

Short Answer:

The University of Ottawa should co-sign professional student lines of credit for law students who are at risk of dropping out because of financial hardship or pre-existing poverty. Students without a great deal of pre-existing wealth, or who are unable to obtain a large line of a credit from a bank, are unable to pursue professional degrees at the University of Ottawa. The existing trend of annual increases of tuition and the inadequate system of financial aid makes professional school unattainable. This is fueled by ideas of misconceptions about youth employment opportunities, and the functionality of the University's financial aid programs.

Background

I am a third year student at the University of Ottawa's faculty of common law. I have good grades, I have good relations with my professors, and I am actively involved in the school's extracurricular groups and in the community. I decided to go to law school to better myself, my family, and the community around me. But most of this did not matter because I grew up and continue to live below the poverty line.

In the summer of 2013, just after completing my second (of three) year of law school, I was informed by the Dean of students that unless I came up with \$8,000 I would have to withdraw from the program. Given my financial situation this was more or less an expulsion by other means. The basic math was this, tuition was \$15,000 for the year, and government student loans max out at about \$12,000. The assumption is that professional students, future lawyers, accountants, doctors, and dentists, obtain a private line of credit to make up the difference. I was denied this line of credit by five commercial banks because I had a low credit score and no one to co-sign. I had no one to co-sign because my mother made \$19,000 last year (she is on disability). I had bad credit for a host of reasons. In my early twenties access to a small amount of credit kept me off the street a few times, or kept me fed, but also because I was not the most responsible debtor. The big hit to my credit score came when I graduated and I missed a few student loan payments. These were much larger than I could afford. We all make mistakes, but when you have no family or support to fall back on the margin for error is much higher and these missteps I made have cost me a lot.

I explained my story to the school, I wrote it in a letter, I sent it to whomever I could (financial aid, student accounts, the chancellor, the president, the faculty of law's dean). I didn't get much of an answer, so I went to the press. By some miracle, the Globe and Mail published my story. A few weeks later I was on CBC Radio's the Current explaining my story, my background, and how it fit into the theme of class mobility. After this I saw my inbox fill up with similar stories from past and present students. In particular, there are a number of students in the faculty of law that are in almost exactly the same position as me. I was *extremely* lucky though, at the last moment a friend of mine offered to co-sign the loan that I desperately needed to graduate. I cannot stress this enough that this was pure luck and generosity by a friend who happens to come from a very wealthy family.

Here is the Problem

Without the means to enable it, the ability to pursue higher education is meaningless. More specifically, without a significant amount of wealth, or access to a loan, professional school is largely impossible. As tuition continues to rise beyond 15,000 dollars per year, students simply drop out, or don't consider attending university at all. A law student without a bank loan is forced to choose between paying tuition or rent and food.

Common Responses

The standard university response is to increase student aid. This is true, the school does have generous financial aid programs and it distributes millions of dollars of aid to students in need and I have been lucky enough to receive a number of these bursaries. But \$10,000 in scholarships, while it seems like a lot, is only a portion of the 45,000 needed to pay tuition (not to mention living costs and school supplies).

The explicit response from the University was that I should leave school, go work and make enough money to pay tuition. For me this wasn't really possible. At the time I was working a minimum wage job at a bar. My shifts went from 9 at nights to 3 in the morning. Before this I worked at a coffee shop, and before that at Sears. If I were to get a job now it would be more of the same and it would be very difficult to save tens of thousands of dollars while living at the poverty line.

Solution

The school could remedy this situation by becoming a law student's guarantor or co-signor. If a student unable to line of credit the University can ensure the student graduates by co-signing a private line of credit with them. This would constitute a marked departure from the ineffective system of financial aid and make better use of the Universities limited resources.

I believe that this idea moves the dialogue in the right direction. Student groups and university boards of governors have been locked in the same debate for more than a decade. We are both tired of the same arguments, counterpoints, and deflecting the blame for the increasing cost of tuition. At this point capping or freezing law school tuition would not be enough. Law school is already so expensive that poor Ontarians will not be a part of the next generation of lawyers.

The other, easier, and more cynical solution would be to simply inform students that they are expected to secure lines of credit before they begin their studies. This could be accomplished through a simple letter, but the underlying message would be that if you are not independently wealthy you are not welcome at the faculty of law at the University of Ottawa.

Considerations:

The University will bear a degree of risk in doing so and there will be a fear that these loans will be defaulted. However, because of the unique nature of this proposed program there are a number of levers that can be established to control it.

Ensure that the student has been turned down by three banks: This will ensure that the available lenders have been approached and denied their loan application. Different banks have different lending policies, and sometimes certain banks will lend to someone while another will not. For me I was turned down by RBC, TD Canada Trust, and the National Bank of Canada.

Ensure that the st have no other resources: That there are no other resources, unable to co-sign for the loan, rather than unwilling. Standard affirmation that they do not.

There is a low risk of default: Lawyers have a very high earning potential and the average salary for a lawyer in Ontario \$89,000. Immediately after graduation students work for law firms in an arrangement known as “articling.” Similar to a medical residency, a law student must complete their articles in order to become a licensed lawyer. Articling salaries range from \$40 – 80,000. Furthermore, if an individual, law student or lawyer has declared bankruptcy they will be disbarred and/or unable to practice law in the province of Ontario. The relative high income of law graduates and the risks associated with bankruptcy make the risk of default relatively low for law students as opposed to non-professional students. Furthermore, supporting students in this fashion will foster strong alumni relations with students who are likely to be in the top 10% of income earners, and will therefore be far more likely to donate funds to the University in the future.

Contain risk by insuring the line of credit and not exceeding the amount which is committed as security: Although the risk of default is very low it is a realistic possibility. The student should therefore be required to insure the loan for a small fee (this is offered by the banks.) If the circumstances surrounding the default are not covered by the insurance policy the University will be obligated to pay out the remaining balance. However, this will not constitute an unlimited liability and the University can plan for this worst case scenario by putting aside the appropriate amount of money as security.

Commit existing financial aid to the secured amount: The faculty of law distributes large amounts of small financial aid to students who qualify. A large amount of students receive a bursary in the amount of \$1,000. Instead of giving this to a wide group of students, and diluting the impact that it could have, the money could be committed to the security to help the most at need students.