

# Legislative Costing Note

Announcement date:	2020-03-25 (C-13)						
Publication date:	2020-04-09						
Short title:	A Moratorium on the Repayment of Canada Student Loans						
Description:	Automatically pausing the repayment of Canada Student Loans (CSL) and Canada Apprentice Loans (CAL) for six months, starting March 30, 2020 until September 30, 2020. Interest will not accrue during this time.						
Data sources:	<table> <tr> <th><u>Variable</u></th><th><u>Source</u></th></tr> <tr> <td>CSL and CAL interest revenue and program expenses</td><td>PBO's Student Financial Assistance Model</td></tr> <tr> <td>Student Loan Interest Credit</td><td>Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2020, Finance Canada</td></tr> </table>	<u>Variable</u>	<u>Source</u>	CSL and CAL interest revenue and program expenses	PBO's Student Financial Assistance Model	Student Loan Interest Credit	Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2020, Finance Canada
<u>Variable</u>	<u>Source</u>						
CSL and CAL interest revenue and program expenses	PBO's Student Financial Assistance Model						
Student Loan Interest Credit	Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2020, Finance Canada						
Estimation and projection method:	<p>PBO's Student Financial Assistance Model was used to estimate the net expense for both CSL and CAL under current policy parameters as well as the impact of this temporary measure. Historical loan values attributed to student movements through different periods of a loan lifecycle determined the change in the value of outstanding federal student loans. For more information on PBO's model, see PBO report "<a href="#">Projecting the Revenues and Expenses of Canada Student Loans Program</a>".</p> <p>Repayment of the federal student loans was paused for six months and re-started thereafter. Interests did not accrue during this pause. Student borrowers completing their studies during this pause received an additional six-months on top of the current six-month non-repayment period. The current repayment length of 114 months (or 9.5 years) for both sets of student borrowers was extended by six months to 120 months (or 10 years). Repayment Assistance Plan payments by the federal government were also paused for six months and re-started thereafter.</p> <p>The resulting impact to the non-refundable Student Loan Interest Credit was estimated accordingly.</p>						
Aggregate Results:	<p>PBO estimates total net cost of this measure to be \$150 million in 2020-21. This includes an estimated program cost of \$153 million for CSL and CAL combined and an estimated saving of \$4 million from the Student Loan Interest Credit to federal tax expenditures.</p> <p>The time horizon for this costing is aligned to PBO's current Economic and Fiscal Scenario, although there may be potential fiscal impacts for subsequent years.</p>						

Source of Uncertainty: The universe of Canada Student Loans Program administration data is available to determine historical costs and the model is a top-down approach. However, loan repayment behaviour exhibits a certain degree of randomness. The value of outstanding CSL and CAL balances is influenced by the labour market and the broader economy. No behavioural response is considered in this cost estimate.

Prepared by: Robert Behrend

### Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	150

#### Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost