022).

C.3 Loan Size

C.3.1 Student needs

The projection of the average loan issued is based on the projection of the student net need, capped at the maximum weekly student loan limit. Student net need increases are calculated separately for each group (university, public college and private college students) over the projection period.

<table>
<tr><td rowspan="2">Determining the student net need</td><td>Student need (excess of expenses over resources):
• Expenses: tuition and compulsory fees, books and supplies, living allowance, return transportation, childcare and a few other allowable expenses depending on the student’s situation.
• Resources: student contributions[1] and, when applicable, parental or spousal contributions.
• Projected to increase using economic assumptions.</td></tr>
<tr><td>Grants reduction:
• Grants reduce the student need, resulting in the student net need.
• Grants may fulfill the entire student need, in which case no loan is issued.
• Different grants are available (details can be found in Appendix A).
• Grants other than those for disability are projected using inflation indexed thresholds and expected gross annual family income.</td></tr>
</table>

ESDC provided CSFA Program need assessment data for the academic year 2021-2022. The CSFA Program generally aims to provide 60% of the total assessed need, while the participating province or territory of residence aims to provide the remaining 40%.

C.3.2 Other student expenses

Other expenses are considered to be any student expense other than tuition fees and are projected to increase with inflation. These expenses include books, shelter, food, clothing and transportation and are assessed by the participating provinces and territory. The average expense is calculated from the need assessment data file and represents the average expenses for students who receive a loan or a grant (the projection is made individually by university, public college and private college). The estimated average for other expenses is $14,000 for the academic year 2021-2022; it increases to $14,800 in the academic year 2022-2023 based on an increase of 5.1%[2]. Starting with the academic year 2024-2025, other student expenses are adjusted to reflect Budget 2024 proposed changes to the living allowance.

C.3.3 Student resources

The starting point for average resources in 2021-2022 is calculated from the need assessment data file and represents the average resources for students who received a loan or a grant. The salary portion of average resources is then projected using the wage increase assumption, while the standard of living used to determine the parental contribution is projected using the inflation

[1] A portion of the student’s contributions comes from the fixed student contribution set at a maximum of $3,000 per academic year.

[2] Slightly different than the inflation assumption for the academic year 2022-2023 due to a change in the weights for university, public college and private college.

assumption (the projection is made individually by university, public college and private college). The estimated student average resources is $3,200[1] for 2021-2022. This amount remains at $3,200 in the academic year 2022-2023.

C.4 Grants

For the academic year 2022-2023, the actual cost of Canada Student Grants (CSGs) was $3,520 million. Once the temporary increase in the maximum amount of grants have expired, the total amount of grants disbursed under the CSG is projected to decrease over the projection period as fewer borrowers become eligible for the CSG-FT due to the family income (inflation plus real wage) increasing at a faster pace than the grant thresholds (inflation). Eventually, this decrease is expected to be more than offset by an increasing enrolment headcount.

For academic years 2020-2021 to 2024-2025, grants are higher due to the temporary doubling of grants followed by a 40% increase (compared with the academic year 2019-2020) in grants. Maximum monthly grant amounts, as set out by the program, are assumed to remain constant for the remaining projection period for the purpose of this valuation.

C.5 Repayment for direct loans

C.5.1 Prepayments

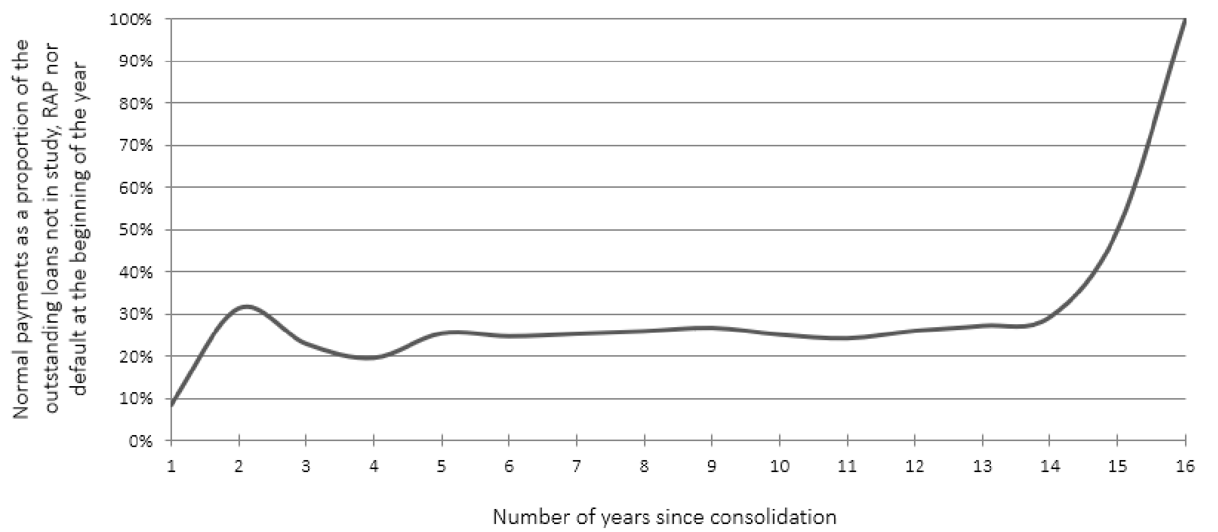
Prepayments correspond to payments applied to principal during the period of study and during the six-month non-repayment period after the period of study end date. The amount of prepayments for 2022-2023 was $352 million. Around 30% of this amount is received during the period of study and the remaining 70% is received during the non-repayment period. Over the long-term, it is assumed that around 13% (15% in the previous report) of loans issued are prepaid. This assumption is based on recent historical experience.

C.5.2 Normal payments

Normal payments are made by borrowers that are not in study, RAP nor default. These payments include both the minimum payments (as set out by the repayment agreement) and any additional voluntary payments. The projected normal payments that apply to each consolidation cohort are shown in Chart 5.

[1] Recent actual data showed an irregular reduction in parental earnings, probably due to the COVID-19 pandemic. Hence, the student average resources of $3,200 includes an upward adjustment that was applied to the parental earnings (and consequently, to the parental contribution that is a component of student resources). This adjustment is used throughout the projection.

Chart 5 Normal payments over 16 years



The most recent normal payments experience is lower than observed pre-pandemic and assumed to gradually revert back to the pre-pandemic level starting in 2028-2029. Hence, the normal payments over the next five academic years are adjusted downward as shown in Table 37.

Table 37 Adjustments to normal payments (in percentage)

Academic year	Multiplicative adjustments
2023-2024	75
2024-2025	80
2025-2026	85
2026-2027	90
2027-2028	95
2028-2029+	100

C.5.3 Loans forgiven

There are two categories of loans forgiven: those forgiven for severe permanent disability and death, and those forgiven for family physicians, qualifying nurses, early childhood educators as well as additional health care and social services professionals who work in an under-served rural or remote community.

Starting with the academic year 2023-2024, loans forgiven for severe permanent disability and death correspond to 0.027% of loans in study and 0.145% of loans in repayment. The long-term rate of loans forgiven while in repayment was increased to reflect recent loans forgiven while in default. In the future, they are expected to directly be forgiven while in repayment instead of defaulting first. In 2022-2023, $8.7 million of loans were forgiven while in default.

Loans forgiven to professionals working in under-served rural or remote communities are projected based on the expected new number of doctors and qualifying nurses who received student loans during their studies and are expected to work in an under-served rural or remote community after graduation to which, the expected utilization from the newly eligible professionals is added.

