

# Student Debt

The rising cost of post-secondary education is a well-documented concern for many prospective students. Funding the annual costs of tuition, books, residence and meal plans can require additional funding through the use of the Ontario Student Assistance Program (OSAP), and/or a student Line of Credit (LOC).

## Ontario Student Assistance Program (OSAP)

OSAP is loan program designed to provide funding for post-secondary education to students who demonstrate financial need. OSAP is calculated by the following formula: Allowable education costs & allowances minus expected financial contribution equals calculated financial need. The loan is divided into two parts – a loan portion and a grant portion, where the grant portion does not have to be paid back. The value of the grant will vary based on the student's financial resources which is determined through the application process. Due to the grant's 'forgiveness' feature, OSAP should be the first program a student considers if additional funding is needed. The application can all be completed online, <https://www.ontario.ca/page/osap-ontario-student-assistance-program>. It will consist of questions about the student's program, their personal and financial information, and their parents' personal and financial information.

Upon the completion of your post-secondary education, there is a six-month grace period before the any payments are required on the loan amount. Once this period has passed, you will need to begin making payments on the principal amount loaned, plus interest (prime rate + 1%).

However, there are payment assistance programs available to students to apply for if they are having difficulty paying back their loan after graduation.

## Student Line of Credit (LOC)

If a student is ineligible for OSAP, or in need of additional financial assistance, a student line of credit (LOC) may be a good alternative. A student LOC is available for anyone attending a post-secondary school. There are many benefits of this type of borrowing, such as a lower interest rate compared to a typical personal loan. You also do not have to start making payments on the principal until 12 months after graduation, rather than six with OSAP. However, unlike OSAP, you do have to make the minimum monthly interest payments while you are in school and the year following graduation and the interest charged will vary depending on the provider.

To acquire this loan, you must have a co-signer, who becomes responsible for the amount owed if you were to default on the payments. Additionally, there are limits as to how much you can borrow, which depends on the financial institution and their eligibility requirements.

## Questions?

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