

**MINISTRY OF ADVANCED EDUCATION,
INNOVATION AND TECHNOLOGY
BRIEFING NOTE**

PREPARED FOR: Honourable John Yap
Minister of Advanced Education, Innovation and Technology
and Minister Responsible for Multiculturalism

ISSUE: Annual Letter to Post-Secondary Institutions on Student Loan Default Rates

BACKGROUND:

Since 2006 the Ministry has issued annual default letters to all designated post-secondary institutions (those whose students are eligible for government student loans). The letters provide institutions with their British Columbia student loan default rates and signal their shared responsibility for student success and managing financial risk of student loan programs. This shared responsibility is outlined in the Pan-Canadian Designation Policy Framework and the annual British Columbia Government Letter of Expectations to public institutions.

In 2010 the Ministry implemented an annual designation review for institutions considered high risk to taxpayers and students. Annual default letters represent an important first step in the designation review process.

DISCUSSION:

Attachment 1 provides the 2012 default letter for the S17 as an example. The letter shows the default rate for the institution, based on the five-year cohort of borrowers who consolidated their loans between April 1, 2007 and March 31, 2012. Appendices to the letter set out the historical default rates for all British Columbia institutions, with breakdowns by public/private and by program for all institutions or the specific institution.

In previous years, institutions with fewer than 10 borrowers received consolidated data for all institutions with less than 10 borrowers, due to privacy considerations. This year, a 10-year cohort (April 1, 2002 to March 31, 2012) was used to calculate default rates for 36 institutions. As a result of this change, there is more consistent treatment of institutions regardless of the number of borrowers.

Currently, the five-year rolling cohort British Columbia student loan default rate is the primary measure monitored by the Ministry in the designation review process. Canada student loan repayment rates, withdrawal rates and reports of compliance officers are also considered.

As outlined in the default letters, the Ministry assigns institutions to one of three risk zones (green, yellow and red) based on their British Columbia student loan default rate for the five year-cohort of borrowers. Yellow institutions may receive further correspondence from the Ministry. Red institutions, which have default rates over 28 percent, receive further correspondence and are given at least four years to reduce their default rates or be subject to a designation review.

The table below shows the number of institutions in each risk zone for 2012.

Risk Zone % Default	Public Institutions	Private Institutions > 10 Borrowers	Private Institutions < 10 Borrowers	Total Borrowers	% Total
Green – 0%	0	11	19	30	15
Green < 18.4%	22	85	8	115	53
Yellow < 27.9%	1	33	3	37	17
Red > 28%	2	25	6	33	15
Total	25	154	36	215	100

The annual default letters include links to resource material for institutions to improve student loan repayment.

Legal counsel for the Ministry has reviewed and provided input on the 2012 letters.

Due to the recent integration of Canada and British Columbia student loans, the Ministry will need to change its calculation and reporting of default rates for 2013/14. A Ministry working group is developing options for a new methodology going forward.

NEXT STEPS:

Consistent with previous years, the 2012 default letters are being distributed in December. Given data improvements made in 2012, the Ministry will aim for a summer release of the 2013 default letters.

Attachment: 1. 2012 Default Letter to the

S17

Prepared by:	Christine Broda/Policy Analyst (250) 387-3525	Reviewed by:	
		Executive Director	JS
		Assistant Deputy Minister	QR
		Deputy Minister	QR



December 11, 2012

Our Ref. 89413

S17

Dear S17

This letter provides the 2012 British Columbia Student Loan default rate for your institution. The default rate for your institution is presented below, based on the five-year cohort of borrowers who consolidated their loans between April 1, 2007 and March 31, 2012.

Repayment Status of Borrowers	Borrowers in Five-Year Cohort (2007 to 2012)
Paid in Full	S17
In Good Standing	
In Default	
Total Borrowers	
2012 Default Rate	2.9%
Total Loans in Default – Five year cohort	S17

A BC Student Loan default occurs when a student is late in payments for more than 150 days, and the loan is transferred to the Revenue Services of BC for collection.

