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## Policy Forum: Is Promising Aid Early a Promising Approach? Prefunded Savings Accounts and Existing Gaps in Student Financial Aid

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### ABSTRACT

Prefunded savings accounts represent a novel approach to the provision of financial assistance to students for their post-secondary education. Rather than applying for grants and loans in their senior year of high school, students are promised aid automatically and early on. This article discusses gaps in the existing student financial system and the extent to which one proposed prefunded savings account—the Canadian learning passport—could help to remedy those shortcomings. Evidence of the potential benefits of such a program is drawn from the results of a pilot test, carried out in New Brunswick, of a prefunded plan called the learning account, which has features similar to the learning passport.

**KEYWORDS:** HIGHER EDUCATION ■ FINANCING ■ SAVINGS PLANS ■ RESP ■ POLICY ■ CANADA

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## INTRODUCTION

The conventional approach by government to helping students finance their post-secondary studies is to offer loans and grants. These sources of student financial aid do not come automatically, nor are they promised early: students must apply for assistance, and they must wait until their senior year of high school before they do. Prefunded savings accounts represent a very different philosophy in delivering student aid. Under this approach, students do not need to apply for student aid, although they may have to open an account to receive assistance. Importantly, the money is promised well before the senior year of high school.

Although prefunded savings accounts have not been adopted as policy in Canada, they have been discussed and even tested. In the spring of 2011, then Liberal Leader Michael Ignatieff announced his party's first major policy commitment of the upcoming federal election: a post-secondary student financing package named "the Canadian Learning Passport."<sup>1</sup> The learning passport exemplified the notion of a prefunded savings account. At the heart of the promise was a plan to deposit up to \$6,000 in non-repayable aid in registered education savings plans (RESPs) of students while they are in high school. The aid was earmarked for post-secondary studies. The slogan that the Liberals chose to promote the program was "If you get the grades, you get to go."

The learning passport may stand little chance of being implemented in the near future, given the defeat of the Liberals in the last election; nevertheless, there may be much to learn from its details. Indeed, the goal of this article is to discuss how such a program could help to fill existing gaps in the provision and delivery of student financial aid. Of equal importance, the gaps that are not likely to be filled by a learning passport or similar program will also be addressed. These discussions will be informed by the literature in the area and by the results of a pilot project to test a program, referred to as "the learning account," that shares many of the features of the learning passport.

We begin by discussing gaps in Canada's current system of student financial aid. We then describe the details of the learning passport proposal, with a focus on the extent to which the gaps in the system may be closed by such an initiative, according to what we know from the literature. Following that discussion, we outline the details of the learning account program, highlighting the results of an evaluation of the pilot project referred to above. The article concludes with a discussion of what can be done to improve the current system of student financial aid, taking into account the lessons to be drawn from the learning passport and the learning account.

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1 Liberal Party of Canada, "Michael Ignatieff Announces Canadian Learning Passport," March 29, 2011 ([www.liberal.ca/newsroom/news-release/michael-ignatieff-announces-canadian-learning-passport/](http://www.liberal.ca/newsroom/news-release/michael-ignatieff-announces-canadian-learning-passport/)) (herein referred to as "the learning passport announcement").

## GAPS IN THE CURRENT SYSTEM OF STUDENT FINANCIAL AID

Before discussing the pros and cons of prefunded savings accounts, it is important to understand which aspects of Canada's current system of student loans and grants may be in need of improvement. In this section, we discuss seven gaps in the system that need to be addressed:

1. students' knowledge of available aid,
2. the timing of aid notification,
3. the complexity of the aid application,
4. the ability of the system to accommodate loan aversion,
5. the amount of liquidity provided,
6. the proportion of liquidity that is non-repayable, and
7. the cost of post-secondary applications.

### Students' Knowledge of Available Aid

Before students actually receive financial aid, they begin to form some idea of how much aid they are eligible to receive. This information may come from a variety of sources, including parents, guidance counsellors, and government websites (such as aid calculators and student aid web pages). The conclusions of a recent literature review on the financial literacy of high school students with regard to post-secondary studies<sup>2</sup> are relevant. The authors cite considerable evidence from both the United States and Canada suggesting that, although general awareness of student aid opportunities in both countries appears to be adequate, specific knowledge of current aid programs is poor. More precisely, most students claim to be aware of aid opportunities but are generally not well informed about how to obtain aid or how these programs work. To make matters worse, students (and their parents) generally overestimate the costs and underestimate the benefits of pursuing a post-secondary education.

