

DESIGNATION POLICY FRAMEWORK

Intergovernmental Consultative Committee on Student Financial Assistance

April 2003 (Updated February 2008)

Preamble

In 2001, provincial/territorial and federal governments, through the Intergovernmental Consultative Committee on Student Financial Assistance (ICCSFA) agreed to the development of a Designation Policy Framework (Framework) with common elements to be applied in all jurisdictions¹ for the designation of institutions.

Four principles were identified and confirmed by ACDME to be reflected in the Framework:

- Taxpayer protection
- Accountability and informed choice
- Consumer protection
- Complementarity to other postsecondary education policies

The goal was to develop a Framework that encompasses these principles and can be used by provinces and territories to establish designation policies and criteria for institutions operating within their jurisdiction. The Framework will give assurance that a suitable basis exists for the provinces/territories to also designate institutions that have already been designated by the home province/territory and that students and taxpayers will receive an appropriate return on their education investment.

Objective

The Designation Policy Framework is a pan-Canadian approach intended to guide jurisdictions in the development of their designation policies.

The Framework will support provincial and territorial governments as well as the Government of Canada in working with educational institutions to improve the performance of the student loans portfolio and to improve accountability to students and taxpayers through stewardship of the portfolio.

The Framework reiterates the fundamental purpose of government student loan programs — that of increasing access to opportunities for postsecondary education. The Framework document itself signals to institutions that student success is a key element in successfully managing financial risk. They play the central role in retaining students, ensuring students succeed, and ensuring students improve their overall employability. These are key factors contributing to students' success in repaying their student loans. Institutions, therefore, are central to any effort by government to effectively manage the financial risks inherent in a student loan program.

Scope

The Framework is designed to establish a common approach to the designation policies implemented in each jurisdiction across Canada. Within the shared Framework, it is recognized that jurisdictions will have flexibility in the specific measures implemented to address these principles. Each jurisdiction will implement designation policies that are responsive to their own particular needs while being consistent with the Framework.

¹ Jurisdictions (except Quebec, Northwest Territories, and Nunavut), participating in the Canada Student Loan Program, as well as the Government of Canada.

Approach

This Framework encourages and emphasizes the establishment of criteria to be used when determining whether an institution should be designated in the first instance and on an ongoing basis. These initial criteria are to be supported by a set of performance standards tied to those aspects of student and portfolio performance over which the institution can have some influence.

All jurisdictions commit to encouraging improved performance so that institutions can maintain designation. It is recognized that all designated institutions have the ability to influence the overall financial exposure of the federal and provincial/territorial student loan programs. However, the Framework also recognizes that there is a range of factors that influence financial exposure and some of these factors are beyond the control of institutions.

It is also recognized that funding under student financial assistance programs is provided to assist students, not schools. While the withdrawal of designation status could potentially affect a school's revenue, protecting the interests of students and taxpayers is the paramount consideration under this Framework.

Common Elements

All jurisdictions agree to the development of common elements for designation criteria in order to enhance accountability to taxpayers and students, enhance customer service, and protect the student's investment by supporting the student in making informed choices. A balanced approach to measuring these common elements will use a set of agreed-upon indicators that are organized into three categories of performance: portfolio, institutional, and student. For an institution to be designated, it would have to reach certain benchmarks on each of these elements, and maintain that level.

All jurisdictions commit to including the following common elements in their designation policies:

- That the institution has programs that meet the eligibility criteria as defined by federal, provincial, and territorial legislation with respect to postsecondary education.
- That the institution be capable of appropriate administration of the student loan program and be accountable for this administration.
- That institutions provide students with adequate consumer protection and information upon which to make an informed choice about their postsecondary options. Designated educational institutions are also expected to focus on student success, improve ways to retain students, and ensure students improve their overall employability.
- That the level of financial risk of designated institutions is monitored and addressed.

Attachment A of this Framework provides more details about the aspects and activities that further define each element.

All jurisdictions are committed to working together with educational institutions to increase repayment performance in the portfolio. As a part of designation, educational institutions accept an active role in managing student financial assistance.