C.6 Administrative expenses

ESDC provided estimates of the administrative expenses to support the CSFA Program for the short-term. The costs have been converted to an academic year basis and the extrapolation of future years was done using wage increases (inflation plus real wage). Administrative expenses include ESDC salary and non-salary resources related to the program as well as expenses for service providers and collection costs.

The general administrative fees represent the expenses incurred by the departments involved and fees paid to the National Student Loans Service Centre (NSLSC).

Table 38 Administrative expense (in millions of dollars)

Academic year	Administrative expenses
2022-2023	107.6
2023-2024	109.2
2024-2025	110.1
2025-2026	112.5
2026-2027	115.1
2027-2028	118.5
2028-2029+	Increases with wages

C.6.1 Administrative fees paid to provinces

The administrative expenses include fees paid to the participating provinces and to the Yukon Territory. These fees are paid to administer certain aspects of the CSFA Program. For the academic year 2022-2023, the administrative fees paid to the participating provinces and territory were $31.3 million. Future years were projected using wage increases.

C.6.2 Alternative payments

Alternative payments are made directly to the province and territories that do not participate in the CSFA Program, namely Québec, the Northwest Territories, and Nunavut. These payments are projected by multiplying the net cost of the program by the ratio of the population aged 18 to 24 residing in the non-participating province and territories to the population aged 18 to 24 residing in the participating provinces and territory.

The expenses included in the calculation are: interest subsidies, RAP–interest expenses for risk-shared and guaranteed regimes, loans forgiven, service providers' costs, CSG, claims, RAP payments, risk premiums, put-backs, refunds to financial institutions, direct loans' borrowing costs for loans in good standing and default amounts for the direct loan regime.

The revenues include student interest payments, if any, and principal and interest from recoveries. The cost of alternative payments is $999.2 million for 2022-2023 based on expenses and revenue of 2021-2022 and $1,138.0 million for 2023-2024 based on expenses and revenue of 2022-2023, both including temporary measures.

C.7 Allowance

Three allowances are projected in this report. There is an allowance for the RAP (principal) to cover the future cost of students benefiting from this program, and two allowances for bad debt (principal and interest) to cover the future cost of students defaulting on their loan, net of recoveries, recalls and rehabilitations. This section provides details related to the assumptions and methodologies used to determine those allowances.

C.7.1 Repayment assistance plan (RAP)

The methodology used to calculate the RAP allowance is based on the following components:

a) The share of loans (as a percentage of the initial consolidation cohort) using the RAP at least once[1] (based on historical experience);
b) The share of loans in the RAP that will remain in the RAP after each academic year, as not all RAP borrowers end up using the 15-year maximum repayment period (based on historical experience);
c) An adjustment for the expected change in future experience due to family income increasing at a rate equal to real wage plus inflation and RAP thresholds increasing at a rate equal to inflation (based on an estimate using economic data);
d) An adjustment for the expected impact for the following recent changes that are partially reflected in the historical data (based on an estimate using economic data):
    - Impact of the RAP threshold changes in the academic year 2022-2023;
    - Impact of the change in the disability definition in the academic year 2022-2023.
e) The required payments for loans in the RAP for each academic year (based on the RAP formula); and
f) The share of the required payment paid by the Government (based on historical experience).

Sections C.7.1.1, C.7.1.2 and C.7.1.3 provide information on the resulting loan balances in RAP. Section C.7.1.4 provides additional information on the other RAP assumptions.

Tables 39, 40 and 41 show the result of steps (a) to (d) as a percentage of the initial consolidation amount (utilization rates).

C.7.1.1 RAP – Stage 1

Table 39 shows the long-term utilization rate assumptions used for RAP–Stage 1. Many borrowers complete their RAP–Stage 1 over a period longer than five years, hence the utilization rates do not always include the same borrowers from year to year, and some borrowers may be in the plan for only part of a year. The model takes all of this into account by incorporating the average time spent in RAP–Stage 1 in an academic year.

The first year in RAP–Stage 1 (the first diagonal row of Table 39) generally consists of a partial academic year since most borrowers do not enter the RAP on August 1st. However, if borrowers remain in the RAP for a greater amount of time in the second year, then the utilization rate can be higher than the preceding year. The utilization rate is based on the consolidation amounts and is applied by cohort.

[1] For consolidation cohorts that already have data, starting from the latest known.

Table 39 RAP-Stage 1 utilization rates

Year since consolidation	Start year after consolidation							
	0-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8
0-1	19.9%							
1-2	24.0%	4.3%						
2-3	15.8%	3.3%	0.9%					
3-4	12.1%	2.2%	0.8%	0.4%				
4-5	9.8%	1.7%	0.5%	0.4%	0.2%			
5-6	5.4%	1.4%	0.4%	0.3%	0.2%	0.1%		
6-7	1.4%	0.6%	0.3%	0.2%	0.1%	0.1%	0.1%	
7-8	0.7%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
8-9	0.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
9-10	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

For example, it is expected that 20.0% (15.8% + 3.3% + 0.9%) of the total initial consolidation dollar amount for a given cohort will be in RAP–Stage 1 two years after their consolidation.

C.7.1.2 RAP–Stage 2

The methodology used to calculate the amount of dollars in RAP–Stage 2 assumes that as borrowers become eligible for RAP–Stage 2 (five years after entering RAP–Stage 1), they immediately enter RAP–Stage 2. This means that a borrower could enter RAP–Stage 2 from the 6th year after consolidation until the 11th year after consolidation.

Table 40 shows the resulting long-term utilization rate assumptions used for RAP–Stage 2.

Table 40 RAP-Stage 2 utilization rates

Year since consolidation	Start year after consolidation					
	5-6	6-7	7-8	8-9	9-10	10-11
5-6	2.4%					
6-7	3.8%	1.2%				
7-8	2.9%	1.2%	0.5%			
8-9	2.3%	0.9%	0.5%	0.2%		
9-10	1.7%	0.7%	0.4%	0.3%	0.2%	
10-11	1.3%	0.5%	0.3%	0.2%	0.2%	0.2%
11-12	0.9%	0.3%	0.2%	0.1%	0.1%	0.2%
12-13	0.6%	0.2%	0.1%	0.1%	0.1%	0.1%
13-14	0.3%	0.1%	0.1%	0.0%	0.0%	0.1%
14-15	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%

C.7.1.3 RAP–D

RAP–D is available to borrowers with a disability recognized by the CSFA Program. A borrower who had a RAP–D application approved is eligible to start in the RAP–D as soon as his loan consolidates and can remain in the plan for a period of 9.5 years, when the loan is expected to have been repaid in full.

Table 41 shows the long-term utilization rate assumptions used for RAP–D.

Table 41 RAP-D utilization rates

Year since consolidation	Start year after consolidation						
	0-1	1-2	2-3	3-4	4-5	5-6	6-7
0-1	2.32%						
1-2	2.63%	0.41%					
2-3	1.65%	0.30%	0.10%				
3-4	1.19%	0.20%	0.10%	0.06%			
4-5	0.84%	0.14%	0.06%	0.06%	0.04%		
5-6	0.63%	0.09%	0.04%	0.04%	0.05%	0.04%	
6-7	0.44%	0.07%	0.03%	0.03%	0.03%	0.04%	0.03%
7-8	0.30%	0.05%	0.02%	0.02%	0.02%	0.03%	0.04%
8-9	0.17%	0.03%	0.01%	0.01%	0.01%	0.01%	0.02%
9-10	0.06%	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%

C.7.1.4 Other RAP assumptions

Table 42 provides information on the additional assumptions used to calculate the RAP allowance.