### Timing of Aid Notification

Being well informed at an early stage about how much aid is available is important, since students can then plan for continuing their studies after high school. If students know, ahead of their senior year, that post-secondary education is affordable, they can take the right courses and work to obtain the marks they need to gain entry. Psychologists have long pointed to the importance of the "anchoring bias."<sup>3</sup> In

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2 Marc Frenette and Jennifer Robson, *Financial Literacy of Low-Income Students: Literature Review and Environmental Scan* (Toronto: Higher Education Quality Council of Ontario, 2011).

3 Amos Tversky and Daniel Kahneman, "Judgment Under Uncertainty: Heuristics and Biases" (1974) 185:4157 *Science* 1124-30.

short, first impressions matter. Individuals tend to place excessive reliance on the initial information that is available to them. Once the information is implanted (that is, the “anchor” is set), they will persistently use it to make decisions, whether the information is correct or not. New information may be used to “adjust” their initial assessment, but the adjustments are usually too small, resulting in a biased final decision. For this reason, it is important to provide students with correct information early on. Otherwise, they may base their decisions on inaccurate or incomplete information obtained, for example, from their parents (who may not themselves have pursued post-secondary studies).<sup>4</sup>

One way of informing students about the amount of aid available is through official notification following the student’s application for financial assistance. Canadian students tend to be informed relatively late about the amount of aid for which they qualify. In the United States, students are usually informed around the spring of senior year;<sup>5</sup> in Canada, notices are sent out around the time that students begin their post-secondary studies.<sup>6</sup>

Even if notices were sent earlier, they would only help to inform those who have already decided to apply for aid. The students in real need of information about aid entitlements may be those who do not apply. A more effective strategy may be to provide all high school students with a better idea of how much aid they might expect to receive well before they begin their senior year.

### Complexity of the Aid Application

Once students decide to apply for aid, they must fill out an application form. Dynarski and Scott-Clayton<sup>7</sup> have described the forms used in the United States as being as complex as tax forms. They show that simplifying the forms by reducing the number of required items from over 100 to about half a dozen has no negative impact on the ability of the student aid system to deliver aid to those in need. Although no comparable evidence exists in Canada, Kramer et al. describe Canadian student loans as “fearsomely complicated.”<sup>8</sup> One question that remains unanswered in both the United States and Canada is whether simplification of applications for aid could help to improve application rates and, ultimately, post-secondary enrolment.

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4 See Frenette and Robson, *supra* note 2.

5 Susan M. Dynarski and Judith E. Scott-Clayton, *Complexity and Targeting in Federal Student Aid: A Quantitative Analysis*, Kennedy School of Government Research Working Paper Series no. RWP08-005 (Harvard, MA: Harvard University, Kennedy School of Government, 2008).

6 Philip Oreopoulos and Ryan Dunn, “Information and College Costs: Evidence from a Randomized Field Experiment,” 2010 ([www.sole-jole.org/11027.pdf](http://www.sole-jole.org/11027.pdf)).

7 Dynarski and Scott-Clayton, *supra* note 5.

8 M. Kramer, J. Rogers, and E. Kaznowska, *The Illiteracy of the Literate: The Lack of Financial Aid Knowledge Among Canadian University Students* (Ottawa: Canadian Alliance of Student Associations, 2010), at 5.

### Ability of the System To Accommodate Loan Aversion

The application forms currently used in Canada assess the applicant's eligibility for both student loans and (non-repayable) grants. However, bundling loans and grants in the same application may deter some students from applying for aid.

Palameta and Voyer<sup>9</sup> conducted a high-stakes laboratory experiment to learn about students' financial aid preferences. They asked high school students to decide between immediate cash on the one hand and loans and/or grants on the other. The same students were asked to make several variants of these types of decisions and were informed that at the end, one of their choices would be chosen at random for payout. A non-negligible portion of participants rejected a grant when it was coupled with a loan offer but accepted the same grant when it was offered by itself (in each case weighted against the same immediate cash offer). Between 5 percent and 20 percent displayed such loan-averse behaviour (depending on the relative amounts of the grant and loan offers). This was despite the fact that students could refuse the loan or invest it with zero repayable interest over a long deferred repayment period (as is the case for current government-sponsored student loans). One explanation for this seemingly irrational behaviour is that some students may not have trusted themselves with the loan offer. In other words, the "unwanted" loan might encourage consumption that would not otherwise have taken place.

