



## Could Trudeau Cancel Canadians' Student Loan Debt?

### Description

Lately, student loan debt has been a hot topic in the United States. President Joe Biden has floated the idea of forgiving \$10,000 worth of student loans per borrower, and his democrat colleagues are pushing him to relieve \$50,000 worth. So far, neither of these loan relief programs is a reality. But they are increasingly being discussed by high-level decision makers in the U.S. government.

This brings us to Canada. Canadians, like Americans, generally have to pay for their educations out of their own money. Our tuition fees are not as high as those at elite U.S. schools, but it's not unheard of for Canadians coming out of law or med school to owe \$100,000 or more. Given Justin Trudeau's aggressive action to [support Canadians financially through COVID-19](#), we might expect him to move on student loans as well. Indeed, he has already suspended student loan repayment. But full forgiveness has yet to be seriously discussed.

### What democrats in the U.S. are proposing

Various democratic groups in the U.S. are proposing different amounts of student debt forgiveness. Some of the proposals floated include

- \$10,000 in debt cancelled per borrower. Biden himself signaled support for this amount;
- \$50,000 per borrower. This is pushed by Senate democrats like Chuck Schumer and Elizabeth Warren; and
- \$200,000 per borrower. This was hinted at in a [Wall Street Journal](#) article.

Some of these debt-relief programs would be quite aggressive if implemented. So far, though, none of them have been.

### Could Trudeau follow suit?

As for Canada, there hasn't been as much talk about student debt relief as there has been in the states. Since the repayment moratorium passed, the topic hasn't been coming up. In part, this may be

because Canadian students have less student debt than their American counterparts. According to *StatCan*, the average Canadian student owes \$14,900 at graduation, while their U.S. counterpart owes \$32,000. Anecdotally, these stories of “staggering” \$250,000 student debts seem far less common in Canada. So, perhaps Trudeau doesn’t feel the need to act on what’s not the country’s biggest financial problem right now. Nevertheless, the NDP and others remain committed to student debt relief.

## A Canadian bank deeply involved in student loans

As it turns out, Canada’s student loan situation has an investing tie in — specifically, for bank investors.

The National Student Loan Service Centre (NSLSC) used to be administered by **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) through its then-subsiary, Edulinx. Under CIBC’s leadership, the NSLSC was widely perceived to have been mismanaged. The bank eventually sold Edulinx to another company. It has passed through many hands since then.

To this day, many private Canadian banks are integrated with the NSLSC. CIBC, along with its competitors, can be used by students to log in to their student loan accounts.

Right now, student loans are not a major business concern for CIBC. The company sold its student loan-processing business a long time ago and is only tangentially involved now. Nevertheless, there are many ways in which banks like CIBC are involved in student finances. Private loans, student lines of credit, and special credit cards marketed to students, just to name a few. If sweeping student debt relief were passed, then perhaps students would demand relief on even these private loans. So, this is an area that bank investors might want to pay attention to.

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