

Garnishments For Student Loan Debt



Student loan default rates of 14% can lead to garnishment orders

We often hear stories in the news of excessive student debt and high student loan default rates. The good news is that often in Canada student debt is not a significant problem collectively. In Canada students can go into debt but the average debit of a Canadian student, upon completion of education, is just under \$13,000. This data does not include students who borrow on their credit cards, take personal lines of credit, or, borrow from their parents to cover expenses. This solely includes data for official student loans supported by the Canada Student Loan Program.

Since the beginning of the recession, debt numbers have remained fairly consistent while the student debt default rate has actually gone down. In 2010-2011 the default rate was about 14%.

In 2011-2012, the Canada Student Loans Program provided financial assistance to approximately 35% (or 447,000) of full-time students and 6,500 part-time students (nearly double the numbers of 2009). The total assistance provided in 2011-2012 was \$2.4 billion, while in 2009 it was \$11.2 million. In 2011-2012, 185,000 students had difficulty making loan repayments.

Garnishment of Wages for Student Debt

Given the reality that 185,000 individuals had difficulty making loan repayments in 2011-2012, the odds are that some of these defaults have resulted in a court order for repayment. As an employer this means the odds are some of these will result in garnishment orders arriving on the doorstep of your organization. When this occurs an employer will have to act to garnish the wages of their employee the same as with any other court ordered garnishment.

Because the garnishment will be a court ordered action employers will be tasked with responding to each order as it arrives. This means verifying, calculating and remitting payments for each order. At the end of this article we have provided resources for managing a garnishment order.

Canadian Student Loan Data Trends

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| Average Student Loan Upon Completion of Education By Location |
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| By Province/Territory | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| NFLD/Lab | 12,991 | 13,166 | 12,775 | 12,451 | 11,976 |
| Prince Edward Island | 15,534 | 16,588 | 16,595 | 17,062 | 17,115 |
| Nova Scotia | 15,380 | 16,061 | 16,520 | 16,748 | 16,472 |
| New Brunswick | 13,301 | 13,206 | 13,920 | 13,225 | 13,010 |
| Ontario | 12,326 | 12,638 | 13,020 | 12,699 | 12,724 |
| Manitoba | 11,015 | 11,266 | 10,999 | 10,208 | 9,865 |
| Saskatchewan | 14,063 | 14,699 | 15,116 | 14,925 | 14,408 |
| Alberta | 12,825 | 13,369 | 13,450 | 12,322 | 12,315 |
| British Columbia | 13,775 | 14,336 | 14,033 | 13,680 | 13,674 |
| Yukon | 13,143 | 12,722 | 13,768 | 11,966 | 12,825 |
| Canada Total | 12,881 | 13,222 | 13,404 | 13,013 | 12,972 |

| Average Student Loan Upon Completion of Education By Institution | | | | | |
|--|---------|---------|---------|---------|---------|
| Institution Type | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| University | 16,269 | 16,341 | 16,872 | 16,634 | 16,572 |
| College | 9,939 | 10,085 | 10,135 | 9,601 | 9,520 |
| Private Institution | 10,152 | 10,624 | 10,602 | 10,467 | 10,742 |

| Canada Student Loan Three-Year Cohort Default Rates | | | | | | | |
|---|-----------|-----------|-----------|---------|---------|---------|---------|
| 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| 28.0% | 19.4% | 16.6% | 15.8% | 14.7% | 14.3% | 14.9% | 14.4% |

(Data from the Employment and Social Development Canada Statistical Review: Canada Student Loans Program 2012-2013)

HRInsider Resources

[Garnishment Rules Around the Provinces](#)

[Garnishment Orders: Act Fast and With Diligence](#)