Currently, in both Canada and the United States, there is no possibility of opting out of loans at the front end if one is only interested in grants. The receipt of non-repayable grants such as those under the Canada student grants program is conditional on applying and qualifying for student loans, in addition to other eligibility criteria.<sup>10</sup> Palameta and Voyer's experiment suggests that a non-negligible proportion of students are likely to refuse to seek a grant simply because of the joint offer of a loan.

### Amount of Liquidity Provided

As indicated above, in Canada (and the United States) government-sponsored student financial aid is provided mainly in the form of loans and grants. As a guiding principle, aid is supposed to be offered to those in need of it. More specifically, Canada student loans are determined by the following formula:

$$\text{Total assessed needs} = \text{Total assessed costs} - \text{Total assessed resources},$$

where "Total assessed costs" refers to direct post-secondary costs (tuition, other fees, books, living costs, return travel, etc.) and "Total assessed resources" refers to

9 Boris Palameta and Jean-Pierre Voyer, *Willingness To Pay for Post-Secondary Education Among Under-Represented Groups* (Toronto: Higher Education Quality Council of Ontario, 2010).

10 Human Resources and Skills Development Canada, "Canada Student Grants Program" ([www.hrsdc.gc.ca/eng/learning/canada\\_student\\_loan/cgsp.shtml](http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/cgsp.shtml)).

parental and student income and assets (with considerations for other parental obligations, such as family size and the number of dependants enrolled in post-secondary education), and any other resources. If costs exceed resources, applicants will generally be offered loans to cover the entire gap. These loans are covered by the federal government (60 percent) and provincial and territorial governments (40 percent).

However, there is a limit on the amount of loans that students may receive. This can restrict the choices for certain students, such as those facing high direct costs of attending or those with very low resources. In such instances, students may face liquidity constraints. In general, liquidity constraints are far from the norm. Frenette<sup>11</sup> notes that only 10 percent of high school graduates report not attending university (despite wanting to) because of their financial situation. Using a less direct approach, Belley and Lochner<sup>12</sup> find that, at most, 17 percent of youth in the United States are credit-constrained. Two examples of students who may face liquidity constraints are those who must leave the parental home to attend<sup>13</sup> and those with dependants of their own.<sup>14</sup> In both cases, these students face additional costs. Existing evidence from the United States suggests that reducing liquidity constraints is successful in raising post-secondary enrolment among target groups. Consensus estimates from the literature are outlined in Kane<sup>15</sup> and in Deming and Dynarski,<sup>16</sup> and suggest that \$1,000 in additional aid (liquidity) is associated with a 3 to 5 percentage point increase in post-secondary enrolment.

### Proportion of Liquidity That Is Non-Repayable

The amount of liquidity provided to students in need is only one policy parameter that governments can adjust. A second is the proportion of aid that must be repaid. Students who qualify for loans may also be eligible to receive non-repayable grants that are usually targeted at specific groups (for example, students with disabilities or

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- 11 Marc Frenette, *Why Are Youth from Lower-Income Families Less Likely To Attend University? Evidence from Academic Abilities, Parental Influences, and Financial Constraints*, Statistics Canada catalogue no. 11F0019MIE no. 295 (Ottawa: Statistics Canada, February, 2007).
  - 12 Philippe Belley and Lance Lochner, "The Changing Role of Family Income and Ability in Determining Educational Achievement" (2007) 1:1 *Journal of Human Capital* 37-89.
  - 13 Marc Frenette, "Access to College and University: Does Distance to School Matter?" (2004) 30:4 *Canadian Public Policy* 427-43.
  - 14 Marc Frenette and Douwre Grekou, *An Overview of Financial and Social Supports for Students with Dependants* (Ottawa: Social Research and Demonstration Corporation, 2012).
  - 15 Thomas Kane, "Public Intervention in Post-Secondary Education," in Erik Hanushek and Finis Welch, eds., *Handbook of the Economics of Education*, vol. 2 (Amsterdam: Elsevier Science, 2006), chapter 23.
  - 16 David Deming and Susan Dynarski, *Into College, Out of Poverty? Policies To Increase the Postsecondary Attainment of the Poor*, NBER Working Paper no. 15387 (Cambridge, MA: National Bureau of Economic Research, September 2009).

