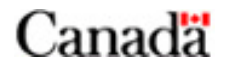




National Student Loans Service Centre (NSLSC)  
CanLearn.ca



# Repayment Seminar





# Repaying your loan: **Six things you need to know**

## **Welcome!**

- This session will offer you six “**must-knows**”:
  1. The importance of the first six months after you leave school
  2. Understanding your Consolidation Agreement
  3. Your interest rate options
  4. Choosing your repayment term
  5. Maintaining your student loan
  6. Avoiding repayment difficulties



## Must-know # 1: The first six months

You should familiarize yourself with three basic concepts: **grace period**, **consolidation** and **interest**.

- **Grace period**- Six month period after your full-time studies end. No payments are required, however, **interest can accrue** during this period.
- **Consolidation**- term used to describe when your repayment begins.
- **Interest** - the fee charged for borrowing money.



## Must-know # 2: The Consolidation Agreement

Within 4–5 months after you leave school, **you will receive your Consolidation Agreement by mail.** This is the document that sets the terms for the repayment of your Student Loans.

The agreement allows you to make several choices. You can decide

- how you wish to submit monthly payments;
- whether to pay off the interest that accumulated during your grace period, or add it to your loan;
- the type of interest rate to apply to your loan; and
- how long you will take to repay your loan.



## **Must-know # 2: Consolidation Agreement**

### **Payment Methods**

There are a variety of ways to make your payments:

- Direct withdrawals from your bank account;
- Online or telephone banking; or
- Sending payment to the NSLSC by cheque.



## Must-know # 2: The Consolidation Agreement

### Dealing with grace-period interest

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

- Advantage: You will not have to 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 #1: Grace-period interest won't be added to the amount of your loan.
- Advantage #2: As a student borrower, you will be able to claim the interest you pay on your income tax return.



## Must-know # 3: Fixed versus floating interest rate

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

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

### Option 1: Choosing a Floating interest rate means:

- Your interest rate will be set at prime plus 2.5%.
- + You will pay a lower interest rate initially.
- Your rate will fluctuate with prime.

### Option 2: Choosing a Fixed interest rate means:

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



## Must-know # 4: Choosing your repayment term

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.)

### Option 1: Shorter repayment term

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

### Option 2: Longer repayment term

- Choosing a longer repayment term means:
  - + Your monthly payments will be smaller.
  - You will pay more interest overall.
  - It will take you longer to fully pay off your loan.

## Must-know # 4: Choosing your repayment term

- Using the loan repayment calculator on [CanLearn.ca](http://CanLearn.ca), here are different repayment options. For example, assuming a prime rate of 2.25%, if you choose a floating interest rate (prime plus 2.5%), your payments will be based on a rate of interest of 4.75%.

<b>\$25,000</b>	<b>Repayment Schedule 1</b>	<b>Repayment Schedule 2</b>	<b>Repayment Schedule 3</b>
<b>Number of years you will need to repay your loan</b>	14.5 years	9.5 years	5 years
<b>Amount of each monthly payment</b>	\$203.79	\$279.39	\$480.06
<b>Total interest payable over the life of your loan</b>	\$10,460.11	\$6,850.94	\$3,803.58
<b>Total amount payable</b>	<b>\$35,460.11</b>	<b>\$31,850.94</b>	<b>\$28,803.58</b>



## Must-know # 5: Maintaining your student loan

After you sign your Consolidation Agreement and your repayments start, don't forget about your loans! **Make sure that you:**

1. Keep your contact information current with the National Student Loans Service Centre (NSLSC).
2. Let the NSLSC know if you are having difficulty making your loan payments.
3. Check your loan balances regularly.
4. Keep all the documents that you receive by mail.



## Must-know # 5: Maintaining your student loan

### Going back to school

- To be eligible for interest free status while you are a full-time student in an accredited program the National Student Loans Service Centre must be notified you are in school full-time.
- Update your status as soon as possible! You can either complete a Confirmation of Enrolment or submit another Student Loan Certificate for processing.



## Must-know # 6: Repayment Assistance

Missing payments on your loan can have serious and long-lasting consequences.

### Avoiding the consequences of missing payments

- **Before** you miss a payment, the best thing you can do is contact the National Student Loans Service Centre (NSLSC).
- The NSLSC can provide you with a number of options to help you avoid missing payments, such as
- **Repayment Assistance Plan**
- **Interest Relief**
- **Revision of Terms**



## Must-know # 6: Repayment Assistance

### Repayment Assistance Plan

- The Repayment Assistance Plan applies to the Canada portion of your student loan.
- With the Repayment Assistance Plan, no borrower is required to make a student loan payment above an affordable level.
- Depending on your circumstances your payments could be lowered or put on hold until you can afford them.
  - You must **apply** for the Repayment Assistance Plan through the NSLSC every six months—enrolment is not automatic.



## Must-know # 6: Repayment Assistance

### Interest Relief

- Interest Relief applies to the Ontario portion of your student loan.
- Recipients are not required to make loan payment on the Ontario portion of their loan while on Interest Relief.
- The Ontario Government pays the interest costs on your behalf.
  - You must **apply** for Interest Relief through the NSLSC every 6 months—enrolment is not automatic.



## Must-know # 6: Repayment Assistance

### Revision of Terms

- Allows borrowers to adjust their monthly payment temporarily or for the remaining term of the loan.
- Options:
  - **Lower payment temporarily** by making interest-only payments (6-month terms).
  - **Lower payments for term of loan** by extending the term up to the maximum 174 months (14.5 years) – NB: Term can be adjusted more than once.
- **How Revision of Terms differs from the Repayment Assistance Plan and Interest Relief**
  - All borrowers are eligible for RoT regardless of debt and income level.
  - Payments are required each month either interest-only payments or reduced payments.



## Summary

- **Keep the lines of communication open**—stay in touch with the National Student Loans Service Centre (NSLSC)
- Ensure the NSLSC has your most current address
- If you return to full-time studies, update your status by completing a Confirmation of Enrolment or submit a new loan certificate
- If you can afford it, **make payments towards your loan** during your grace period. This will reduce the total amount of interest you'll have to pay



## Summary

- During the first six months after the end of your studies, watch for your **Consolidation Agreement** to arrive.
- Read, **sign and return the agreement** before the end of your six-month grace period.
  - Decide whether you prefer a **floating** or a **fixed** interest rate.
  - Decide how long you will take to pay off your loan.
  - Save on interest charges by **paying off as much as you can**, as soon as you can.
- **Avoid repayment difficulty** by contacting the NSLSC if you ever think you may not be able to make your payments.