Table 42 Other RAP assumptions

	Multiplicative adjustments to the share of loans in RAP due to family income growing at a faster pace than thresholds	Gradual impact of the threshold change to the share of loans in RAP			Government share of the required payment	
Academic year	RAP-1, RAP-2 and RAP-D	RAP-1	RAP-2	RAP-D	RAP-2	RAP-D
2023-2024	99.6% per academic year, up to a maximum of 94.0% after 15 years	106.4%	104.1%	105.2%	97.3%	97.4%
2024-2025		112.7%	106.2%	105.2%	97.3%	97.4%
2025-2026+		112.7%	108.3%	105.2%	97.3%	97.4%

The values presented in the Table 39, Table 40 and Table 41 already include the long-term adjustments for the "Family income growing at a faster pace than thresholds" and for the "Gradual impact of the threshold change".

C.7.1.5 Provision rates for RAP–principal (Stage 2 and D)

The allowance for RAP–principal covers future costs related to RAP–Stage 2 and RAP–D, which corresponds to the portion of the loan principal paid off by the Government.

As with the allowance for bad debt – principal, the methodology to determine the provision rates and allowance for RAP–principal is based on a prospective approach that uses a snapshot of the portfolio at a particular point in time to determine the amount of the allowance at that time. The calculation of the allowance is separated into three components according to the status of the loan; that is whether the loan is in-study, in repayment (excluding loans in the RAP) or in the RAP (considering the current stage). The provision rates are based on current and long-term RAP utilization rates at each stage. Three distinct provision rates, depending on the status of the loan at a given time, will be used to determine the required allowance.

The provision rates used for the projected allowance as at 31 July 2024 shown in this report are:

- 6.7% for loans in-study;
- 1.7% for loans in repayment (net of loans in the RAP); and
- 36.9% for loans in the RAP (all stages combined).

The ultimate provision rates used in this report are (corresponding rates in the previous report are in brackets):

- 6.5% (7.1%) for loans in-study;
- 2.1% (2.0%) for loans in repayment (net of loans in the RAP); and
- 34.9% (33.2%) for loans in the RAP (all stages combined).

The lowest provision rate is for the portfolio of loans in repayment. This portfolio includes cohorts of loans for which partial reimbursements have already occurred, as well as some defaults and utilization of the RAP, resulting in a lower risk for the remaining loans and consequently, a lower required provision rate than the one for loans in-study.

The highest provision rate is for the portfolio of loans already in the RAP. Having already entered the plan by meeting the eligibility criteria, there is a greater chance that these loans will remain eligible and consequently, remain in the plan.

The annual expense for the allowance for RAP–principal is equal to the difference between the total allowance at the end of a year and the total allowance at the end of the previous year net of the current year's RAP expenses (as shown in Table 16).

The RAP is a plan that was introduced in 2009 and thus, has limited experience. Since students using RAP–Stage 2 repay their loan over a period of 15 years after consolidation, it takes 15 years for a cohort to fully develop its experience. Hence, the first cohort to have full experience will be the 2009-2010 consolidation cohort when it reaches the academic year 2024-2025. The related projection of costs and underlying assumptions will be revised in the future as experience emerges and the provision rates will be updated accordingly. As with the former Interest Relief measure, a modest allowance for the RAP–interest is determined by ESDC for accounting purposes to take into account the timing of the interest accrued.

C.7.2 Net default rate

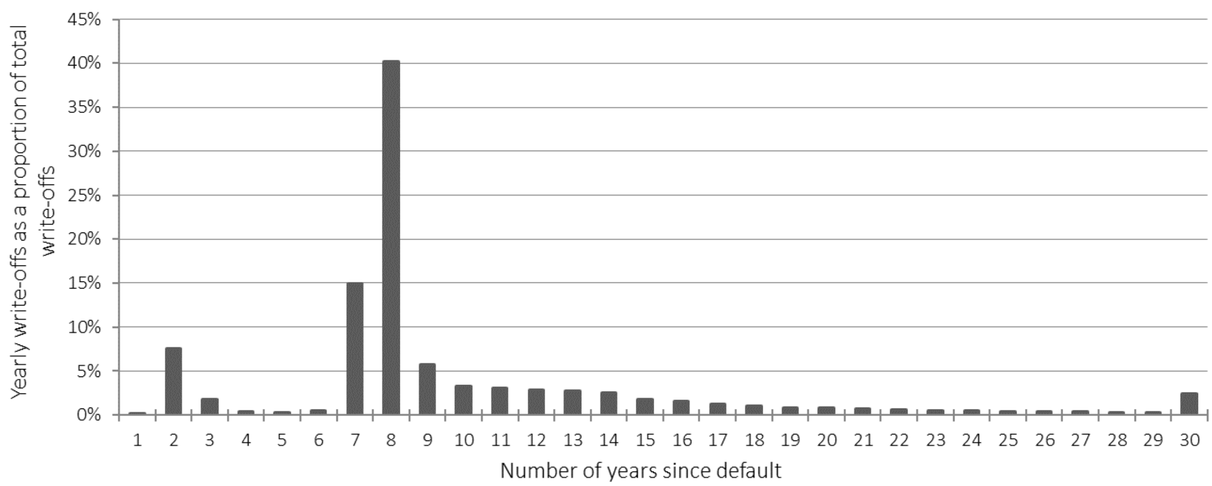
Several assumptions are used to determine the expected future amount of defaulted principal that will not be recovered, namely the gross default rate, the loans rehabilitations and recalls, the loans recoveries and the prepayments. These assumptions are revised each year and are based on historical observations and the actuary's best estimates.

The net default rate is used to derive the provision rates for bad debt – principal and for bad debt – interest shown in sections C.7.3 and C.7.4. It represents the proportion of consolidated loans that will eventually be written off for each future consolidation cohort. The long-term net default rate is lower than the previous report rate of 8.1% and corresponds to:

> Gross default rate x (1 – recalls and rehabilitation rate – recovery rate) =
> 15.50% x (1 – 19.5% – 36.0%) = 6.9%

The amount of loans to be written-off[1] each year is determined using the assumed distribution presented in Chart 6, which was updated from the last report based on recent experience data.

Chart 6 Write-off distribution over 30 years

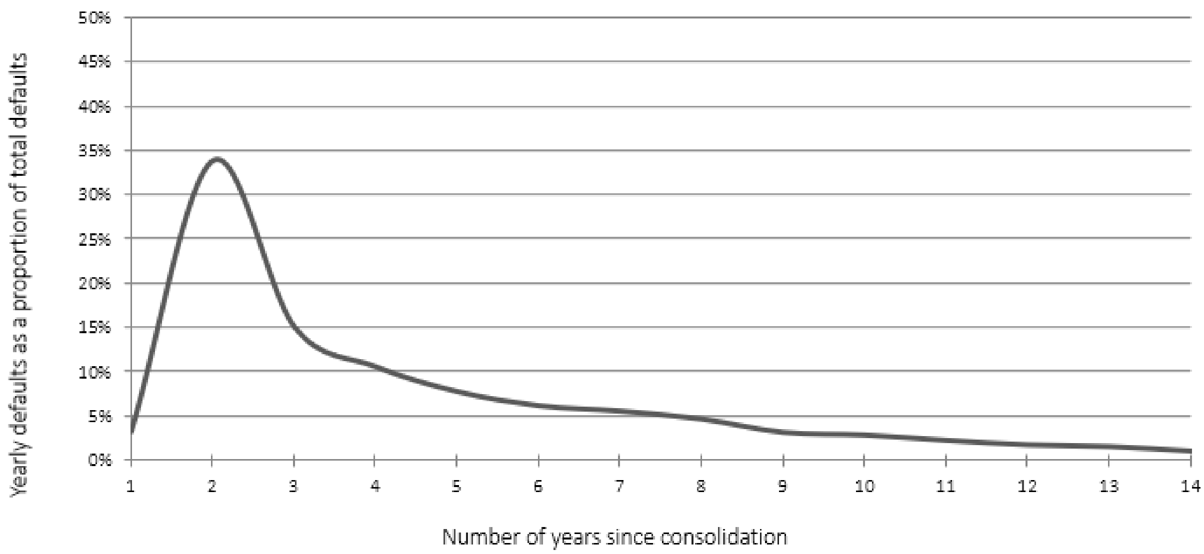


[1] Includes write-offs of defaulted loans that exceed the six-year limitation period as stated in section 16.1 of the Canada Student Financial Assistance Act, as well as small balances of defaulted loans.

