

*Offering a Warmer, Wiser Welcome: Recommendations for  
Reforming Canada's Immigration Loan Program*

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## Introduction

The Immigration Loan Program (ILP) provides loans that are mainly issued overseas to foreign nationals and their beneficiaries (dependents) who have demonstrated need across a variety of eligibility criteria, to cover costs associated with relocating to Canada. The ILP is administered by the federal department of Immigration, Refugees and Citizenship Canada (IRCC) and was launched in 1951.<sup>1</sup> Since 1995, recipients have had to pay interest on the loans,<sup>2</sup> making Canada the only country to charge interest on loans issued to its refugees, who constitute the majority of loan recipients.<sup>3</sup> The objective of the ILP is, “to ensure that some persons, otherwise unable to pay for the costs of transportation to Canada and medical admissibility exams, have access to a funding source”.<sup>4</sup> While the take-up rates suggest the ILP achieves this objective, the key issue is that some recipients of Immigration Loan Program are vulnerable and face difficulties in repaying their loans and accrued interest, which acts as a significant barrier to their successful settlement and integration in Canada. This essay outlines key issues facing refugees who are ILP loan recipients, provides an overview of potential options to address this issue, and concludes with a recommendation.

## Background

ILP loans are based on the determination of need, the assessed potential ability to repay the loan and other contributing factors. The majority of recipients are in a position of relative vulnerability when they receive the loan. According to the September 2015 evaluation of the ILP, the majority of loan recipients (98%) are resettled refugees, of which 57.5% are Government Assisted Refugees and 40.3% are Privately Sponsored Refugees. Between 2008 and 2012, 93.5% of GAR cases and 87.9% of PSR cases received at least one loan from the Immigration Loan Program,<sup>5</sup> illustrating the need for this form of assistance. Furthermore, 53.5% of recipients do not speak English or French upon arrival,<sup>6</sup> and research shows that refugees in particular experience housing affordability challenges<sup>7</sup> and many rely on income assistance in their first four years in Canada.<sup>8</sup> Additionally, some recipients choose to take manual jobs to make money immediately to repay the loan, instead of enrolling in English or French language classes. This choice represents a high opportunity cost, as it likely delays refugees’ full economic integration into Canadian society. All of these challenges led to 68% of recipients between 2003 and 2012 not starting to repay their loan until six months or more after arrival,<sup>9</sup> yet the required period is

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<sup>1</sup> Citizenship and Immigration Canada (September 2015). “Evaluation of the Immigration Loan Program,” *Research and Evaluation Division*, p 1

<sup>2</sup> Canadian Council for Refugees (October 2008). “End the burden of transportation loans”, *Briefing Memo*. Retrieved via: <http://ccrweb.ca/sites/ccrweb.ca/files/loansen.pdf>, p 4

<sup>3</sup> Berthuaume, Lee (December 2015). “Liberals pledge review of refugee-loan program,” *Ottawa Citizen*. Retrieved via: <http://ottawacitizen.com/news/politics/liberals-pledge-review-of-refugee-loan-program>

<sup>4</sup> Citizenship and Immigration Canada (September 2015). “Evaluation of the Immigration Loan Program,” *Research and Evaluation Division*, p iv

<sup>5</sup> Citizenship and Immigration Canada, 2015, p iv

<sup>6</sup> Citizenship and Immigration Canada 2015, p 5

<sup>7</sup> Marchbank et. al (July 2014). “Karen Refugees After Five Years in Canada - Readyng Communities for Refugee Resettlement,” p 5

<sup>8</sup> Lu, Yuqian and Marc Frenette and Grant Schellenberg (October 2015). “Social Assistance Receipt Among Refugee Claimants in Canada,” Statistics Canada, Social Analysis and Modelling Division. Retrieved via: <http://www.statcan.gc.ca/pub/11-626-x/11-626-x2015051-eng.htm>