Risk Management

Using performance criteria, all jurisdictions will be able to identify the level of financial risk associated with attending each particular institution. All jurisdictions agree to mitigate financial exposure by focusing audit and/or review resources on working with institutions whose students represent the highest financial risk.

To determine the risk posed at a given institution, each performance criterion will be taken into consideration. Benchmarks for each category will be set, against which improved performance will be measured over a period of time.

If an institution has been assessed and placed in the high risk category, jurisdictions commit to the following minimum actions:

- formal notification to the institution
- ensure that the institution obtains assistance from a third party, the provincial/territorial government, or both, in diagnosing issues and assessing steps to be taken to improve performance
- ensure that an improvement plan is prepared and submitted to the jurisdiction.

Jurisdictions may determine that the role the institution plays in fulfilling regional, socio-economic, or cultural provincial policy priorities will be taken into account when determining the impact of a high-risk assessment on the institution's designation status.

Risk Indicators

Risk to student assistance programs would be assessed through a measurement of three types of performance:

1. Portfolio Performance: e.g., repayment data, default data
2. Institution Performance: e.g., administrative compliance, student support services
3. Student Performance: e.g., completion data, employment data, withdrawal data.

Other Indicators

It is recognized that limited data are currently available for the set of indicators. These indicators are intended as an initial set for use in assessing the risk profile of institutions. Over time, as further data become available, jurisdictions will review the list of indicators with a view to modifying the initial set, if necessary.

Federal and Provincial/Territorial Responsibilities

Consistent with the Common Elements and Risk Management practices, the following responsibilities are identified for provincial, territorial, and federal levels of government in the implementation and maintenance of this Framework. The Framework recognizes the responsibility shared among all jurisdictions to support and maintain the Framework and share information with each other, as appropriate.

Provincial/Territorial Responsibilities

- Adhere to the provisions of the Designation Policy Framework.
- Implement a process for the initial designation of institutions and the ongoing monitoring of them, including an appeal process for those institutions that are not successful in attaining or maintaining designation.
- Implement formal agreements governing institutional designation. Such agreements would specify the terms of and conditions for designation and the requirements for the administration of student financial assistance.

Federal Responsibilities

- Adhere to the provisions of the Designation Policy Framework.
- Assist provinces/territories to implement designation policies that are consistent with the Framework.
- Maintain the master designation list.

Attachment A - Common Elements

Activities responsive to each element listed in the body of the Framework are provided below. This attachment should not be seen as an exhaustive list, as provinces/territories are encouraged to develop and consider further measures that reflect the common elements.

Institutions have programs that meet the eligibility criteria as defined by federal, provincial, and territorial legislation with respect to postsecondary education.

Required

- With respect to program eligibility, institutions would be assessed based on the eligibility requirement described by provincial, territorial, and federal legislation.
- Institutions must provide independent assurance of institutional integrity, such as being licensed or registered by a recognized accrediting body, or equivalent. Provincial/territorial governments would determine the appropriate requirements for the various types of institutions operating in their jurisdiction.

The institution is capable of appropriate administration of the student loan program and is accountable for this administration.

Required

- All jurisdictions will enter into a formal agreement with domestic institutions, covering the institution's participation in the student financial assistance program, including requirements for the provision of information by the institution pertaining to the operation of the student financial assistance program. All jurisdictions will also ensure that domestic institutions continue to meet the requirements outlined in the formal agreement.

Optional

- Require institutions to submit a description of the procedures to be implemented to properly administer a financial aid office, including provisions for appropriately trained staff.
- Institutions must demonstrate sound operational and financial viability and stability for a specified prior period in order to be eligible for designation.

Institutions provide students with adequate consumer protection and information upon which to make an informed choice about their postsecondary options. Designated educational institutions are also expected to focus on student success, improve ways to retain students, and ensure students improve their overall employability.

Required

- Require institutions to establish and publish tuition and fee policies and refund policies and ensure that the refund policies relate in a fair and equitable manner to the student's date of withdrawal in relation to the full course of study for which tuition and fees have been paid.
- Require institutions to provide a financial guarantee, such that if an institution is closed, the students' investment receives appropriate protection.
- Require institutions to collect and report information to students and to governments, where appropriate, in support of agreed indicators such as completion, employment, and withdrawal.

Optional

- Require institutions to provide information on program outcomes to students and to governments during the waiting period for designation.
- Ensure that information on loan default (or repayment) rates is provided to students.

The level of financial risk of designated institutions is monitored and addressed.

Required

- Jurisdictions will ensure that institutions maintain an acceptable level of risk as defined by the provincial and territorial governments in consultation with the federal government.
- Institutions cooperate with the efforts of provinces/territories to identify and mitigate financial risk as appropriate.
- Institutions will provide student financial assistance information and counselling.

Optional

- Require institutions to have a withdrawal/exit management plan to assist students.
- Require institutions to meet specific requirements for student retention prior to designation.
- Require institutions to contract with an independent auditor to report on institutional compliance with the administrative requirements under the jurisdiction's designation policy. The level of risk would determine the frequency of these audits.

Attachment B - Designation Criteria for International Educational Institutions

In addition to the criteria set out in the Designation Policy Framework, the following criteria would apply for international educational institutions seeking designation status.

1. (a) A post-secondary educational institution located inside the United States must be approved for Title IV funding by the US Department of Education.
2. (a) An international post-secondary educational institution located outside the United States must meet the following criteria:
 - (i) be approved for the purpose of student financial assistance or be accredited in its home country; and
 - (ii) demonstrate stability by having been in continuous operation for a minimum of two years prior to designation.
- (b) An international post-secondary educational institution must also be listed in one of the following references:
 - (i) International Handbook of Universities (International Association of Universities, Stockton Press),
 - (ii) the World of Learning (Europa Publications),
 - (iii) the Commonwealth Universities website at www.acu.ac.uk/home ,
 - (iv) the International Association of Universities website at www.unesco.org/iau/members_friends/mem_membinst1.html,
 - (v) the federal school look up for FAFSA, (US Department of Education www.fafsa.ed.gov/fotw0607/fslookup.htm, or
 - (vi) Accredited Institutions of Postsecondary Education (Greenwood Publishing Group),
3. International post-secondary educational institutions located outside of the United States offering medical programs must meet the following criteria in addition to the criteria listed above in section 2:
 - (i) Be listed on the International Medical Education Directory maintained by the Foundation for Advancement of International Medical Education and Research (FAIMER) imed.ecfmg.org/ or the World Directory of Medical Schools maintained by the World Health Organization www.who.int/hrh/documents/wdms_upgrade/en/index.html .
 - (ii) Be approved by a member of the Federation of Medical Regulatory Authorities of Canada;
 - (iii) Be in continuous operation for at least ten years.
4. Maintaining the Master Designation List:
 - (i) An institution's designation status will be reviewed if no students receiving a Canada Student Loan or a provincial student loan has attended the institution in the past two years.
 - (ii) The list of international educational institutions will be reviewed by jurisdictions once every five years.

Attachment C-Designation Criteria for E-learning Educational Institutions

In addition to the criteria set out in the Designation Policy Framework, the following criteria would apply for e-learning educational institutions seeking designation status.

1. (a) A Canadian e-learning post-secondary educational institution must meet **one** of the following criteria:
 - (i) the institution has programs that meet the eligibility criteria as defined by federal, provincial, and territorial legislation with respect to postsecondary education;
 - (ii) be approved by one of the Canadian quality assurance bodies;
 - (iii) has an equivalent on-site offering of the course or program of study;
 - (iv) demonstrates that academic credits, or credit hours earned through the course or program of study are transferable to a designated public postsecondary educational institution located within the same province/territory;
 - o The transferability of credits must be outlined in either articulation agreements between the two post-secondary educational institutions, or in provincial Transfer Guides.
1. (b) An international e-learning post-secondary educational institution must meet **one** of the following criteria:
 - (i) be approved for Title IV funding by the US Department of Education;
 - (ii) be approved by one of the Canadian quality assurance bodies;
 - (iii) in receipt of an acceptable rating in a full institutional audit conducted by the United Kingdom Quality Assurance Agency for Higher Education within the last 5 years;

AND all e-learning post-secondary educational institutions must:

2. require a minimum of 20 hours per week of student activity or participation, in the case of career/vocational/technical programs of study; and
3. actively monitor student participation and maintain contact with students in order to ensure that minimum course load requirements are maintained; and
4. demonstrate that its courses or programs of study and monitoring activities meet these guidelines; and
5. provide specific program of study/course start and end dates.

