

Progress Report to the Standing Committee on Public Accounts: Informing Credit Bureaus of Student Debts in Default

REQUEST

The House of Commons Standing Committee on Public Accounts (PACP) has requested a status update to Recommendation 3 of the PACP Report 6 (43rd Parliament, 2nd Sessions) regarding informing credit bureaus of student debts in default. This status update is a follow-up to the May 31, 2022 letter from the Minister of Employment and Social Development Canada (ESDC) to the Chair of the Standing Committee on Public Accounts.

CONTEXT

In February 2021, the Standing Committee on Public Accounts produced a report on Student Financial Assistance, which included the following recommendation:

“Recommendation 3 – on informing credit bureaus: ESDC should provide the Committee with a report outlining its progress on informing credit bureaus about student debts in default. A final report should be also be provided.”

This recommendation stems from the Committee’s study of the Office of the Auditor General of Canada (OAG)’s Spring 2020 report on Student Financial Assistance, which included the same recommendation.

On May 31, 2021, the Honourable Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion, provided a written response in lieu of the progress report requested by the Committee. With respect to the recommendation related to credit bureaus (Recommendation 3), the response indicated that ESDC would provide an interim progress report and a final report on how ESDC is informing credit bureaus about student debts in default.

Subsequently, ESDC has replaced the previous accounts receivable system with a new Public Sector Collection and Disbursement (PSCD) system. The new system has enhanced accounts receivable and collection functionality that will allow ESDC to implement a process to report student loans in collections to credit bureaus. However, the Department has encountered a number of delays in implementing the new credit bureau reporting process.

PROGRESS REPORT

ESDC recognizes the importance of improving student borrower responsibility and the repayment and collection of loans, by prompting borrowers who are able to repay their loans to be more diligent about repayment. Through the National Student Loans Service

Center (NSLSC), student loans in repayment are reported to credit bureaus on a monthly basis and remain on the borrower's credit record for approximately six years. However, should a borrower default on their loan payments, their loan is transferred to the Canada Revenue Agency (CRA) for collections, at which point credit bureau reporting stops.

Over the last year, ESDC launched the Credit Bureau Reporting project to implement the new credit bureau reporting process. A dedicated project team was established to advance work across the Department, along with key internal and external stakeholders, including the two major credit bureaus, Equifax Canada and TransUnion Canada.

Implementation of New ESDC Accounts Receivable System

To date, the Department has undertaken a number of measures and program enhancements to advance the Committee's recommendation on informing credit bureaus of student debts in default. In April 2021, ESDC replaced the previous accounts receivable system with a new PSCD system, which has enhanced accounts receivable and collection functionality to allow the Department to implement a process to report student loans in collections to credit bureaus. Going forward, PSCD's business rules, algorithms, and automated functions will allow the CRA to gain efficiencies as it relates to the collection and resolution of the Department of ESD debts.

Revision of Student Loan Agreement with Borrowers to Receive their Consent

As part of the work to revise student loan agreements with borrowers in order to receive their consent, the Department has been working with ESDC Legal Counsel to review the Master Financial Assistance Agreement (MSFAA). The review determined that the language in the MSFAA provided the consent required to report to credit bureaus using personal information. Following advice from ESDC Legal Counsel to revise the MSFAA to strengthen the language regarding potential sharing of borrower information with credit bureaus, this work was undertaken and completed in summer 2022.

Establish Information-Sharing Agreements with Credit Bureaus

ESDC Legal Counsel is working with external stakeholders (e.g. CRA, the NSLSC) to establish information-sharing agreements (ISAs) with the credit bureaus, which will help to ensure a more consistent approach to information sharing throughout the lifecycle of a Canada Student Loan, including compatibility with existing legislation. Once the draft information-sharing agreements are finalized, they will be shared with the credit bureaus for their legal review and finalization.

Development of Business Requirements to Enhance PSCD

As part of efforts to improve reporting of student debts in default to credit bureaus, the Department has undertaken efforts to implement credit bureau reporting functionality in

an upcoming PSCD system release. While work has advanced, the development of business requirements have proven to be more complex than originally anticipated and progress has been delayed. The project team continues to work with internal and external stakeholders to develop the business requirements.

Once the ISAs with the credit bureaus are in place and the business requirements are completed, consultations with internal and external stakeholders will take place to confirm the technology required to establish data connections with the credit bureaus (e.g., flat file transfer or Application Programming Interface (API)).

Conclusion

Per the Committee's recommendation, ESDC continues to work with internal and external stakeholders to implement credit reporting on student debts in default. ESDC successfully implemented a new accounts receivable system with enhanced functionality to enable credit bureau reporting. However, the project has experienced a number of delays, and as a result, the implementation of credit bureau reporting of student debts in default has been delayed to December 2023. ESDC will continue to work with key partners to find solutions and address potential implementation challenges.