The Default Rate calculation is: (Borrowers in Default ÷ Total Borrowers in Cohort) × 100

Under the Pan-Canadian Designation Policy Framework, institutions share responsibility for their students' success and are central to government efforts to manage financial risk of student loan programs. The Framework is available on the Ministry website at:

<http://www.aved.gov.bc.ca/studentaidbc/school-officials/> under the heading Designation.

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In accordance with the Framework, the Ministry uses three institutional risk zones: Green, Yellow and Red. Institutions are assigned one of these zones based on their BC Student Loan default rate of the five year-cohort of borrowers.

Green zone institutions have a default rate under 18.4 percent and do not receive an intervention assessment.

Yellow zone institutions, those with a default rate between 18.5 percent and 27.9 percent, are encouraged to implement default management strategies as outlined in the resource material identified below. These institutions may receive further correspondence from the Ministry with additional information and instructions.

Red zone institutions have a default rate above 28.0 percent and are subject to Ministry intervention. These institutions will receive further correspondence from the Ministry with additional information and instructions.

More detail on default rates can be found in the attached appendices, including historical default rates by sector, institution size and program area.

Resource material, including student loan repayment strategies for institutions, are available on the Ministry website at <http://www.aved.gov.bc.ca/studentaidbc/school-officials/> under the heading Repayment.

Historical BC Student Loan default rates for all institutions are available on the Ministry website at: <http://www.aved.gov.bc.ca/studentaidbc/apply/designated.php>. The 2007 to 2012 cohort default rates will be posted once all institutions have been notified. In addition, Canada Student Loan repayment rates for all institutions can be found at: <http://tools.canlearn.ca/csigs-scpse/cln-cln/50/rtr-rri/af.rri-eng.do>.

If you have any questions or concerns please contact Sharlane Callow, Acting Director, Compliance and Investigations, at Sharlane.Callow@gov.bc.ca or (250) 356-7210.

Sincerely,

ORIGINAL SIGNED BY

Jacqui Stewart
Executive Director

Attachments

pc: Ms. Dawn Minty, Assistant Deputy Minister
Post-Secondary Regions, Programs and Multiculturalism Division
Ministry of Advanced Education, Innovation and Technology

APPENDIX A ALL BORROWERS

All British Columbia Student Loan Borrowers in Repayment by Five-Year Repayment Cohorts

The following table shows the status and default rates of *all* British Columbia student loan borrowers from *all* institutions (open, closed, designated, de-designated, in-province and out-of-province) by five-year loan consolidation cohort. As such, the 2007-2012 cohort includes all borrowers who consolidated their loans between April 1, 2007 and March 31, 2012.

Repayment Status of Borrowers	Borrowers by Five-Year Cohort				
	2003-2008	2004-2009	2005-2010	2006-2011	2007-2012
Paid in Full	38,404	40,323	40,071	39,013	38,738
In Good Standing	63,700	65,279	65,387	66,137	68,987
In Default	16,623	16,042	14,535	13,470	12,986
Total Borrowers	118,727	121,644	119,993	118,620	120,711
Default Rate	14.0%	13.2%	12.1%	11.4%	10.8%
Average Outstanding Debt	\$5,351	\$5,479	\$5,528	\$5,677	\$5,848
Percent Paid in Full (as of March 31, cohort end date)	32.3%	33.1%	33.4%	32.9%	32.1%

The Default Rate calculation is:

$(\text{Borrowers in Default} \div \text{Total Borrowers in Consolidation Cohort}) \times 100$

The five-year cohort groups all borrowers who consolidated loans between April 1 of the first listed year and March 31 of the last listed year. For example, the 2007-2012 cohort includes borrowers consolidating loans between April 1, 2007 and March 31, 2012.

"In Good Standing" includes students who are meeting scheduled payments, on a repayment assistance program, and those delinquent in making payments but not yet in Default.