C.7.2.1 Gross default rate

A default rate is determined for each consolidation cohort. This rate represents the proportion of loans consolidated in a year that are expected to default at some point before they are completely repaid. Consolidation cohorts 2028-2029 and onwards are assumed to have the same ultimate gross default rate of 15.50% (based on historical experience and increased from 15.00% in the previous report). The short-term gross default rates (up to the academic year 2027-2028) are adjusted to reflect recent experience (Section C.7.2.4). As shown in Chart 7, the largest proportion of loans goes into default within three years of consolidation.

Chart 7 Default distribution over 14 years



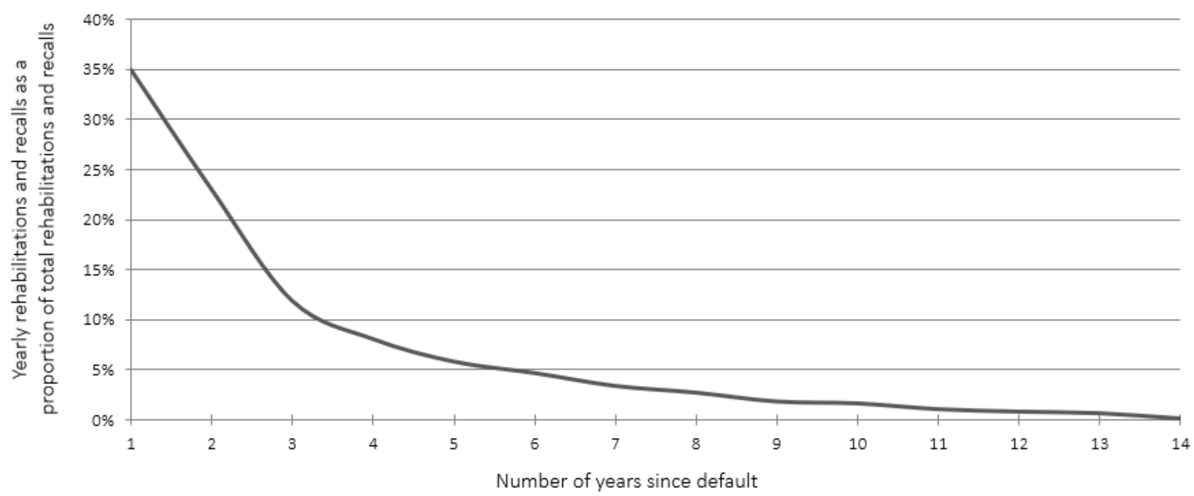
C.7.2.2 Recalls and rehabilitations rate

For different reasons, loans can be mistakenly transferred in default. When they are brought back in good standing, the transaction is referred to as a recall. In addition, borrowers who find themselves legitimately in default can bring their loans back in good standing by performing what is called a rehabilitation. Since January 2020, borrowers can meet the rehabilitation criteria by making two monthly payments and capitalizing the remaining interest, if any, on their loan. To be eligible for the RAP, borrowers first need to have a loan in good standing which provides an incentive for borrowers to rehabilitate their loans.

Consolidation cohorts 2033-2034 and onwards are assumed to have the same ultimate recalls/rehabilitations rate of 19.5% (based on historical experience and increased from 13.5% in the previous report). The short-term recalls/rehabilitations rates (up to the academic year 2032-2033) are adjusted upward to reflect recent experience (Section C.7.2.4).

Chart 8 shows the long-term recalls and rehabilitations distribution once a loan is transferred in default.

Chart 8 Recalls and rehabilitations distribution over 14 years

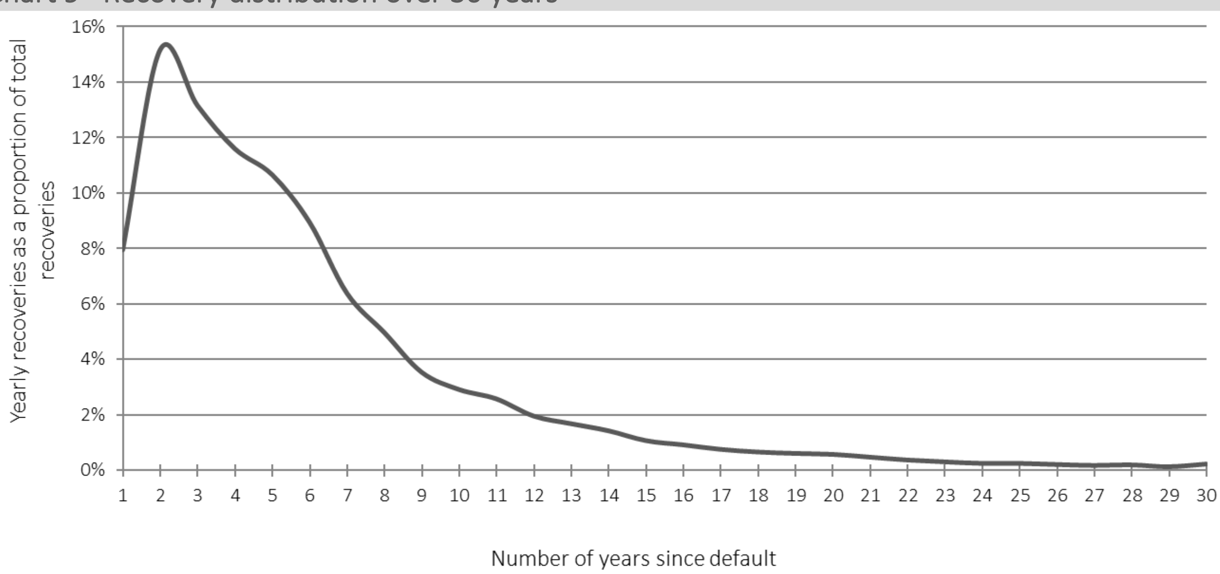


C.7.2.3 Recovery rate

Recoveries represent monies the program is able to recuperate after loans have defaulted. CRA is responsible for collecting this money on behalf of the program. Recoveries are analysed based on the default year after consolidation. The long-term recovery rate for a default cohort is assumed to be 36.0% (32.8% in the previous report). This increase is mainly due to the expected impact of the elimination of interest accrual, where recoveries would now apply to principal only instead of principal or interest. This increase is partially offset due to the expectation that a higher share of defaulted borrowers will rehabilitate their loans and will no longer follow the recovery process. The recovery rate for the academic year 2023-2024 is adjusted to reflect partially known experience (Section C.7.2.4).

Chart 9 shows the recovery distribution once a loan is transferred in default.

Chart 9 Recovery distribution over 30 years



C.7.2.4 Short-term adjustments to the default assumptions

Table 43 provides the adjustments that were made to the default ultimate assumptions to set the short-term defaults, rehabilitations, recalls, and recoveries. These adjustments are gradually phased out as the experience is expected to transition from the partially known academic year 2023-2024 to the ultimate assumptions.

Table 43 Short-term adjustments to the default assumptions

Academic year	Multiplicative adjustments to all gross defaults during the academic year	Multiplicative adjustments to all rehabilitation and recalls during the academic year	Multiplicative adjustments to all recoveries during the academic year
2023-2024	119.9%	166.3%	105.0%
2024-2025	116.0%	140.8%	100.0%
2025-2026	112.0%	136.3%	100.0%
2026-2027	108.0%	131.7%	100.0%
2027-2028	104.0%	127.2%	100.0%
2028-2029	100.0%	122.7%	100.0%
2029-2030	100.0%	118.1%	100.0%
2030-2031	100.0%	113.6%	100.0%
2031-2032	100.0%	109.1%	100.0%
2032-2033	100.0%	104.5%	100.0%
2033-2034+	100.0%	100.0%	100.0%

C.7.3 Bad debt - principal

The allowance for bad debt – principal is based on a prospective approach that uses a snapshot of the portfolio at a specific point in time to determine the amount of the allowance at that time. The calculation of the allowance is separated into three components according to the status of the loan; that is whether the loan is in-study, in repayment (according to the number of years since consolidation) or in default (according to the number of years since default).

The provision rates used for the projected allowance as at 31 July 2024 shown in this report are:

- 5.9% for loans in-study;
- 3.1% for loans in repayment; and
- 69.2% for loans in default.

The ultimate provision rates used in this report are (corresponding rates in the previous report are in brackets):

- 6.0% (6.8%) for loans in-study;
- 4.4% (4.2%) for loans in repayment; and
- 69.0% (77.9%) for loans in default.

The level of the total allowance is determined at the end of the academic year. The annual expense is equal to the difference between the total allowance at the end of a year and the total allowance at the end of the previous year net of write-offs that have occurred during the year.

C.7.3.1 Allowance for loans in study

This allowance takes into account the net default rate adjusted to consider prepayments (payments received from students prior to consolidation). Based on experience, prepayments amount to approximately 13.0%. This results in a long-term provision rate for loans in study of:

[(Net default rate) x (1 – prepayments)] = [(6.9%) x (1 – 13.0%)] = 6.0%

C.7.3.2 Allowance for loans in repayment

This allowance is determined using projected future defaults according to the number of years since consolidation. The recovery rate assumption is then applied to determine the portion of projected defaulted loans that will not be recovered. This result corresponds to the allowance on the balance of loans in repayment. As mentioned previously, the long-term recovery rate for each gross default cohort is expected to be 36.0%; hence, it is assumed that 64.0% (1 – 36.0%) of the projected gross defaulted loans will not be recovered.

The provision rate on outstanding loans in repayment is 4.4% in the long-term. This provision rate of 4.4% for loans in repayment is lower than the provision rate of 6.0% for loans in-study since the portfolio in repayment includes cohorts of loans for which some defaults and partial reimbursements have already occurred, resulting in a lower inherent risk of loss for the remaining loans.

C.7.3.3 Allowance for loans in default

The last component of the allowance for bad debt – principal is the balance of loans in default that will not be recovered. It is determined by applying rehabilitation, recall and recovery assumptions to loans that have already transferred in default. Those assumptions are lower than for other portfolios since the portfolio in default includes cohorts of loans that have been transferred in default for a certain number of years and for which some rehabilitations, recalls and recoveries have already occurred. Thus, the remaining loans have aged and have an increased risk of loss.

The long-term provision rate is equal to 69.0%.

C.7.4 Bad debt - interest

The methodology for the calculation of the allowance for bad debt – interest is as follows:

- Starting point includes all active borrowers in default as at 31 July 2023;
- The historical experience is used to calculate, for each year, the probabilities of:
  - Rehabilitating the loan;
  - Having a non-CRA recovery and the amount of the recovery;
  - Having a CRA recovery and the amount of the recovery;
  - Writing off the loan (assumed to be 100% for the 30th year).
- Expected experience is generated for each individual borrower and for all future academic years (capped at 30 years after a borrower transferred in default) using the previously calculated probabilities; and
- The provision rate at any given date is equal to the sum of future write-offs (after the given date) divided by the expected outstanding interest balance (at the given date).

Provision rates can be estimated for each year since default, as shown in Table 44. The provision rate is 30.1% of interest accrued in the first year after loans are transferred into default. It increases in each of the six subsequent years before remaining at around 65% for the years after (a significant amount is written off when the six-year limitation period after the consolidation is reached). The aggregate provision rate is equal to 64.2% (66.5% as at 31 July 2021 in the previous report) of the outstanding default interest portfolio as at 31 July 2024.

Table 44 Provision rates for bad debt – interest[a]

Year since default	Provision rates (%) - academic year 2023-2024
1st	30.1
2nd	41.3
3rd	42.4
4th	50.2
5th	62.2
6th	71.7
7th	75.3
8th	59.7
9th	56.9
10th	58.6
11th	60.7
12th	60.0
13th	63.3
14th	62.2
15th	62.6
16th	63.0
17th	65.6
18th	66.4
19th	69.2
20th	69.4
21st	64.4
22nd	62.2

a. Provision rates for bad debt – interest are applied on total interest.

The annual expense is equal to the difference between the total allowance at the end of a year and the total allowance at the end of the previous year net of write-offs that have occurred during the year.

Appendix D — New loans and grants by institution type

The next four tables present the number of recipients as well as the amounts issued by institution type for both loans and grants.

Table 45 Number of students receiving a grant by institution type (in thousands)

Academic year	University	Public college	Private college	Total
2022-2023	301	158	99	558
2023-2024	318	166	102	586
2024-2025	320	181	91	592
2025-2026	319	194	80	593
2026-2027	316	207	69	592
2027-2028	314	208	69	590
2028-2029	311	208	70	589
2029-2030	310	208	69	588
2030-2031	309	207	69	586
2031-2032	307	206	69	583
2032-2033	306	206	68	580
2033-2034	303	204	68	575
2034-2035	300	203	67	570
2035-2036	297	201	67	564
2036-2037	294	199	66	559
2037-2038	292	197	66	555
2038-2039	290	196	65	551
2039-2040	288	195	65	548
2040-2041	287	194	65	545
2041-2042	285	193	64	543
2042-2043	285	193	64	543
2043-2044	286	194	64	544
2044-2045	287	195	63	545
2045-2046	289	195	63	547
2046-2047	291	196	63	550
2047-2048	291	197	63	550

The proportion of university, public college and private college students receiving a grant is relatively stable from academic year 2026-2027 to the end of the projection at about 53%, 35% and 12%, respectively.

Table 46 Grants disbursed by institution type (in millions of dollars)

Academic year	University	Public college	Private college	Total
2022-2023	1,746	974	800	3,520
2023-2024	1,342	723	569	2,634
2024-2025	1,346	783	513	2,642
2025-2026	957	601	323	1,881
2026-2027	950	640	278	1,869
2027-2028	943	643	280	1,866
2028-2029	937	646	281	1,864
2029-2030	935	645	281	1,860
2030-2031	932	643	280	1,855
2031-2032	928	641	279	1,848
2032-2033	923	638	279	1,840
2033-2034	917	635	277	1,829
2034-2035	909	631	276	1,816
2035-2036	901	627	274	1,802
2036-2037	895	624	273	1,792
2037-2038	892	623	273	1,788
2038-2039	890	622	272	1,784
2039-2040	888	622	272	1,782
2040-2041	886	621	272	1,779
2041-2042	883	621	272	1,777
2042-2043	884	622	273	1,780
2043-2044	887	625	274	1,786
2044-2045	892	628	276	1,795
2045-2046	898	631	277	1,806
2046-2047	905	635	279	1,819
2047-2048	908	636	280	1,823

The proportion of university, public college and private college grants disbursed is relatively stable from academic year 2026-2027 to the end of the projection at about 50%, 35% and 15%, respectively.

