

Submission to the House of Commons Standing Committee on Finance

Household debt in Canada

April 2026

On behalf of the Canadian Federation of Students and the Canadian Association of University Teachers, we welcome the Committee's study on household debt in Canada. It is essential that student debt is part of this analysis. It is a form of household debt that is carried disproportionately by younger adults and by those trying to build stable lives through education, training and research.

Student debt is distinctive: it is often incurred before wealth accumulation and stable labour market attachment, and can delay other major household decisions including homeownership, saving and family formation. Statistics Canada reports that young households had a debt-to-disposable-income ratio of 165.2% in the third quarter of 2023. Debt at this level constrains consumption, heightens sensitivity to interest rates, and limits long-term wealth accumulation for younger Canadians. The result is slower growth and a more unequal, fragile economy. The affordability and financing of post-secondary education are directly relevant to any analysis of household debt.

Federal student aid data illustrates the scale of the issue. In 2023–24, 727,755 students received federal student financial assistance. The program disbursed significantly more in loans (\$4.8 billion) than in non-repayable grants (\$2.6 billion). Among full-time borrowers leaving school in 2023–24, the average federal loan balance was \$17,550 for undergraduates, \$23,261 for master's students, and \$32,444 for doctoral students. Nearly 28,200 full-time borrowers, or 11.7%, left school owing \$30,000 or more in federal loans alone.

These balances translate directly into repayment pressure. In 2023–24, 240,994 full-time borrowers entered repayment, and 42,036 used the Repayment Assistance Plan (RAP) in their first year, a first-year uptake rate of 17.4%. Across all stages of RAP, there were more than 200,000 Stage 1 recipients and more than 52,000 Stage 2 zero-payment recipients. The federal three-year default rate rose to 8.2% for borrowers who entered repayment in 2021–22, up from 6.8% the previous year, even as the overall repayment rate remained relatively high at 91.5% for those entering repayment in 2022–23. These indicators suggest that many borrowers are

managing debt only with ongoing repayment support, rather than because debt burdens are manageable.

Furthermore, the Committee must consider one of the most vulnerable subsets of student borrowers: those who hold educational debt but are forced to either pause or leave their studies prior to completion. With tuition rates rising and cost-of-living crises impacting youth, data have shown that students are finding it increasingly hard to pay for their post-secondary education, with about 43% of surveyed students claiming that they would have dropped out if not for parental financial support and over 1 in 4 students considering dropping out because of financial pressures. Meanwhile, ESDC has explicitly confirmed that the most significant factors in lowering the default rate on student loans are graduation. As students are increasingly at risk of dropping out due to affordability pressures, they are systematically pushed towards insolvency.

The Committee should also consider the structural drivers of student borrowing, particularly the sustained rise in tuition and education-related costs. Evidence shows that tuition fees in Canada have increased significantly faster than inflation for more than three decades. Since the early 1990s, tuition has outpaced the Consumer Price Index and other core household expenses, including housing, transportation and food. Between 2000 and 2025, the cost of education grew at a rate significantly higher than inflation. Average undergraduate tuition rose by 119% and graduate tuition by 93%, compared to a 69% increase in overall consumer prices. At the same time, associated costs such as residence and meal plans have also risen faster than inflation, further increasing the total cost of attendance. Undergraduate tuition costs growing 50% faster than inflation over the last 25 years is not an insignificant factor in the debt challenges facing Canadian families today, and current trends are indicating it will get worse in the future.

The following chart highlights the domestic undergraduate tuition, and compulsory fee increases for each province over the last year (2024–25 to 2025–26):

BC	AB	SK	MB	ON	QC	NB	NS	PEI	NFLD
2.0%	2.0%	3.2%	4.4%	3.2%	9.4%	4.7%	1.1%	5.9%	3.2%

It is worth noting that Ontario has recently lifted a seven-year freeze on tuition fees, and Quebec raised out-of-province tuition fees by 33% in 2024. While some provinces such as Newfoundland and Labrador have reinstated tuition fee freezes, and several provinces have capped tuition fee increases, the vast majority of Canadian students are faced with education costs that are growing faster than inflation.

Beyond cost increases, Ontario announced in February that it would shift the majority of the Ontario Student Assistance Program (OSAP) away from grants to loans. Prior to this announcement, students could receive up to 85% of their OSAP funding as grants. The new policy change shifts that number down to 25% and will increase the student debt load significantly for the largest province in the country.

Households are now devoting a growing share of their income to post-secondary education, with lower-income households bearing a disproportionate burden. These trends reinforce that student debt is not only a function of individual borrowing choices but of a long-term shift in how post-secondary education is financed in Canada.

There is also an insufficient picture of private student debt. Statistics Canada's National Graduates Survey provides valuable insights but is conducted infrequently and does not capture the full range of borrowers, including those using private loans, lines of credit, credit cards or family financing. There is mounting evidence that young adults are increasingly reliant on private, non-mortgage credit to pay for basic living essentials such as groceries and bills. This data goes hand in hand with the fact that non-mortgage delinquency rates have reached levels not seen since 2009, with the highest rates being observed by younger consumers under the age of 26. There is a rippling effect to young households being overreliant on credit and facing delinquency rates that jeopardize their credit history, such as impacting an individual's ability to rent housing in an already competitive market and locking them into a cycle of debt and financial precarity.

Recent federal measures are helpful but insufficient on their own. The government announced in March 2026 that the maximum \$4,200 non-repayable grant would continue for 2026–27, alongside a continued higher weekly loan limit. However, the current grant level remains below the average annual cost of undergraduate tuition of almost \$8,000.

Additionally, the gap is widening between federal student aid amounts and the realities of the skyrocketing and exploitative housing market. The Canada Student Financial Assistance program's funds have not kept up with housing inflation. Despite the maximum federal aid (loans and grants) for a standard 34-week academic year being capped at roughly \$14,000, Statistics Canada and the Canada Mortgage and Housing Corporation data revealed that in 2025, average rent for a single room in some university towns often exceeded \$1,000, thereby potentially absorbing a student's entire federal funding package.

Recommendations

- Firstly, the Canada Student Grant should be expanded in value. The full-time grant should be increased to at least \$8,000 per year and indexed going forward. This would reduce reliance on loans at the point of study rather than only easing distress later in repayment. Evidence already shows that non-repayable aid reaches hundreds of thousands of students; the next step is to ensure it is sufficient to meaningfully offset rising costs and reduce debt loads.
- Second, the federal government should establish a national student debt transparency framework. Employment and Social Development Canada, Statistics Canada, the Canada Revenue Agency, provinces and territories, and financial regulators should be directed to develop annual reporting on total student borrowing, including federal and provincial loans, private bank loans and lines of credit used for education, institutional financing, and other high-cost debt used to cover study and living costs. Reporting should include repayment outcomes and indicators of financial distress and should be appropriately disaggregated.
- Third, to ensure the sustainability of the Canada Student Grant program, the federal government should work with the provinces and territories on a post-secondary education and training strategy to ensure affordable, accessible and high-quality education for all Canadians.

Student debt is not a marginal issue within household debt. It is an early-life debt burden with long-term individual and public consequences, and federal leadership to reduce this debt is much needed.

Thank you for the opportunity to contribute to this study.

Sources

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