



National Student Loans Service Centre (NSLSC)
CanLearn.ca



Repayment Seminar Confederation College February 2013



Repaying your loan: Six things you need to know:

1. What are the benefits of Government Sponsored Student Loans?
2. What is Non-Repayment Period?
3. What is a Consolidation Agreement?
4. How can you save money?
5. How can you avoid repayment difficulties?
6. How can you maintain your student loan?

Must-know # 1: Government Sponsored Student Loans?

- With one application to the Provincial Government, you are assessed for both Provincial and Federal loans and grants.
- You are not charged interest while you are in school.
- You do not have to repay the grants*.
- You do not have to make payments for six months after you leave school.
- You can make payments at any time without penalty.
- There are programs designed to assist you if you have difficulty repaying your loan.
- Interest on your government sponsored student loan is tax-deductible

* Provided you maintain eligibility

Must-know # 2: What is Non-Repayment Period?

- **Non-Repayment Period** is the six month period after you leave full time studies (*This six month period of time is also referred to as "Grace Period"*).
- **Interest may accumulate** during this period. On Federal portion.
- During this period you can make payments.
- No interest is charged if you return to full-time studies before your Non-Repayment Period ends.

Must-know #3 : What is a Consolidation Agreement?

Your Consolidation Agreement summarizes your repayment terms and presents you with a number of options. You can choose:

- to pay off the interest that accumulated during your non-repayment period, or add it to your loan balance
- a floating or fixed interest rate
- how long you will take to repay your loan and
- how you wish to submit monthly payments

After you have made your choices, it is important to return a signed copy of the Consolidation Agreement to the NSLSC.

Must-know #3 : What is a Consolidation Agreement?

First Decision: Non-repayment period interest

Option 1: Capitalize the interest (add it to your loan)

- Advantage: You will not have to immediately pay off the interest if you do not have the money available.
- Disadvantage: This will increase the total amount of your loan, so you will pay more interest over time.

Option 2: Pay it off

- Advantage: non-repayment period interest won't be added to the amount of your loan so your payments will be lower.
- Advantage: You will be able to claim the interest you pay on your income tax return.
- Disadvantage: You will have to make a lump sum payment at the time of consolidation.

Must-know #3 : What is a Consolidation Agreement?

Second Decision: Type of Interest Rate

On the Ontario portion of your student loan your interest rate will be set at a floating rate of the prime interest rate plus 1%.

On the Canada portion of your student loan you can choose to have a floating or a fixed interest rate

Choosing a Floating interest rate means:

- Your interest rate will be set at the prime rate plus 2.5%.

Choosing a Fixed interest rate means:

- Your interest rate will be set at the prime rate plus 5%.
- + The rate will not change during your repayment period.

Must-know #3 : What is a Consolidation Agreement?

Third Decision: Setting the length of your repayment

You can choose any length of time to repay your student loan, up to a maximum of 14.5 years. (Most borrowers take 9.5 years.)

Shorter Repayment Term

- Choosing a shorter repayment term means:
 - + You will pay less interest overall.
 - Your monthly payments will be larger.

Longer Repayment Term

- Choosing a longer repayment term means:
 - + Your monthly payments will be smaller.
 - You will pay more interest overall.

You can adjust your terms any time during your repayment.

Must-know #3 : What is a Consolidation Agreement?

Fourth Decision: Payment Options

Your first payment is due on the last day of the month of Consolidation.
(The last day of the 7th month after the end of full-time study)

Your Consolidation Agreement allows you to set-up, confirm or change pre-authorized payments.

If you do not wish to have pre-authorized payments deducted from your account, you can make your payments by:

- Telephone banking
- Online banking
- Cheque or Money Order

Must-know #3 : What is a Consolidation Agreement?

On-line Tools

- The CanLearn.ca website has tools, to assist you in your decision making.
- The Loan Repayment Estimator will allow you to see how your decisions about repayment terms, and the interest rate, affect your loan.

Loan Repayment Estimator		
	Option 1	Option 2
Total amount of your loan at the end of your studies:	\$ 25000	\$ 25000
Select a <u>fixed</u> or <u>floating</u> interest rate *:	Fixed Floating	Fixed Floating
Prime rate to be used for your calculations (%):	3.0 %	3.0 %
Grace Period Options:		
Do not take advantage of grace period, i.e. start to repay your loan immediately after the end of your studies	<input type="checkbox"/>	<input type="checkbox"/>
Take advantage of grace period and include grace period interest with your loan balance	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Take advantage of grace period and pay off the grace period interest with a lump sum payment before you enter into repayment	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Select number of months you will need to repay your loan:	114	174
Grace period interest:	\$ 687.5	\$ 687.5
Total amount of your loan to be reimbursed:	\$ 25,000	\$ 25,687.5
Amount of each monthly payment:	\$ 282.05	\$ 214.56
Total interest payable over the life of your loan:	\$ 7,153.41	\$ 11,645.93
Total amount payable:	\$ 32,153.41	\$ 37,333.43

Calculate [Click here](#) for printable layout.