from low-income families). Although significant gains have been made in recent years in terms of the proportion of need-based aid that is non-repayable, the majority (70 percent) of student aid is still in the form of loans.<sup>17</sup>

Although the evidence is limited to two studies, both suggest that converting student loans to non-repayable grants has no impact on the decision to enrol in post-secondary education.<sup>18</sup> This does not mean that student debt does not matter. In fact, Rothstein and Rouse<sup>19</sup> find that increased student debt is associated with higher-paying jobs in the United States; however, these jobs usually have little “public interest” associated with them. In Canada, a study by Luong<sup>20</sup> shows that graduates who borrowed were less likely to have investment income or to own a home, and generally had a lower net worth, than their counterparts who did not take out loans to fund their post-secondary education.

### Cost of Post-Secondary Applications

Finally, student aid is generally designed to cover the costs of attending a post-secondary institution, not the costs of applying for admission. The fees associated with applying have often been considered “nominal”; however, even “nominal” fees may affect demand. Normally, the quantity demanded of a good or service increases smoothly as its price declines. However, research in behavioural economics has shown that demand tends to jump suddenly as the price falls from a small nominal amount to zero.<sup>21</sup> In short, people act as if zero pricing not only decreases the cost, but also increases the benefit of the good or service.

This sudden jump in demand around zero pricing may also apply to post-secondary applications.<sup>22</sup> It is standard practice in Canada for post-secondary institutions to

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17 As of 2006-7: see Joseph Berger and Andrew Parkin, *Ten Things You Need To Know . . . About Financial Support for Post-Secondary Students in Canada*, Millennium Research Note no. 7 (Montreal: Canadian Millennium Scholarship Foundation, 2008).

18 For Canada, see Marc Frenette, *Is Debt Relief as Good as Liquidity? The Impact of Prospective Student Debt on Post-Secondary Attendance Among Low-Income Youth*, Canadian Labour and Skills Researcher Network Working Paper no. 76 (Vancouver: University of British Columbia, Department of Economics, Canadian Labour and Skills Researcher Network, March 2011). For Germany, see Hans J. Baumgartner and Viktor Steiner, “Student Aid, Repayment Obligations and Enrolment in Higher Education in Germany—Evidence from a ‘Natural Experiment’” (2005) 125:1 *Journal of Applied Social Science Studies* 29-38.

19 Jesse Rothstein and Cecilia Elena Rouse, “Constrained After College: Student Loans and Early-Career Occupational Choices” (2011) 95:1-2 *Journal of Public Economics* 149-63.

20 May Luong, “The Financial Impact of Student Loans” (2010) 11:1 *Perspectives on Labour and Income* 5-18.

21 Kristina Shampanier, Nina Mazar, and Dan Ariely, “Zero as a Special Price: The True Value of Free Products” (2007) 26:6 *Marketing Science* 742-57.

22 There are generally no fees for student aid applications.

charge applicants a nominal fee. For example, in Ontario students typically pay \$95 for college applications<sup>23</sup> and \$125 for up to three university/program applications.<sup>24</sup> Students in other provinces face similar fees. While the existing system of loans and grants makes no provision for covering the cost of post-secondary applications, a broader definition of “student financial aid” could perhaps incorporate a waiver of such fees.

## THE LEARNING PASSPORT<sup>25</sup>

### Overview of the Program

The learning passport proposed by the Liberal Party of Canada involved a promise of non-repayable, tax-free aid to high school students wishing to attend a post-secondary institution.<sup>26</sup> The money would be deposited in the student’s RESP in the four years leading up to the typical start of post-secondary education (that is, when the student was 14 to 17 years old). All students would be guaranteed a minimum deposit of \$1,000 annually, for a total of \$4,000; for students from low-income families, the amount deposited would be raised to \$1,500 annually, for a total of \$6,000. Eligibility for the low-income grant component of the learning passport would be based on information used in determining eligibility for an enhanced RESP grant for low-income families (through the Canada learning bond program).

The learning passport funds could be withdrawn from a student’s RESP in the amount of up to \$1,000 (or \$1,500) per year, conditional upon the student’s enrolment in full-time studies at an accredited post-secondary institution; lower amounts would be paid out for part-time studies. For students who terminated their post-secondary studies before the money was used up, the remaining value of the learning passport would still be available to fund future enrolment at an accredited post-secondary institution. The grant would also be portable if the student changed institutions.