<sup>9</sup> Citizenship and Immigration Canada, 2015, p 29

thirty days from arrival.<sup>10</sup>

Although some loan forgiveness mechanisms for the ILP are in place, not all loan recipients who have demonstrated need benefit from or know of these options. Refugee recipients can request an extension,<sup>11</sup> and there is a budget of \$500,000 annually for certain refugees<sup>12</sup> with “high settlement needs”<sup>13</sup> out of Resettlement Assistance Program (RAP) contributions. Approximately \$700,000 is written-off per year through loan forgiveness and certain circumstances, according to the 2015 Evaluation of the ILP.<sup>14</sup> However, these budgets are only a small fraction of the average annual loan dollars (\$13 million) issued per year through the ILP. Furthermore, miscommunication can sometimes occur surrounding what refugees owe and when, due to language, literacy or other barriers,<sup>15</sup> further complicating their repayment. Therefore, even though the average loan amount is \$3,090,<sup>16</sup> significant pressure, cost and sacrifice accompanies repayment for many loan recipients. Ultimately, the spirit and values underlying a humanitarian decision to accept a refugee should be honoured by assisting them in their relocation to Canada in a reasonable and supportive fashion. The following options seek to better achieve this objective.

### Options and Analysis

*Option 1: Waive relocation fees for new loan recipients.* The Canadian Council for Refugees,<sup>17</sup> Stand Canada,<sup>18</sup> academics and settlement practitioners<sup>19</sup> have called for this, however it represents the most costly option out of those proposed in this essay, since the costs for the federal government to take on the transportation and medical expenses have been estimated to be between \$13 and \$15 million dollars annually.<sup>20</sup> This option may frustrate those who are still repaying a loan, yet forgiving all existing loans would cost approximately \$38 million dollars.<sup>21</sup> It is important to note that relocation expenses were waived for the recent Syrian refugee cohort who arrived after November 4,<sup>22</sup> which has created an issue of horizontal equity among refugees with analogous barriers whom would benefit from their relocation expenses being waived or

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<sup>10</sup> Citizenship and Immigration Canada, 2015, p vi

<sup>11</sup> Harris, Kathleen (November 20, 2016). “Lift 'devastating' loan burdens for refugees, advocates urge Liberal government,” *CBC News*. Retrieved via: <http://www.cbc.ca/news/politics/refugee-loan-repayment-federal-liberal-1.3857569>

<sup>12</sup> It is important to note that relocation expenses were waived for the recent Syrian refugee cohort who arrived after November 4, which has created an issue of horizontal equity among refugees.

<sup>13</sup> According to IRCC, ‘higher settlement needs’ is defined as, “situations where a refugee may require additional support in Canada to become self-sufficient (e.g. victims of trauma and torture, single parent head of households, seniors without accompanying or established family in Canada)”. Canada, CIC (2014) OP 17 – Loans; Canada, CIC (2013) Operational Bulletin 513 in Citizenship and Immigration Canada, 2015, p 3

<sup>14</sup> Citizenship and Immigration Canada, 2015, p v

<sup>15</sup> Citizenship and Immigration Canada, 2015, p v

<sup>16</sup> Citizenship and Immigration Canada, 2015, p iv

<sup>17</sup> Harris 2016

<sup>18</sup> Si, Cyrus Gearhart (October 24, 2016). “Linking ILP recipient statistics with obstacles to immigrant economic success,” Stand Canada. Retrieved via: <http://www.standcanada.org/connecting-dots-linking-ilp-recipient-statistics-obstacles-immigrant-economic-success/>

<sup>19</sup> Marchbank et. al 2014

<sup>20</sup> Canadian Council for Refugees 2008, p 4

<sup>21</sup> Canadian Council for Refugees 2008, p 4

<sup>22</sup> Lynch, Laura (January 19 2016). “Liberals' waiving of travel costs for Syrian refugees created 2-tier system,” *CBC News*. Retrieved via: <http://www.cbc.ca/news/canada/refugee-travel-costs-loans-1.3406735>

lessened. This option would remove this inequality. Moderate savings to government may occur from the reduced salary and operating resources of Immigration Refugees and Citizenship (IRCC) Canada Collections Services, which in the fiscal year 2013/14 was \$765,837.<sup>23</sup>

*Option 2: Eliminate interest for new and current recipients.* This would provide more equitable treatment for refugee recipients that did not qualify for RAP contributions or to have their loan completely or partially forgiven, although removing interest would remove one key incentive to repaying the loan. This option is likely still a low-risk option for the government, since both Australia and the United States provide no-interest loans in their analogous programs. However, these jurisdictions do require refugees to sign a promissory note agreeing to repay their debt within a specific time frame—42 to 46 months in the US and 24 months in Australia. Therefore, Canada may need to consider implementing a similar deadline if this option were pursued, which may prove just as stressful for recipients as the current arrangement.