Attachment D - Administrative Compliance Indicator

The Administrative Compliance Indicator is one of the two initial indicators approved to assess and monitor the performance of education institutions for the purpose of becoming designated, and maintaining their designation status. The Administrative Compliance Indicator has seven criteria, further defined below:

1. Formalized Communication

The key elements of a letter of understanding or MOU granting or renewing designation status must include:

- Acknowledgement of designation status being gained and/or maintained.
- A reminder that having a designation status is a serious responsibility and involves both serving the clients (students) appropriately and maintaining the highest levels of fiscal integrity with public funds.
- The institution's responsibilities, which at a minimum meet those outlined in the Designation Policy Framework.
- The institution and program adheres to any further applicable legislation, regulations, and policies in place.
- That the jurisdiction may audit the institution with respect to the compliance of these responsibilities.
- That any evidence of non-compliance will be followed up.
- An attachment of the Administrative Compliance section of the pan-Canadian Designation Policy Framework.
- That the (department, government) is there to provide advice and logistical assistance in the administering of student financial assistance.
- Agreement in writing of the above conditions from the institution must be received by the jurisdiction.

2. Appointed Financial Aid Officer

- That the institution must have an officially appointed officer for the purpose of signing student financial assistance documents, and inform the jurisdiction of who the officer(s) are, along with a sample of their signature.
- That the institution informs the jurisdiction immediately if the signing authority of an officer is revoked, and on what day it was revoked.

3. Advertising

- Designated institutions are not permitted to use their designation status for recruitment but for information purposes only. Jurisdictions may develop/determine general statements for institutions to use in official material.
- Designated institutions may refer to government student financial assistance eligibility in course calendars and provide a reference to the jurisdiction's student financial assistance program for more detailed information.
- Jurisdictions may request an institution to provide advertising material and publications to ensure compliance with the above criteria.

4. Published Tuition Refund Policy

- To obtain and or maintain designation status, an institution must have a published tuition refund policy. This policy should be placed in applicable official school materials, such as school calendar, student handbook, student contract, and application package.
 - If the institution's policy is that tuition is 100% non-refundable, there must be a clear statement to that effect in official school materials.
- That the tuition refund policy meets the minimum standards established by the jurisdiction in which it resides.
- That if a student becomes eligible for a tuition refund, but due to loans and grants already disbursed may fall into an over award situation, the jurisdiction has first claim on the tuition refund until the student's over award is cleared.
- That the jurisdiction may at any time request a copy of the published tuition refund policy for the purpose of ensuring compliance with both the Framework and any applicable Acts and Regulations.

5. Program Eligibility

- Institutions have programs that meet the eligibility criteria as defined by federal, provincial, and territorial legislation with respect to postsecondary education.

6. Financial Stability

Institutions will have measures including but not limited to:

- Being covered under applicable legislation or providing a surety bond or other suitable security guarantee, (such as a letter of credit), payable to the appropriate authority, at least equal to a specified percentage of the tuition and other fees paid by all students receiving student loans; and/or participating in a train-out insurance fund.
- Insure the prompt issuance of tuition refunds to students.

7. Reporting Change in Student Status

The definition for “change in student status” is:

- Withdrawal from the program
- Change from full-time to part-time
- Failure to maintain satisfactory scholastic standing

Criteria include:

- The school must report to the appropriate government body within four weeks a student’s name, social insurance number and date that the student ceased to meet student loan eligibility criteria.
- The institution must inform the appropriate government body within four weeks a student’s name, social insurance number and date he/she dropped to part-time status or withdrew from school completely.
- An applicant must maintain a satisfactory scholastic standard, defined as successful completion of at least 40% of a full course load leading to a degree, diploma or certificate at the post-secondary level for permanently disabled students and 60% for all other applicants to continue to be eligible for Canada student loans.