### How Effective Would the Program Be in Addressing the Gaps in the Current System?

With respect to students’ knowledge of the learning passport, the program would work well for those with an RESP in place. There would be no need for the student to apply, since the funds would be deposited automatically into the account. However, as pointed out in the learning passport announcement, there is a low RESP

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23 OntarioColleges.ca, “Application Fees” ([www.ontariocolleges.ca/ontcol/home/apply/applicant-info/application-fees.html](http://www.ontariocolleges.ca/ontcol/home/apply/applicant-info/application-fees.html)).

24 Ontario Universities’ Application Centre, “Fees” ([www.ouac.on.ca/ouac-101/101-fees/](http://www.ouac.on.ca/ouac-101/101-fees/)). An additional fee of \$42 is charged for each university/program choice beyond the initial three.

25 The description of the learning passport and comments attributed to the Liberal Party of Canada in this section are based on the learning passport announcement, *supra* note 1.

26 Possible sources to finance the learning passport included eliminating the education and textbook tax credits, stopping corporate giveaways, and controlling wasteful spending.

takeup rate among modest- and low-income families. Milligan<sup>27</sup> has found that high-income families are at least three times more likely than low-income families to hold an RESP account. The Liberals planned to rectify this situation by promising to “work with financial institutions and other partners to assist and encourage all parents to start an RESP for their kids.”<sup>28</sup>

One possibility for raising RESP takeup rates would be to automatically open an account for all students (though we do not know whether this was part of the Liberals’ plan). In this case, parents who did not wish to participate would have to opt out of the RESP program, rather than opt in. There is evidence that opt-out strategies increase enrolment in savings plan. For example, corporate savings plans that require employees to opt out (so that participation is the default option) have substantially higher participation rates than plans that require employees to opt in.<sup>29</sup>

Students who were enrolled in an RESP would know about the learning passport from the age of 14 (if not earlier) since funds would be deposited automatically beginning in that year. In other words, students would have several years to try to change their educational pathway if they believed that the learning passport would provide them with new opportunities in post-secondary education.

Given its tie-in with the RESP, the learning passport would bypass the complexities of existing student aid application forms. So long as students had an RESP account opened in their name, no new application forms would be needed.

As proposed, the learning passport would consist entirely of non-repayable aid. There would be no need to apply for a regular student loan in order to qualify for the grant (as is the case with the existing Canada student grants program). Thus, loan-averse students should not be deterred by the learning passport.

At first glance, the learning passport appears to offer additional liquidity to students. However, this might be the case only for students who had unmet needs as a result of their regular student aid award. For the majority of students who had all of their needs met, the learning passport would simply convert existing loans into non-repayable grants, because aid application forms would require the passport to be declared as a resource. As discussed in the preceding section, loan remissions may help students with their post-graduate debt levels, but there is no evidence to suggest that they would help students with the stated goal of the learning passport, namely, accessing post-secondary education.

Finally, the learning passport would not provide any relief in respect of fees charged for applying to post-secondary institutions.

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27 Kevin Milligan, “Who Uses RESPs and Why,” in Charles M. Beach, Robin W. Boadway, and R. Marvin McNnis, eds., *Higher Education in Canada* (Kingston, ON: Queen’s University, John Deutsch Institute for the Study of Economic Policy, 2005), 467-94.

28 See the learning passport announcement, *supra* note 1.

29 John Beshears, James J. Choi, David Laibson, and Brigitte C. Madrian, *The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States*, NBER Working Paper no. 12009 (Cambridge, MA: National Bureau of Economic Research, February 2006).

## EVIDENCE FROM THE LEARNING ACCOUNT PILOT PROJECT

The concept of depositing aid that is earmarked for post-secondary studies into an account early in high school is not new. Many know of the now-defunct Canada Millennium Scholarship Foundation, which distributed some \$325 million in bursaries and scholarships to Canadian students over a 10-year period.<sup>30</sup> Less is known about the much smaller, but very important, research coordination function performed by the organization. One of the many pilot projects funded by the foundation within the “Future To Discover” initiative was a test, in New Brunswick, of a pre-funded post-secondary education savings plan called “the learning account,” which bears some resemblance to the learning passport.

At the heart of the program was a promise to deposit into a learning account a government grant of \$2,000 per year for the student’s successful completion of grades 10 and 11, and \$4,000 for the successful completion of grade 12. The funds from the learning account (up to \$8,000) would then be used to finance the student’s attendance at a post-secondary institution at a rate of \$2,000 per semester up to four semesters (or two academic years). All of the aid would be non- repayable.