Must-know # 4: How can you save money?

To save money in interest charges, borrowers can repay their loan before the end of their repayment term without penalty by:

- Making payments while in school.
- Making payments during non-repayment period.
- Paying an amount larger than the minimum monthly payment calculated for their term.
- Making weekly or bi-weekly payments.
- Making lump sum payments.

Must-know # 4: How can you save money?

Based on a \$25,000 loan, a prime rate of 3% and a floating interest rate, the chart below demonstrates potential savings using common repayment strategies. ** Provided interest remains stable throughout repayment.*

	Do Nothing	Increasing Minimum Payments by \$20/month	Making \$250 lump sum payments once a year	Making payments every two weeks
Payment Amount	\$289.80 monthly	\$309.80 monthly	\$289.80 monthly, plus one \$250 payment/year	\$144.90 every two weeks
Number of months you will need to repay your loan	114	106	105	102
Total interest payable over the life of your loan	\$8,037.20	\$7,194.20	\$7,097.07	\$7022.90
Total interest savings	\$0.00	\$843.39	\$940.13	\$1014.30

Must-know # 5: How can you avoid repayment difficulties?

Missing a loan repayment has serious consequences.

- Your credit rating could be affected, making it more difficult to obtain a loan, a mortgage or purchase a car.
- You could have difficulty getting more loans or grants for future studies.
- Your loan could be transferred to the Canada Revenue Agency for collection. Your tax return refunds could be used to put towards your student debt.
- **Before** you miss a payment, the best thing you can do is contact the NSLSC, who can provide you with advice and options.

Must-know # 5: How can you avoid repayment difficulties?

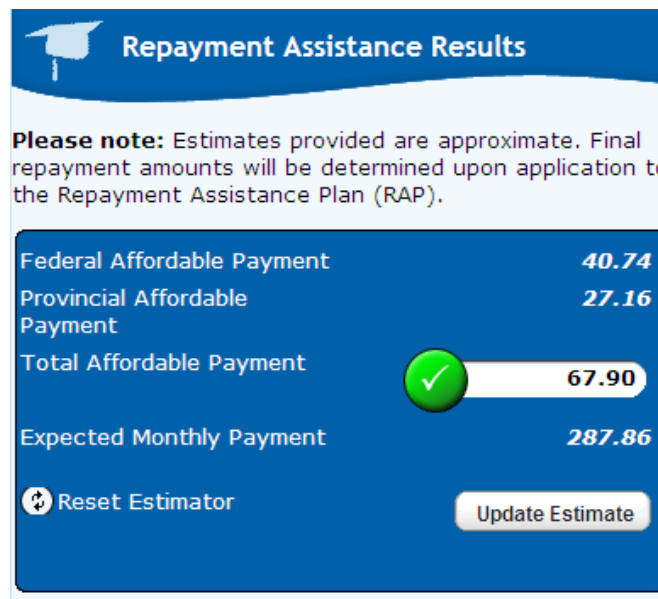


Option: The Repayment Assistance Plan

- If you qualify for the Repayment Assistance Plan, you will not be required to make a student loan payment above an affordable level.
- An Affordable Payment is calculated based on your income and family size. As a result, the payment could be lowered or put on hold until you can afford it.
- You must **apply** for the Repayment Assistance Plan through the NSLSC every six months—enrolment is not automatic.

Must-know # 5: How can you avoid repayment difficulties?

Using the **Repayment Assistance Estimator** on the CanLearn.ca website you can approximate your Affordable Payment based on your loan, income and family size.



Example: A single borrower with no dependents who has a \$25,000 student loan and a gross income of \$2000/month.

Must-know # 5: How can you avoid repayment difficulties?

Option: Revision of Terms

Allows borrowers to adjust their monthly payment temporarily or for the remaining term of the loan.

- You can **lower payments** by:
 - making interest-only payments (limited to two 6-month terms).
 - adjusting the term up to the maximum 174 months (14.5 years).
- **Differs from the Repayment Assistance Plan**
 - All borrowers are eligible for Revision of Terms regardless of debt and income level.
 - Payments are required each month.

To keep your loans in good status make sure that you:

1. Sign and return your Consolidation Agreement.
2. Keep your contact information current with the Service Provider.
3. Let the NSLSC know if you are having difficulty making your loan payments.
4. Check your loan balances regularly using the NSLSC online service, which can be found at www.CanLearn.ca.
5. Keep all the documents that you receive by mail, in one place.
6. If you return to school, notify the NSLSC. This ensures your loan returns to interest-free status while in school full-time.



**Thank you for your time
and attention.**

Stay in touch!

National Student Loans Service Centre
P.O. Box 4030
Mississauga, ON
L5A 4M4

Toll Free: 1-888-815-4514

TTY: 1-888-815-4556

Facsimile: 1-888-815-4657