APPENDIX B

CURRENT BC INSTITUTIONS

British Columbia Student Loan Borrowers in Repayment From a Designated (as of April 1) BC Institution by Sector (Public and Private)

The following table shows the repayment status and default rates by sector of all currently open and designated British Columbia post-secondary institutions with ten or more SFA clients, by sector by five-year loan consolidation cohort. Excluded are closed, non-renewed and out-of-province institutions.

Sector	Repayment Status of Borrowers	Borrowers by Five-Year Cohort				
		2003-2008	2004-2009	2005-2010	2006-2011	2007-2012
Public	Paid in Full	27,403	28,433	28,077	27,503	27,225
	In Good Standing	40,870	41,361	41,077	41,086	42,659
	In Default	7,773	7,100	6,362	6,045	5,979
	Total Borrowers	76,046	76,894	75,516	74,634	75,863
	Default Rate	10.2%	9.2%	8.4%	8.1%	7.9%
	Average Outstanding Debt	\$5,234	\$5,335	\$5,345	\$5,455	\$5,612
Private	Paid in Full	5,024	5,741	5,722	5,526	5,129
	In Good Standing	12,836	13,858	14,060	15,442	15,670
	In Default	5,986	6,190	4,997	4,910	4,142
	Total Borrowers	23,846	25,789	24,779	25,878	24,941
	Default Rate	25.1%	24.0%	20.2%	19.0%	16.6%
	Average Outstanding Debt	\$5,092	\$5,245	\$5,323	\$5,564	\$5,866
Total BC Current	Paid in Full	32,427	34,174	33,799	33,029	32,354
	In Good Standing	53,706	55,219	55,137	56,528	58,329
	In Default	13,759	13,290	11,359	10,955	10,121
	Total Borrowers	99,892	102,683	100,295	100,512	100,804
	Default Rate	13.8%	12.9%	11.3%	10.9%	10.0%
	Average Outstanding Debt	\$5,194	\$5,308	\$5,339	\$5,488	\$5,685

APPENDIX C

INSTITUTION SIZE: CURRENT BC INSTITUTIONS

British Columbia Student Loan Borrowers in Repayment
From a Designated (as of April 1) BC Institution
by Size of Repayment Cohort

The following table depicts average default rates at open, designated British Columbia institutions, by size of repayment cohort.

Size (Borrowers in Repayment)	Repayment Status of Borrowers	Borrowers by Five-Year Cohort				
		2003-2008	2004-2009	2005-2010	2006-2011	2007-2012
Under 10	Paid in Full	38	65	54	62	45
	In Good Standing	134	163	171	146	138
	In Default	29	42	39	32	27
	Total Borrowers	201	270	264	240	210
	Default Rate	14.4%	15.6%	14.8%	13.3%	12.9%
10-50	Paid in Full	346	347	310	292	265
	In Good Standing	783	791	694	985	918
	In Default	249	261	193	274	264
	Total Borrowers	1,378	1,399	1,197	1,551	1,447
	Default Rate	18.1%	18.7%	16.1%	17.7%	18.2%
51-100	Paid in Full	471	494	514	386	315
	In Good Standing	1,519	1,404	1,374	1,282	1,254
	In Default	709	644	564	467	363
	Total Borrowers	2,699	2,542	2,452	2,135	1,932
	Default Rate	26.3%	25.3%	23.0%	21.9%	18.8%
101-500	Paid in Full	3,353	3,281	3,065	2,836	2,747
	In Good Standing	8,233	7,754	7,445	7,961	8,440
	In Default	4,155	3,757	2,997	2,927	2,367
	Total Borrowers	15,741	14,792	13,507	13,724	13,554
	Default Rate	26.4%	25.4%	22.2%	21.3%	17.5%
501-1000	Paid in Full	1,916	2,747	3,183	3,502	2,947
	In Good Standing	4,779	6,351	7,373	8,568	7,532
	In Default	1,893	2,440	2,203	2,288	1,960
	Total Borrowers	8,588	11,538	12,759	14,358	12,439
	Default Rate	22.0%	21.1%	17.3%	15.9%	15.8%
Over 1000	Paid in Full	26,303	27,240	26,673	25,951	26,035
	In Good Standing	38,258	38,756	38,080	37,586	40,047
	In Default	6,724	6,146	5,363	4,967	5,140
	Total Borrowers	71,285	72,142	70,116	68,504	71,222
	Default Rate	9.4%	8.5%	7.6%	7.3%	7.2%