Attachment E - Repayment Rate Indicator

Calculation Methodology

Under the current repayment rate calculation methodology used for the first evaluation cycle (2004-2008), all loan dollars associated with a given borrower are linked to the most recent post-secondary educational institution for which the borrower received either a loan (Certificate of Eligibility) or interest free status (Confirmation of Enrolment). Therefore only the last post-secondary education institution associated with the borrower was attributed with the borrower's student loan performance.

At the beginning of the second evaluation cycle (2008 – 2012), a revised methodology will replace the initial methodology to calculate repayment rates. The revised repayment rate calculator distributes loan dollars proportionately to every institution attended by a given borrower prior to consolidation. Loan dollar proportions are calculated based on the amount of disbursement allotted to a given borrower while attending each institution. More specifically, at the point of consolidation, if a borrower had received a loan for an amount of p while enrolled with institution X , and then had received another loan for an amount q while attending institution Y , institution X will receive $p/(p+q)$ of the total share of the loan dollars while institution Y will receive $q/(p+q)$ of the total share of the loan dollars. (See Example 1 for how loan dollars can be distributed where a given borrower has attended more than one institution while receiving student loans.)

For the first evaluation cycle, initial targets were determined as at July 31, 2004, based on the combined repayment rate performance of all borrowers who consolidated in the 2002/2003 loan year. Similarly, for the second evaluation cycle (2008-2012), targets will be determined as at July 31, 2008, based on the combined repayment rate performance of all borrowers who consolidated in the 2006/ 2007 loan year. The reason for this is to ensure that the repayment period is sufficiently long enough to provide an accurate representation of the risk that particular institutions represent, before determining the target rates for the cycle. For example, loans that consolidated in August 2006 (the first month of consolidated loans included in this cohort) would provide 24 months of repayment data, while loans that consolidated in July 2007 (the last month of consolidated loans included in this cohort) would provide 13 months of repayment data.

*** Approximately 80% of loans consolidate between November and March (21 and 17 months of repayment data, respectively).*

Note: For simplicity, the amount consolidated (both principal and capitalized grace period interest) will be treated as the amount of money at risk. As such, only payments against this amount will be registered. Payments made against accrued interest after the consolidation date are not considered.

Notes:

- To minimize the impact of provincial grant and/or bursary payments made prior to the consolidation date, all payment types made in ‘study’ or in ‘grace’ (Class A) are not included in the proposed repayment rate calculations. The data suggests that Class A payments account for just 3% of all payments made in a given loan year. Based on further investigation, it was identified that these payments had a minimal impact on institutional repayment rates.
- The repayment rate risk methodology relies on new consolidations in a given loan cohort. As such, there may be instances of new educational institutions that have not recorded new consolidations and would not appear in the repayment tables and subsequent annual report. However, these institutions will most likely have low volumes of loans, and therefore do not represent significant risk.
- Provinces may choose to use provincial data in conjunction with federal data when examining repayment rates. However, there may be considerable grant and/or bursary payments against the provincial principal amount after the consolidation date. To be consistent and comparable with the federal repayment methodology, provinces should not count grant/bursaries paid after consolidation as payments. These amounts should be excluded from both the numerator and denominator (from payments and from consolidations).

Example:

How loan dollars are distributed to all institutions from which a borrower received loan disbursement:

TABLE 1: Example - Loan disbursements by institution

| Institution | Disbursements (\$) | Total Disbursement by Institution (\$) |
|-------------------------------------|--------------------------|--|
| ACME | D1: \$5,000 | \$5,000 |
| BDPX | D2: \$8,000, D3: \$8,000 | \$16,000 |
| BVDY | D4: \$6,000 | \$6,000 |
| Borrower Disbursement Total: | | \$27,000 |

In Table 1, John Smith received four disbursements (D1, D2, D3, and D4) while attending three different institutions (ACME, BDPX and BVDY).