*Option 3: Improve communication to loan recipients.* More efforts could be made to make it clear to recipients as to what it is that they are agreeing to, and more information about IRCC's Collection Services' support to loan recipients should be made accessible and available to recipients, as these services are not widely known by loan recipients.<sup>24</sup> One example is found in a 2015 study from Surrey, BC, which found that many refugees believed they would have one year without interest when they received the loan, and they were thus surprised when repayment began two or three months after arrival.<sup>25</sup> Overall, this option would not necessarily remove the current barriers to settlement that exist, although perhaps it would create less confusion and stress and allow for better loan repayment planning.

*Option 4: Emulate the student loan repayment model* and delay the repayment of future ILP loans of any size until a loan recipient earns a minimum of \$25,000 annual income. Unlike the student loan model, this option would also include extending the interest-free period until the loan becomes repayable, instead of the current 12-36 month interest-free period that is determined by the size of the loan. This may create a disincentive for recipients to earn over \$25,000, but to mitigate this, the size of monthly payments could increase as a function of income, increasing on a sliding scale. Adding this income threshold would likely reduce the current disincentives to gaining vital official language skills, and it would allow a gentler and warmer introduction into Canadian society for recipients. This adjustment would reduce the opportunity cost of refugees who choose to work rather than gain language skills. It could reduce the need for provincial governments to supply income assistance payments, and overall, offer greater economic independence to loan recipients before requiring the loan to be repaid. Finally, the student loan repayment income minimum was introduced in 2016 to help students transition to the workforce,<sup>26</sup> which is also what many refugees wish to do, making it a strong program to emulate.

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<sup>23</sup> Citizenship and Immigration Canada, 2015, p 7 (Note: Costs do not include Employee Benefit Plan (EBP) or Accommodations)

<sup>24</sup> Citizenship and Immigration Canada, 2015, p vi

<sup>25</sup> Dooley, Stephen et. al (2016). "Our Community, Our Voices: The Settlement And Integration Needs Of Refugees In Surrey, BC." Accessed via: <http://www.surreylip.ca/strategies-projects/refugee-settlement-priorities-research>, p 57

<sup>26</sup> Frisk, Adam (October 2016). "Canadians with government student loans who make \$25K or less will get some reprieve," *Global News*. Retrieved via: <http://globalnews.ca/news/3035602/canadians-with-government-student-loans-who-make-25k-or-less-will-get-some-reprieve/>

## **Recommendations and Conclusion**

I recommend that the government adopt the third and fourth options of improving communication and delaying the repayment of future ILP loans until a loan recipient earns a minimum of \$25,000 annual income. Pursuing these options will retain the immediate assistance the ILP loans provide, while also striking a healthier balance in supporting refugee loan recipients' long-term integration and not introducing any new costs for the government. One of the main findings from the 2015 evaluation of the ILP was that the program ought to better align the loan repayment schedule, and that is what this option delivers.<sup>27</sup> Regarding political acceptability, compared to other developed nations, there is quite high public support for immigration including refugees in Canada, and many seem to hold the value that Canada has a humanitarian role to play internationally. For example, in the recent case of the Syrian refugee cohort for whom all transportation costs were waived, there was a quite positive public and media response.

In closing, the current ILP does not support the government's objectives of humanitarian intervention and support for settlement of newcomers. Although the trade-off of future debt for immediate safety and successful relocation may be initially desirable for recipients, it has been proven to create significant barriers and stress for recipients who are refugees. These recommendations seek to better support refugees and to ultimately better communicate the role of the Federal Public Service to new potential Canadians.

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<sup>27</sup> Ibid., vii

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