Table 47 Number of students receiving a loan by institution type (in thousands)

Academic year	University	Public college	Private college	Total
2022-2023	314	139	113	566
2023-2024	349	174	129	652
2024-2025	351	189	116	655
2025-2026	355	205	101	661
2026-2027	358	222	86	666
2027-2028	362	226	85	673
2028-2029	366	231	84	681
2029-2030	372	234	82	688
2030-2031	373	235	83	691
2031-2032	374	236	83	693
2032-2033	375	236	83	694
2033-2034	375	236	83	695
2034-2035	375	237	83	695
2035-2036	374	236	83	694
2036-2037	375	237	83	695
2037-2038	377	238	84	698
2038-2039	378	240	84	702
2039-2040	380	241	85	706
2040-2041	382	243	85	710
2041-2042	384	244	86	715
2042-2043	388	247	87	721
2043-2044	392	249	88	729
2044-2045	397	252	89	738
2045-2046	403	255	90	748
2046-2047	410	259	91	760
2047-2048	414	261	92	767

The proportion of university, public college and private college students receiving a loan is relatively stable from academic year 2026-2027 to the end of the projection at about 54%, 34% and 12%, respectively.

Table 48 Loans issued by institution type (in millions of dollars)

Academic year	University	Public college	Private college	Total
2022-2023	1,603	635	900	3,137
2023-2024	2,404	987	1,279	4,669
2024-2025	2,502	1,154	1,266	4,922
2025-2026	2,260	1,157	871	4,287
2026-2027	2,298	1,264	740	4,302
2027-2028	2,346	1,303	735	4,384
2028-2029	2,395	1,345	729	4,469
2029-2030	2,455	1,378	719	4,552
2030-2031	2,489	1,397	724	4,610
2031-2032	2,519	1,416	728	4,662
2032-2033	2,544	1,433	732	4,709
2033-2034	2,562	1,448	734	4,745
2034-2035	2,576	1,461	736	4,773
2035-2036	2,586	1,473	738	4,796
2036-2037	2,601	1,487	740	4,829
2037-2038	2,622	1,507	745	4,874
2038-2039	2,644	1,527	751	4,921
2039-2040	2,665	1,548	757	4,970
2040-2041	2,686	1,568	763	5,017
2041-2042	2,706	1,588	769	5,063
2042-2043	2,736	1,612	777	5,124
2043-2044	2,772	1,636	786	5,194
2044-2045	2,812	1,662	797	5,271
2045-2046	2,857	1,689	807	5,353
2046-2047	2,907	1,716	819	5,442
2047-2048	2,942	1,738	827	5,507

The proportion of university, public college, and private college loans issued is relatively stable from academic year 2026-2027 to the end of the projection at about 54%, 31% and 15%, respectively.

Appendix E — Number of borrowers in the Repayment Assistance Plan

The projection of the average number of borrowers expected in each RAP category (RAP–Stage 1, RAP–Stage 2 and RAP–D) over the next 25 years is shown in Table 49. The average number of borrowers were determined using a methodology similar to the one used to calculate the RAP utilization (tables 39 to 41), but by substituting average annual headcounts for average outstanding loans.

Table 49 Average number of borrowers by RAP category (in thousands)

Academic year	RAP-1	RAP-2	RAP-D	Total
2022-2023	138	45	19	203
2023-2024	144	48	22	214
2024-2025	156	52	24	232
2025-2026	164	57	25	245
2026-2027	173	59	26	258
2027-2028	180	61	28	269
2028-2029	186	63	29	277
2029-2030	190	64	30	284
2030-2031	194	65	31	290
2031-2032	196	68	31	295
2032-2033	198	72	32	301
2033-2034	199	73	32	304
2034-2035	200	74	33	307
2035-2036	201	76	33	309
2036-2037	201	77	33	311
2037-2038	201	78	33	312
2038-2039	201	80	33	314
2039-2040	202	81	33	316
2040-2041	202	81	33	317
2041-2042	203	82	33	318
2042-2043	204	82	34	319
2043-2044	205	82	34	321
2044-2045	206	82	34	323
2045-2046	208	82	34	325
2046-2047	210	83	34	327
2047-2048	212	83	35	330

Appendix F — Direct loan portfolio reconciliation

In the previous report (AR 2020), the expected total direct loans portfolio as at 31 July 2023 was projected at $22.8 billion. The actual portfolio as at 31 July 2023 is higher than what was previously expected and corresponds to $23.7 billion. Table 50 shows a reconciliation of the loan portfolio by loan status.

Table 50 Reconciliation of the direct loans portfolio as at 31 July 2023

	Effect on the portfolio	
Loans in study		($ million)
Expected loans in study as at 31 July 2023 (AR 2020)		**8,317**
Experience in academic years 2020-2021 to 2022-2023 compared with projections		
Higher loans issued	+	156
Higher loans consolidated	-	806
Lower prepayments	+	209
Total effect	-	**441**
Actual loans in study as at 31 July 2023 (AR 2023)		7,876
Loans in repayment		
Expected loans in repayment as at 31 July 2023 (AR 2020)		11,789
Experience in academic years 2020-2021 to 2022-2023 compared with projections		
Higher loans consolidated	+	806
Lower repayments	+	464
Lower defaults	+	162
Lower RAP payments	+	48
Higher loans forgiven	-	6
Total effect	+	**1,474**
Actual loans in repayment as at 31 July 2023 (AR 2023)		13,263
Loans in default		
Expected loans in default as at 31 July 2023 (AR 2020)		2,688
Experience in academic years 2020-2021 to 2022-2023 compared with projections		
Lower defaults	-	162
Lower principal recoveries	+	29
Higher write-offs	-	37
Total effect	-	**170**
Actual loans in default as at 31 July 2023 (AR 2023)		2,518
Total expected portfolio as at 31 July 2023 (AR 2020)		**22,794**
Total actual portfolio as at 31 July 2023 (AR 2023)		**23,657**

The actual total portfolio as at 31 July 2023 is 3.8% higher than expected in the previous report. This increase is due to higher than expected new loans issued for the academic years between 2020-2021 and 2022-2023 as well as lower than expected prepayments, repayments, RAP payments and recoveries. It was partially offset by higher than expected write-offs.

Appendix G — Sensitivity tests

As actual experience over the projection period will likely deviate from the assumptions presented throughout this report, this appendix presents the impact of varying key assumptions on the net cost of the program. It also presents the impact on the net cost of extending temporary measures currently in place for the whole projection period. These tests are for illustration purposes.

For each sensitivity test, selected program provisions or key assumptions are adjusted while all other program provisions and all other assumptions remain unchanged. The alternative assumptions were selected to represent a reasonable range of potential long-term experience. However, actual experience might fall outside the selected range.

Tables 51 to 55 present temporary measures extended, key assumptions varied, as well as their expected impact on the net cost. More details on each sensitivity test are shown in this Appendix.

