

# JUSTIN TRUDEAU: KNOCK OUT INTEREST ON STUDENT LOANS

bcs | british columbia  
federation of students

*Student debt in Canada has increased 78% since 1999. The total outstanding federal student loan debt is now \$18.5 billion – and that number doesn't include debt from provincial student loans.*

## WHAT IS THE INTEREST ON STUDENT LOANS?

There are two options for interest rates on student loans: floating or fixed. The floating interest rate on the federal portion of student loans is currently prime. For a fixed interest rate repayment plan, the rate is set when the loan is taken out, to be a fixed rate of prime + 5%. Prime is set by the five largest banks in Canada in conjunction with rates set by the Bank of Canada.

## DOESN'T ELIMINATING INTEREST ENCOURAGE PEOPLE TO NOT PAY BACK THEIR LOANS?

Charging interest on student loans forces those who need to borrow to pay for their education to pay more than someone who could afford to pay tuition fees and other costs up-front. This is essentially a tax on low- and middle-income students and families.

Plenty of other industries offer 0% interest loans, and people still pay back their debt. You can buy a laptop, furniture, or car on a payment plan with no interest; why shouldn't this be an option for your education?

## WHY IS INTEREST ON STUDENT LOANS BAD FOR THE ECONOMY?

Interest charged on student loans holds people back from fully participating in the economy. A recent RBC study reports that rising student debt is having a macroeconomic impact across Canada. Amongst recent graduates:

- 50%** report not saving enough for emergencies
- 45%** report delaying a home purchase
- 25%** report that they are delaying having children
- 20%** report that they are delaying marriage

Education is an investment in the learner and in society. Across Canada, those with a university degree earn 63% more than those with a high school diploma (thereby paying more in income tax), have lower unemployment rates, and rely less on government aid.

There is a clear financial return on investing in programs to assist students from low- and middle-income families, yet interest on student loans is holding back those who are eager to participate in the economy.

## HOW MUCH DO CANADIANS PAY IN FEDERAL STUDENT LOAN INTEREST?

The average borrower pays \$5,000 in interest over the loan repayment period. But the amount of interest depends on the size of the loan, the number of years it takes to pay back, and the prime interest rate. For university graduates student loan debt is higher, averaging nearly \$5,900 in interest; for college graduates student loan debt is typically lower, averaging over \$3,500 in interest.

Remember that this is only interest on the federal portion of student loan debt – it doesn't include provincial student loans or private debt.

A 2013 BMO study estimated that the average student in Canada graduates with over \$26,000 in student loan debt. Similarly, a recent RBC study reports that the percentage of recent graduates with over \$25,000 is rapidly increasing, and even three years after graduation 23% of bachelor's graduates still owed over \$25,000 in government student loans. Thus, in terms of comprehensive student debt, the total interest payments are much higher than just the CSLP portion.

avg university debt (federal portion only): \$16,727

interest: \$5,872

avg college debt (federal portion only): \$10,172

interest: \$3,571

*Interest on student loans is just another way young Canadians are being knocked down. Speak out now! Send an email to Prime Minister Trudeau urging him to knock out interest on student loans.*

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