The proportions of loans allocated to each institution are then calculated by dividing the *Total Disbursement by Institution* by the *Total Borrower Disbursement*:

$$ACME: \$5,000 / \$27,000 = 0.18519 = 18.519\%$$

$$BDPX: \$16,000 / \$27,000 = 0.59259 = 59.259\%$$

$$BVDY: \$6,000 / \$27,000 = 0.22222 = 22.222\%$$

The borrower's current principal is then multiplied by each institution's loan dollar proportion to determine the principal to be applied to each institution. Table 2 summarizes this calculation.

TABLE 2: Example - Linking principal to institutions

| | Institution | Percent Applied (%) | Current Principal (\$) | Principal Applied (\$) |
|-----------------------------------|-------------|---------------------|------------------------|------------------------|
| Principal at Consolidation | ACME | 18.52% | \$27,000 | \$5,000.13 |
| | BDPX | 59.26% | \$27,000 | \$15,999.93 |
| | BVDY | 22.22% | \$27,000 | \$5,999.94 |
| Principal Paid | ACME | 18.52% | \$1,600 | \$296.30 |
| | BDPX | 59.26% | \$1,600 | \$948.14 |
| | BVDY | 22.22% | \$1,600 | \$355.55 |
| Principal Outstanding | ACME | 18.52% | \$25,400 | \$4,703.83 |
| | BDPX | 59.26% | \$25,400 | \$15,051.79 |
| | BVDY | 22.22% | \$25,400 | \$5,644.39 |

Note: The loan disbursement proportions are used as a basis to calculate the proportion of Principal at Consolidation, Principal Outstanding, and Principal Paid to each institution attended by John Smith.

To determine the overall repayment rate for an institution, proportions of Principal at Consolidation, Principal Paid and Principal Outstanding (including Principal in Good Standing and Principal Delinquent) from each borrower at a given institution are then aggregated.

TABLE 3: Sample Institutional Repayment Rate Calculations to Determine Risk Zones

| Consolidation Month | Repayment Period | Consolidation \$ | Principal Paid \$ | Principal in Good Standing | Principal Delinquent |
|---------------------|---------------------------------------|-------------------|-------------------|----------------------------|----------------------|
| August 2002 | Aug 1, 02-Jul 31, 04 (24 months) | 175,000 | 20,930 | 140,070 | 14,000 |
| September 2002 | Sept 1, 02- Jul 31, 04 (23 months) | 89,000 | 10,200 | 74,800 | 4,000 |
| October 2002 | Oct 1, 02-Jul 31, 04 (22 months) | 279,000 | 23,760 | 192,240 | 63,000 |
| November 2002 | Nov 1, 02-Jul 31, 04 (21 months) | 3,779,000 | 348,600 | 3,137,400 | 293,000 |
| December 2002 | Dec 1, 02-Jul 31, 04 (20 months) | 1,433,000 | 121,680 | 1,230,320 | 81,000 |
| January 2003 | Jan 1, 03-Jul 31, 04 (19 months) | 1,645,000 | 119,200 | 1,370,800 | 155,000 |
| February 2003 | Feb 1, 03-Jul 31, 04 (18 months) | 382,000 | 23,104 | 280,890 | 78,000 |
| March 2003 | Mar 1, 03-Jul 31, 04 (17 months) | 1,021,000 | 53,940 | 845,060 | 122,000 |
| April 2003 | Apr 1, 03-Jul 31, 04 (16 months) | 306,000 | 12,900 | 245,100 | 48,000 |
| May 2003 | May 1, 03-Jul 31, 04 (15 months) | 208,000 | 6,960 | 167,040 | 34,000 |
| June 2003 | Jun 1, 03-Jul 31, 04 (14 months) | 280,000 | 7,290 | 235,710 | 37,000 |
| July 2003 | Jul 1, 03-Jul 31, 04 (13 months) | 852,000 | 16,160 | 791,840 | 44,000 |
| Grand Totals | | 10,449,000 | 764,720 | 8,711,270 | 973,000 |