2007-2012 BCSL Cohort Report
Ministry of Advanced Education, Innovation and Technology
November 2012

APPENDIX D

PROGRAM AREA CLUSTER

British Columbia Student Loan Borrowers in Repayment
From a Designated (as of April 1) BC Institution
by Sector and Program Area Cluster of 2007-2012 Repayment Cohort

The following table depicts average default rates at open, designated British Columbia institutions, by program area and sector (public and private) using Classification of Instructional Program BC Clusters.

Sector and Program Area Cluster	Borrowers by Repayment Status				
	Paid in Full	In Good Standing	In Default	Total Borrowers	Default Rate
Public	27,225	42,659	5,979	75,863	7.9%
Arts and Sciences	8,963	14,362	2,533	25,858	9.8%
Business and Management	4,174	5,970	738	10,882	6.8%
Education	2,109	3,275	126	5,510	2.3%
Engineering and Applied Sciences	3,288	3,768	328	7,384	4.4%
Health	4,701	6,449	401	11,551	3.5%
Human and Social Services	1,540	3,026	429	4,995	8.6%
Trades	1,462	3,733	1,081	6,276	17.2%
Visual and Performing Arts	988	2,076	343	3,407	10.1%
Private	5,129	15,670	4,142	24,941	16.6%
Arts and Sciences	573	1,307	243	2,123	11.4%
Business and Management	578	2,043	650	3,271	19.9%
Education	62	162	44	268	16.4%
Engineering and Applied Sciences	113	394	153	660	23.2%
Health	2,472	7,015	1,553	11,040	14.1%
Human and Social Services	394	1,380	462	2,236	20.7%
Trades	562	2,288	733	3,583	20.5%
Visual and Performing Arts	375	1,081	304	1,760	17.3%
Total BC Current	32,354	58,329	10,121	100,804	10.0%
Arts and Sciences	9,536	15,669	2,776	27,981	9.9%
Business and Management	4,752	8,013	1,388	14,153	9.8%
Education	2,171	3,436	170	5,777	2.9%
Engineering and Applied Sciences	3,401	4,162	481	8,044	6.0%
Health	7,173	13,464	1,954	22,591	8.6%
Human and Social Services	1,934	4,406	891	7,231	12.3%
Trades	2,024	6,022	1,814	9,860	18.4%
Visual and Performing Arts	1,363	3,157	647	5,167	12.5%

APPENDIX E

Institutional Student Loan Borrowers in Repayment

S17

	Paid in Full	In Good Standing	In Default	Total	Default Rate
Total Five Year Cohort			S17		2.9%
Arts and Sciences					
Business and Management					
Education					
Engineering and Applied Sciences					
Health			S17		
Human and Social Services					
Trades					
Visual and Performing Arts					

The following programs have more than 10 borrowers in repayment and default rates above 20 percent:

Education (NITEP)					
Motion Picture Film/Video			S17		

**MINISTRY OF ADVANCED EDUCATION,
INNOVATION AND TECHNOLOGY AND
MINISTER RESPONSIBLE FOR MULTICULTURALISM
BRIEFING NOTE**

PREPARED FOR: Honourable John Yap
Ministry of Advanced Education, Innovation and Technology
and Minister Responsible for Multiculturalism

ISSUE: Medical Education Expansion in British Columbia

BACKGROUND:

In March 2002, the provincial government announced an expansion of the University of British Columbia (UBC) Faculty of Medicine's Medical Doctor (MD) Undergraduate Program in collaboration with the University of Victoria (UVic) and the University of Northern British Columbia (UNBC). The UBC MD Undergraduate Program now includes the Vancouver-Fraser Medical Program at UBC, the Island Medical Program at UVic, the Northern Medical Program at UNBC, and the Southern Medical Program at UBC Okanagan, in partnership with the relevant health authorities.

