



Student Line of Credit (LOC)

WHAT YOU NEED TO KNOW:

A line of credit (LOC) is a flexible loan from a bank or credit union. It is similar to a credit card in the sense that you are offered a set amount of funds that you can access at any time, in any amount up to your limit. The great part is you only pay interest on the portion of the loan you actually use.

A student LOC is available for anyone attending post-secondary school. There are many benefits of this type of borrowing such as offering a lower interest rate for student LOCs than they would for a personal loan. You also do not have to start making payments on the principal until 12 months after graduation. You do have to make regular interest payments while you're in school and following graduation. The interest payments can be as low as 1% of the used portion of the student LOC but depend on the bank's rules.

There are limits as to how much you are allowed to borrow, which depends on the financial institution. They have specific limits in place, but those amounts can also vary, depending the eligibility of the student. See below for a breakdown of student LOC offerings from major banks.

What is a Co-signer?

A co-signer is someone who agrees to be legally responsible for the debt payments if the borrower fails to make the required payments. When applying for a student LOC a co-signer might be required as the student likely is too young to have been able to build up a credit rating. The co-signer for a student LOC does not have to be a parent, but should be prepared to take on the major risk as if the student defaults on the loan, it will negatively affect the credit rating of both the borrower and co-signer.

Rates as of November 2015:

| Banks | TD | BMO | Scotia | CIBC | RBC |
|----------------|---|--|-------------------------------------|-------------------------------------|--|
| Interest Rate* | Prime +1.5% | Prime +1.5% | Prime +1% | Prime +2% | Prime +1% |
| Limits | Up to \$10,000/yr to a max of \$40,000 for 4yrs | \$15,000 for first year, \$10,000 for remaining yrs to a 4yr max of \$45,000 | \$15,000/yr up to a max of \$40,000 | \$15,000/yr up to a max of \$40,000 | Starts at \$5,000/yr amount depends on the individuals credit approval |

**all interest rates are subject to change*

Consult your accountant, financial planner, or investment manager to determine what strategies are best for you.



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