Table 51 Net cost and percentage difference from base scenario - loan limit and grant amount (in millions of dollars)

Scenario	Measure	2024-2025	2029-2030	2039-2040
Current	Weekly loan limit of $210 and 100% of regulated grants	5,222 (N/A)	4,642 (N/A)	5,031 (N/A)
Higher	Weekly loan limit of $300 and 140% of regulated grants	5,222 (0.0%)	5,818 (25.3%)	6,475 (28.7%)

Table 52 Net cost and percentage difference from base scenario - enrolment (in millions of dollars)

Scenario	Assumption	2024-2025	2029-2030	2039-2040
Best-estimate	See Table 7	5,222 (N/A)	4,642 (N/A)	5,031 (N/A)
Lower	95% of best-estimate	5,053 (-3.2%)	4,449 (-4.1%)	4,802 (-4.5%)
Higher	105% of best-estimate	5,391 (3.2%)	4,834 (4.1%)	5,260 (4.6%)

Table 53 Net cost and percentage difference from base scenario - RAP (in millions of dollars)

Scenario	Assumption	2024-2025	2029-2030	2039-2040
Best-estimate	See Tables 39, 40 and 41	5,222 (N/A)	4,642 (N/A)	5,031 (N/A)
Lower	90% of best-estimate	5,188 (-0.7%)	4,594 (-1.0%)	4,971 (-1.2%)
Higher	110% of best-estimate	5,257 (0.7%)	4,689 (1.0%)	5,091 (1.2%)

Table 54 Net cost and percentage difference from base scenario - defaults, recalls and rehabilitations and recoveries (in millions of dollars)

	Assumption					
Scenario	Default	Recalls and rehabilitations	Recoveries	2024-2025	2029-2030	2039-2040
Best-estimate	15.5%	19.5%	36.0%	5,222 (N/A)	4,642 (N/A)	5,031 (N/A)
Lower	10.5%	24.5%	41.0%	5,083 (-2.7%)	4,487 (-3.3%)	4,862 (-3.4%)
Higher	20.5%	14.5%	31.0%	5,405 (3.5%)	4,839 (4.3%)	5,248 (4.3%)

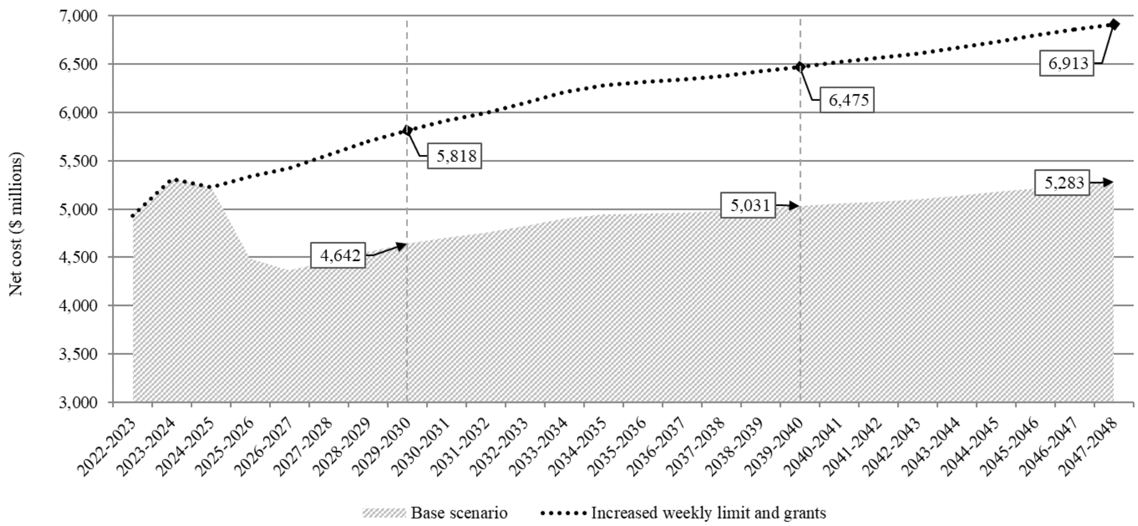
Table 55 Net cost and percentage difference from base scenario - government cost of borrowing (in millions of dollars)

Scenario	Assumption	2024-2025	2029-2030	2039-2040
Best-estimate	Ultimate rate: 3.7%	5,222 (N/A)	4,642 (N/A)	5,031 (N/A)
Lower	1.7%	4,701 (-10.0%)	3,915 (-15.7%)	4,212 (-16.3%)
Higher	5.7%	5,744 (10.0%)	5,368 (15.7%)	5,850 (16.3%)

G.1 Increase in the weekly loan limit and grants

Under this test, the $300 weekly loan limit and the 40% increased grants are maintained throughout the projection period. It represents a continuation of the current temporary measures. Chart 10 shows that under this test, the net cost continues to gradually increase, as opposed to the base scenario where there is a sharp decrease in the net cost in 2025-2026.

Chart 10 Net cost of the program due to an increase of the weekly loan limit and grants

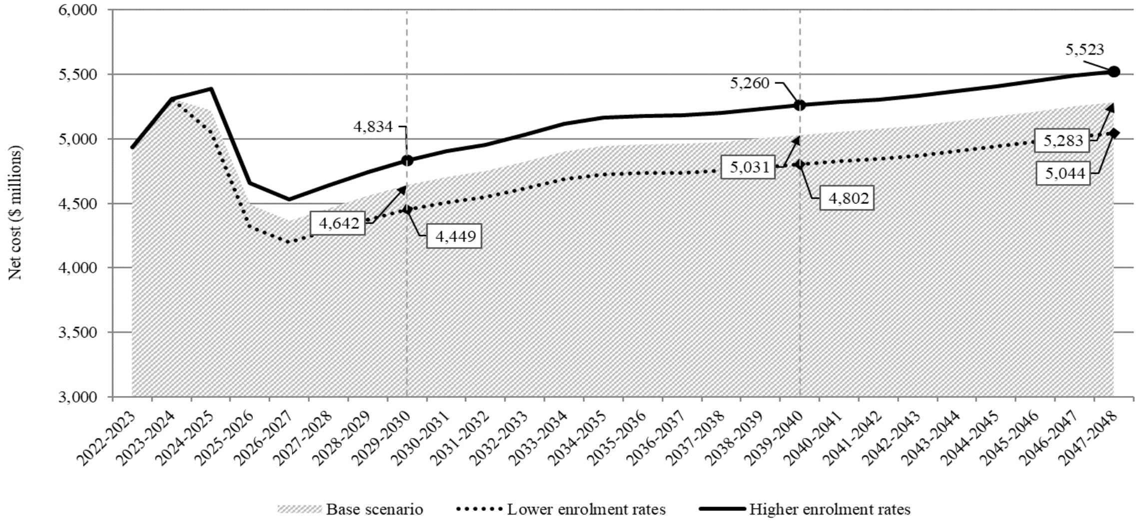


Under this test, the limit on the aggregate amount of outstanding loans in the program ($34B limit) would be reached in the academic year 2029-2030.

G.2 Post-secondary enrolment rates

Chart 11 presents the impact of a 5% increase (and decrease) to the enrolment rates on the net cost of the program. Higher enrolments result in an increase in grants disbursed and loans issued, which both increase the net cost of the program. Conversely, lower enrolments translate in a decrease to the net cost of the program.