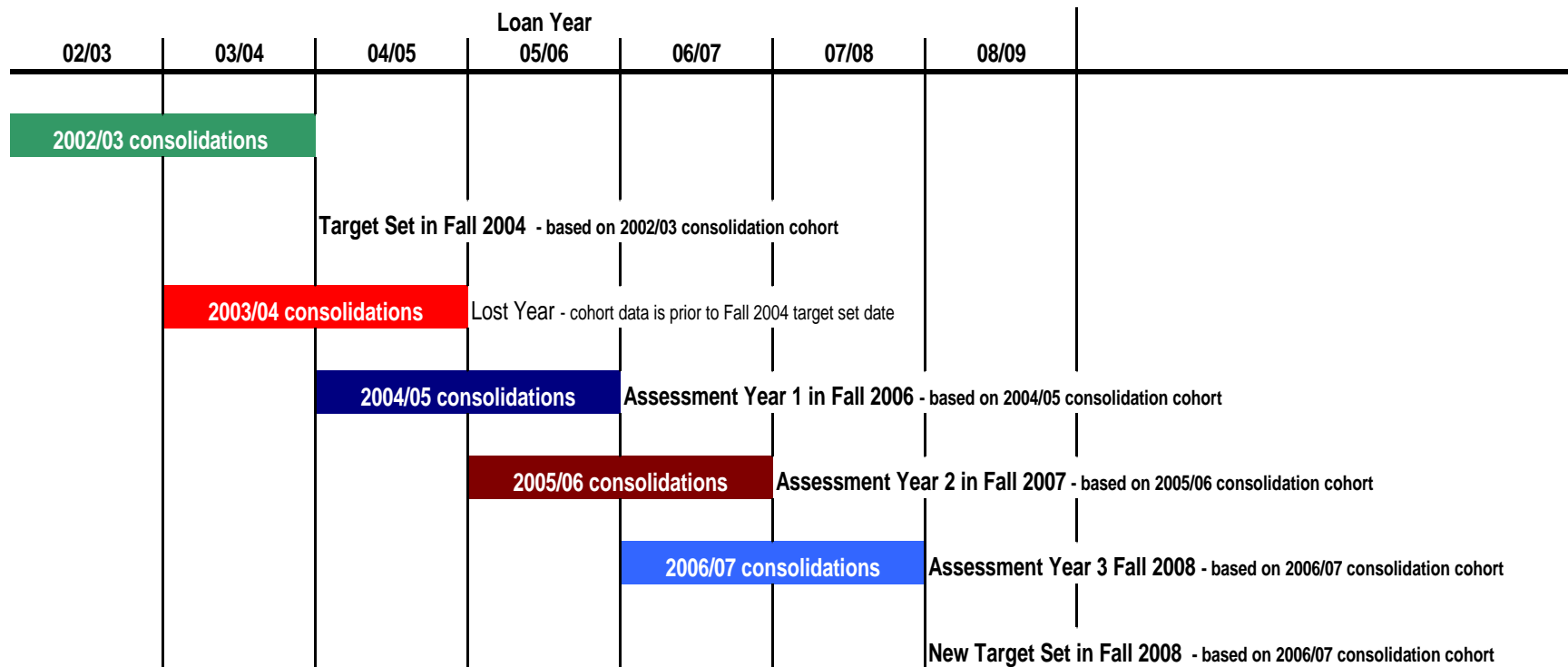
$$\text{Repayment Rate} = \frac{\text{Paid} + \text{Good Standing}}{\text{Consolidation}} * 100 = \frac{764,724 + 8,711,270}{10,449,000} * 100 = 90.7\%$$

Target and Assessment Cycle

The repayment rate of the first consolidation cohort (i.e. the 2002/2003 consolidations) will be tracked for a period of two years (i.e. until July 31, 2004), at which point a four year target will be set. Starting in fall 2004, institutions in the Yellow and Red risk zones will have three assessment periods on which to improve their repayment rates. Since each of the three consolidation cohorts are tracked for a period of two years, the first assessment year data will be available for fall 2006 and the last assessment year data will be available for fall 2008. After which, a new target will be set at the end of the third assessment period.