The learning account is thus similar to the learning passport with respect to the deposit and disbursement of funds, although the timing and amounts diverge somewhat. Fundamentally, there are two key differences between the programs. First, the financial aid provided by the learning account would be targeted exclusively to students from low-income families.<sup>31</sup> Second, enrolment in a learning account would not be tied to an RESP. Instead, on entering high school, students who could potentially qualify would be informed about the program, by telephone, by mail, and during an interview in their home, in which information from their parents’ most recent tax returns would be confirmed.

In principle, the learning passport and the learning account should perform equally with respect to four of the seven gaps in the current system of student financial aid:

1. Both programs would attempt to inform students of the aid that is available *early* in high school.
2. No additional application forms would be required. As long as eligible students were signed up (through the RESP program in the case of the learning passport or through a signed income declaration in the case of the learning account), they would receive an account.

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30 Carleton University Library, “Canadian Millennium Scholarship Foundation (CMSF)” ([www.library.carleton.ca/find/data/canadian-millennium-scholarship-foundation-cmsf](http://www.library.carleton.ca/find/data/canadian-millennium-scholarship-foundation-cmsf)).

31 Eligibility would be determined by reference to the income of a student’s parents as reported in their annual personal income tax returns.

3. Students would not be required to be assessed for a student loan.
4. On the negative side, neither program would relieve students of post-secondary application fees.

However, the programs differ in their potential ability to address the remaining three identified gaps:

1. Since the learning account would not require enrolment in an RESP, it is potentially less limited in scope than the learning passport with respect to the dissemination of knowledge about the program. Thus, in principle, it could reach far more students.
2. The learning account could potentially provide greater liquidity since more aid is available (up to \$8,000) than in the learning passport (up to \$6,000).
3. Even if both programs provided no additional liquidity (because of the loan clawback), the learning account would outperform the learning passport by providing more loan remission (because of the additional aid).

On balance then, the learning account likely has more potential than the learning passport in terms of reaching out to students in greater need with more aid (or more non-repayable aid). It follows that an evaluation of the impact of the learning account on post-secondary enrolment might provide an upper-bound estimate for the effectiveness of the learning passport.

The millennium foundation considered it important that the learning account be evaluated on a small scale before any government implemented the program. Accordingly, it hired the Social Research and Demonstration Corporation to run a pilot project in New Brunswick to test the impact of the learning account on post-secondary applications.<sup>32</sup> To ensure that the results of the evaluation would be credible, all students who were determined to be eligible (on the basis of family income) and who agreed to participate were randomly assigned to one of two groups: a program group, which received the offer of a learning account, and a comparison group, which did not receive such an offer. Since chance determined which students received the offer, the two groups were equivalent at the beginning of the project. This way, differences in outcomes between the two groups could be attributed to the offer of a learning account.

The evaluation found that the offer of a learning account had a large positive impact on post-secondary applications in both the francophone and the anglophone sectors of New Brunswick. The impacts were largely concentrated in college, rather

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32 Marc Frenette, Reuben Ford, Claudia Nicholson, Isaac Kwakye, Taylor Shek-Wai Hui, Heather Smith Fowler, Judith Hutchison, Sabina Dobrer, and Sophie Hébert, *Future To Discover: Post-Secondary Impacts Report* (Ottawa: Social Research and Demonstration Corporation, forthcoming).

than university, applications.<sup>33</sup> The program also raised college enrolment substantially in the francophone sector but only modestly in the anglophone sector.<sup>34</sup>

## CONCLUSION

This article has identified seven important gaps in the current system of student financial aid. Initiatives like the learning passport and the learning account show considerable promise in removing these gaps in order to help students access post-secondary education. Table 1 summarizes how each program addresses the gaps. In the case of the learning account, empirical evidence also supports the potential benefits of such a program if it were implemented full-scale.