Chart 11 Net cost of the program due to a variation in enrolment

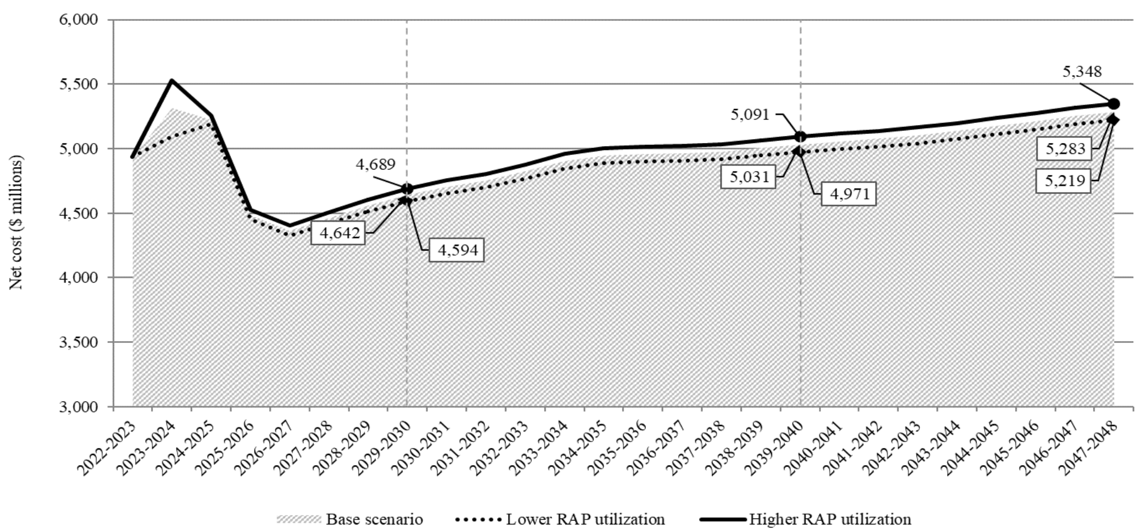


Under the higher enrolment test, the $34B limit would be reached in the academic year 2032-2033 and under the lower enrolment test, it would be reached in the academic year 2040-2041.

G.3 Repayment Assistance Plan (RAP)

RAP utilization can vary according to the existing economic situation as well as students' awareness of the program. Chart 12 presents the impact of a 10% increase (and decrease) to the RAP utilization rates on the net cost of the program. Higher RAP utilization results in a slight increase to the net cost, while lower RAP utilization results in a slight decrease to the net cost. The amplitude of the variation between each test and the base scenario is minimal since the RAP represents a small share of the total net cost of the program.

Chart 12 Net cost of the program due to a variation in RAP utilization



Under the higher RAP test, the $34B limit would be reached in the academic year 2034-2035 and under the lower RAP test, it would be reached in the academic year 2036-2037.

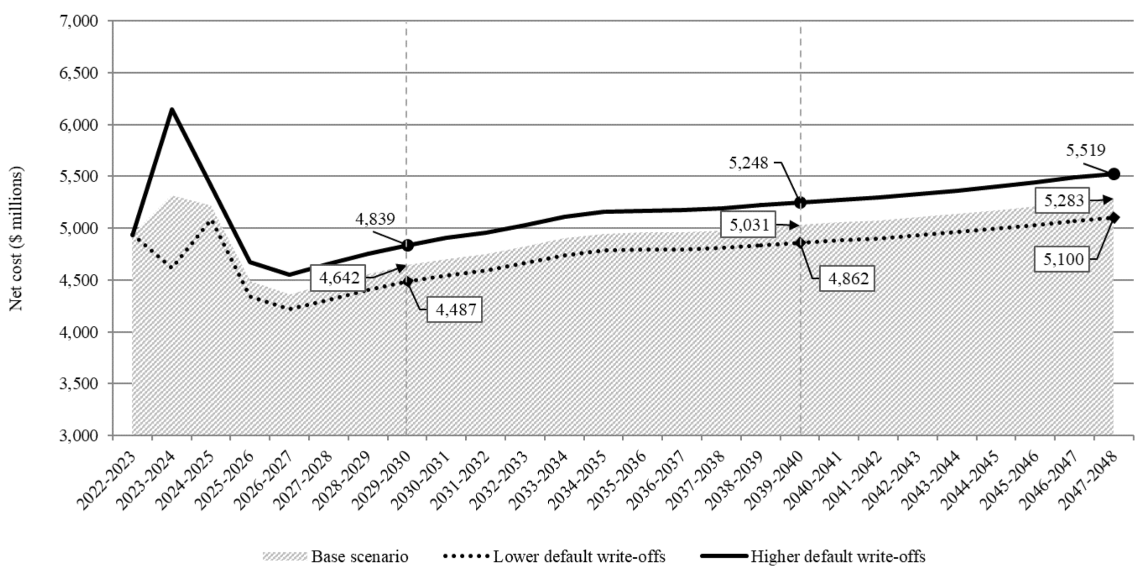
G.4 Net defaults

One of the liabilities under the CSFA Program is the amount of loans that may not be recovered due to defaults. Chart 13 presents the impact of a variation in the default rate, rehabilitation rate and recovery rate:

- Under the higher default test, the gross default rate is increased by 500 basis points while the rehabilitations and recoveries rates are both decreased by 500 basis points. This results in an increase in write-offs, which consequently increases the net cost.
- Under the lower default test, the gross default rate is reduced by 500 basis points while the rehabilitations and recoveries rates are both increased by 500 basis points. This results in a decrease in write-offs, which consequently reduces the net cost.

Chart 13 shows the projected impact on the net cost under both tests compared to the base scenario. The net cost impact in the academic year 2023-2024 is due to the immediate recognition of the change in the assumptions on the allowance as at 31 July 2024.

Chart 13 Net cost of the program due to a variation in default rates

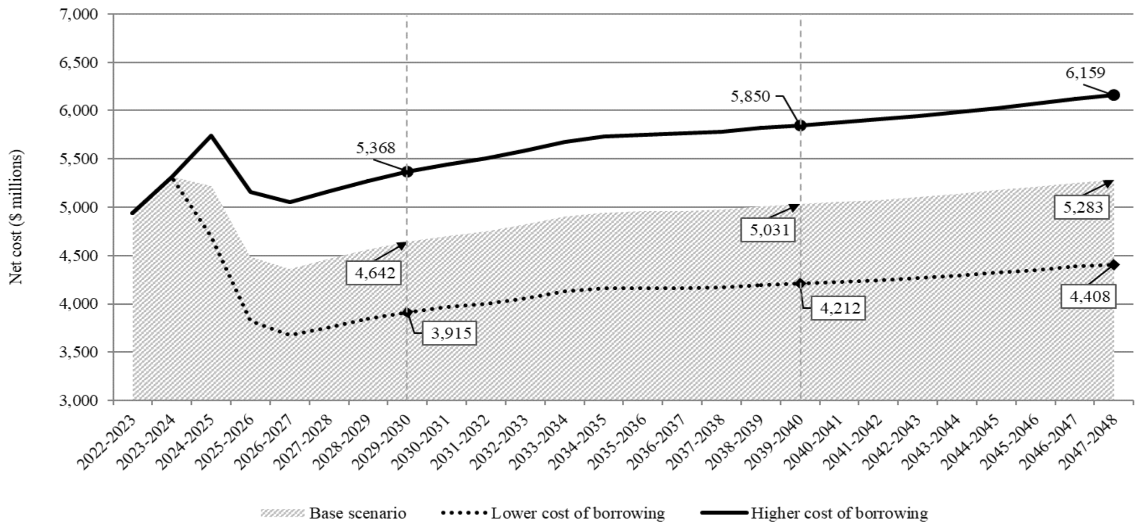


Under the higher default test, the $34B limit would be reached in the academic year 2034-2035 and under the lower default test, it would be reached in the academic year 2036-2037.

G.5 Cost of borrowing

The Government's cost of borrowing impacts the interest subsidy. Chart 14 presents the impact of a 200 basis points increase (and decrease) to the Government's cost of borrowing and its resulting impact on the net cost. These scenarios reflect plausible interest rates historically observed. The impact of the variation in the cost of borrowing is greater than shown in the previous report due to the elimination of interest on student loans that provided a certain level of offset.

Chart 14 Net cost of the program due to a variation in cost of borrowing



Under both tests, the academic year (2035-2036) during which the limit is reached remains unchanged from the base scenario.

Appendix H — Acknowledgements

We would like to thank the staff of the Canada Student Financial Assistance Program of Employment and Social Development Canada who provided the relevant data used in this report. Without their useful assistance, we would not have been able to produce this report.

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