Note: The 2003/2004 consolidation cohort will have graduated prior to the fall 2004 target set date, and therefore, cannot be used for assessment as this consolidation cohort will not be affected by any institutional improvement plan implemented after Fall 2004 (refer to Chart 1).

Chart 1: Repayment Rate Evaluation Period



Performance Improvement Targets and Interventions

Risk Zones

There will be three institutional risk zones: Green, Yellow, and Red. Institutions will be assigned one of these three risk zones based on their students' repayment performance as calculated by repayment rate indicator. Green zone institutions (i.e. institutions with a repayment rate which is above the national average) will be exempt from any intervention assessment. Yellow zone institutions (i.e. institutions with a repayment rate from the national average to one standard deviation below) and Red zone institutions (i.e. institutions with a repayment rate below one standard deviation from the national average) will be targeted to improve their repayment rates.

| Zones For Institutions | Performance Level | Performance Improvement Target | Intervention | Sanctions/Response to non-performing Institutions |
|------------------------|-------------------|--|---|---|
| Green | Good | Exempt | Exempt | Exempt |
| Yellow | Average | 3 percentage points over 3 assessment periods. | <p>Formal notification of status.</p> <p>Identification of improvement targets.</p> <p>Jurisdictions may initiate additional interventions as deemed appropriate.</p> | <p>If institutions meet the following criteria, jurisdictions will intervene during and at the end of the assessment cycle:</p> <ol style="list-style-type: none"> 1. Institutions with Non-Improving Performance, and 2. Highest Amount of Dollars at Risk <p>Jurisdictions will decide on the type of interventions based on a case by case.</p> <p>If a Yellow zone institution fails to meet its target by the end of the assessment cycle, further action may be required.</p> |
| Red | Poor | Institutions must improve performance to meet Yellow zone threshold within three assessment periods. | <p>Formal notification to the institution.</p> <p>Ensure that the institution obtains assistance from a third party, the provincial/territorial government, or both, in diagnosing issues and assessing steps to be taken to improve performance.</p> <p>Ensure that an improvement plan is prepared and submitted to the jurisdiction.</p> | <p>If the institution fails to meet the performance improvement target/plan approved by the jurisdiction within 3 years, it will be de-designated unless it is determined by the jurisdiction that significant improvement has occurred and a re-consideration of de-designation is warranted.*</p> <p>At any time within the 3 years, jurisdictions may exercise their authority to de-designate an institution as they deem appropriate.</p> |

* Jurisdictions may determine that the role the institution plays in fulfilling regional, socio-economic, or cultural provincial policy priorities will be taken into account when determining the impact of a high-risk assessment on the institution's designation status. (Framework, p4)

Terms and Definitions:

| | |
|----------------------------------|--|
| Consolidation Month: | First month of loan repayment (i.e. seven months after end of study date.) |
| Repayment Period: | The period extending from the Consolidation Month to the end of the assessment period. |
| Consolidation (\$): | Initial federal principal (and capitalized grace period interest) dollar amount that was consolidated in a given loan year. |
| Principal Paid (\$): | Federal principal dollar amount that was paid (in full or in part) as at the end of the assessment period. |
| Principal in Good Standing (\$): | Federal principal dollar amount that remain in Good Standing as at the end of the assessment period. Note: Good Standing is defined as being up-to-date with required monthly payments or on Interest Relief. |
| Delinquent Principal (\$): | Federal principal dollar amount in delinquency as at the end of the assessment period. Note: Delinquency is defined as not being up-to-date with required monthly payments (i.e. one or more missed payments that remain outstanding) |
| Loan Dollar Proportion (\$) | If a borrower received a loan for an amount of p while enrolled with institution X, and then received another loan for an amount q while attending institution Y, institution X will receive $p/(p+q)$ of the total share of the loan dollars while institution Y will receive $q/(p+q)$ of the total share of the loan dollars. |
| Repayment Rate | Sum of 'Principal Paid (\$)' plus sum of 'Principal in Good Standing (\$)', divided by sum of 'Consolidation (\$)', multiplied by 100. |