Regarding the current system of aid, it is clear that students (and perhaps parents) need to be better informed about aid opportunities and informed sooner, preferably as early as the beginning of high school. One option to achieve this goal would be to give high school students the opportunity to apply early for a portion of their financial aid package on the basis of their current situation. This could include a non-repayable grant similar to the learning passport or learning account, or the current set of non-repayable grants (such as those offered under the Canada student grants program). Another option would be a direct intervention aimed at informing students of student financial aid opportunities, perhaps delivered as a mandatory component of the high school curriculum.<sup>35</sup>

While the learning passport and the learning account do not require students to apply for assistance, this is not the case with existing student aid. As discussed earlier, simplifying aid forms is one option worth considering. Another is to help students

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33 The large impacts on applications were registered despite the fact that there appeared to be an awareness issue among learning-account holders. Smith Fowler et al. report that among those who held a learning account, only 58.4 percent of francophone students and 38.6 percent of anglophone students were aware that they had one: Heather Smith Fowler, Sheila Currie, Sophie Hébert, Isaac Kwakye, Reuben Ford, Judith Hutchison, and Sabina Dobrer, *Future To Discover: Interim Impacts Report* (Ottawa: Social Research and Demonstration Corporation, 2009), at 101.

34 One possible reason why the learning account had a larger impact in the francophone sector has to do with supply constraints in the anglophone sector. Specifically, most programs in the anglophone college sector were oversubscribed, while most programs in the francophone sector were undersubscribed. Given the supply constraint, the program could have, at best, displaced some anglophone college students with learning-account recipients. However, this would have required that the recipients outperform other students, since spaces are rationed by marks.

35 Such a program was also tested as part of “Future To Discover.” The “Explore Your Horizons” intervention focused on career and education planning, and consisted mainly of optional after-school workshops (along with other information dissemination tools, such as a magazine or a website). Attendance rates at the workshops were not as high as they could have been. Perhaps as a result, the program had a positive impact on post-secondary enrolment for only some groups of students. The “Life After High School” pilot project, described below, also includes an information dissemination component (regarding aid), but this was delivered during school hours.

**TABLE 1** How the Learning Passport and Learning Account Address Identified Gaps in Student Financial Aid

Identified gap	Learning passport	Learning account
Students' knowledge of available aid . . . . .	Through RESPs.	Through mail, telephone, and interviews.
Timing of aid notification . . . . .	Four years prior to post-secondary (age 14).	Beginning of high school.
Complexity of the aid application . . . . .	No additional forms (as long as an RESP is set up).	Based on verification of parental income.
Ability of the system to accommodate loan aversion . . .	No need to apply for loans.	No need to apply for loans.
Amount of liquidity provided . . .	Up to \$6,000 provided that the student has unmet needs from government assessment.	Up to \$8,000 provided that the student has unmet needs from government assessment.
Proportion of liquidity that is non-repayable . . . . .	All aid is non-repayable. Loans are remitted before additional liquidity is provided.	All aid is non-repayable. Loans are remitted before additional liquidity is provided.
Cost of post-secondary applications . . . . .	No relief.	No relief.

with the completion of the existing forms. This was the objective of a US experiment conducted by Bettinger et al.<sup>36</sup> Low-income students were randomly assigned to one of three groups: students in one group were offered help in completing aid forms and were provided with an estimate of how much aid they could expect to receive; those in a second group were offered an estimate of aid only; and those in a third group were offered no intervention. The study found that, compared with students in the third group (no intervention), students who received an offer of assistance with the aid application and an estimate of aid were 16 percent more likely to apply for aid and 6 percent more likely to enrol in post-secondary studies. An offer of an estimate of aid alone did not change behaviour in either respect.

36 Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu, *The Role of Simplification and Information in College Decisions: Results from the H&R Block FAFSA Experiment*, NBER Working Paper no. 15361 (Cambridge, MA: National Bureau of Economic Research, September 2009).

The large impacts found by Bettinger et al. provided the motivation for testing an enhanced program in Canada called “Life After High School.”<sup>37</sup> The program provides assistance in filling out post-secondary application and aid forms and information on student aid (as well as costs and benefits of attending a post-secondary institution), and it covers post-secondary application fees. It is currently being tested in British Columbia and Ontario.

Although the learning passport and the learning account do not require an application for a student loan, this is not the case with the existing Canada student grants program. As a result, some (loan-averse) students may be deterred from applying for aid if they are only interested in grants. Decoupling loans and grants at the front end would solve this issue, but the method for doing so is not clear. A “loan opt-out” box on aid application forms is one option. Another is to have separate loan and grant application (or acceptance) forms.

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37 Social Research and Demonstration Corporation, “Life After High School,” June 2011 ([www.srdc.org/uploads/LAHS\\_ON\\_desc\\_EN.pdf](http://www.srdc.org/uploads/LAHS_ON_desc_EN.pdf)).