The expansion began in 2004 and will reach steady state in 2015. During this time the number of spaces in the MD Undergraduate Program will have expanded from 128 first-year (512 in total) to 288 first year (1,152 total). By 2012/13, the Ministry of Advanced Education, Innovation and Technology and Minister Responsible for Multiculturalism (AEIT) will have invested \$166.4 million in capital funding, \$41.3 million in start-up funding, and \$353.6 million in total operating contributions for the expansion. This includes significant investments at each of the partner universities.

The Ministry of Health (MoH) is responsible for funding postgraduate spaces (residencies), and for funding capital improvements and audio visual information technology at teaching hospitals and clinics across the province. MoH has increased residencies to accommodate the expanded MD Undergraduate Program. In addition, the Faculty of Medicine and MoH have agreed to expand the *International Medical Graduate (IMG)-BC Program* by 8 entry-level positions per year over 5 years beginning in 2012, for a total of 40 new entry-level positions and bringing the total number of entry-level positions to 58 by 2016.

DISCUSSION:

The expansion of medical education has been accomplished through a distributed education model using audio visual information technology infrastructure. This innovative and leading edge approach utilizes the province wide BC Net to connect academic and clinical campuses across the province. Audio visual information technology allows instructors situated in one location to lecture students across all campuses in real time.

All UBC MD Undergraduate Program students spend their first semester at the UBC Vancouver campus. Students then relocate with their program cohort to one of the four program host campuses.

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Students undertake two years of university based instruction centred on a problem based learning model, followed by two years of clinical training in health care facilities (i.e., teaching hospitals and community-based physician offices). Academic instruction, including exams, for students in first and second year extends from August to June. However, between the second and third year all students undertake a four to eight week rural community practicum prior to beginning a 48 week rotation through core clinical clerkships (paediatrics, obstetrics/gynaecology, psychiatry, internal medicine, surgery, dermatology, ophthalmology, emergency medicine, orthopaedics and anaesthesia). Fourth year consists of eight weeks of advanced clerkships and electives, an additional 14 weeks of academic learning, and final exams.

As of 2012, the UBC medical program is operating at four university academic campuses, 11 Clinical Academic Campuses - core teaching hospitals, and 14 Affiliated Regional Centres - regional hospitals that support clinical teaching. Each facility is operated by one of the six provincial Health Authorities. In addition, students receive training at community education facilities and rural and remote distributed sites, which include formal UBC-affiliated primary care hospitals, diagnostic and treatment centres, clinician offices and other health centres and agency locations.

Critical to the success and sustainability of the medical program are practicing doctors who act as clinical faculty (non academic faculty appointees to the Faculty of Medicine) and provide didactic teaching and teaching with patient care to postgraduate residents and undergraduate medical students. The Faculty of Medicine has traditionally relied more on clinical faculty than any other medical school in Canada. The rapid and significant expansion of the medical education program in British Columbia has increased the demand for and importance of clinical faculty.

Although all degrees are granted by UBC, students are considered to be graduates of their respective medical programs. Students holding MD Undergraduate degrees become resident physicians who require an additional two years of training to enter family practice, or four to five years to enter one of the specialties (i.e., surgery, psychiatry, paediatrics, etc). MD graduates must be matched to a medical school through the Canadian Resident Matching Service to begin their postgraduate residency.

Upon completing their residencies, residents are eligible to take certification exams set by College of Family Physicians of Canada (for family physicians) or the Royal College of Physicians and Surgeons (for specialists).

Prepared by:	Kevin Perrault, Health Policy Analyst	Approved by:	
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Phone #:	(250) 356-8257	Executive Director	
		Assistant Deputy Minister	
		Deputy Minister	