



## Recent events and their financial implications to Canadian medical students

**UPDATED: 15 MAY 2020**

The COVID-19 pandemic is bringing on global economic uncertainty, to which Canada is not immune. You may have heard emergency relief measures that were recently passed by the federal and provincial governments to help address the economic hardships that many Canadians are feeling at the moment. We have compiled a summary of applicable measures that may impact Canadian medical students. We will update this list as more information comes to light.

### 1) Bank of Canada's overnight rate now at 0.25%

- On March 4, 2020, the Bank of Canada (BoC) lowered its overnight rate from 1.75% to 1.25%.
- On March 13, 2020, the BoC lowered its overnight rate from 1.25% to 0.75%.
- On March 27, 2020, the BoC lowered its overnight rate from 0.75% to 0.25%. This brings the overnight rate back to 2008 financial crisis levels.

This series of events has direct implications for medical students who are using their line of credits (LoCs) as a source of financing for their medical education. LoCs are instruments that are based on a rate set by chartered banks called the “prime rate.” The prime rate is dependent on the overnight rate determined by the Bank of Canada. With the latest change in the BoC’s overnight rate, the prime rate is now at 2.45%. Most financial institutions offer Canadian medical students a rate of prime less 0.25% on their LoCs, making the net rate of interest charged on these instruments at **2.20%**. This represents a marked drop from the **3.70%** net rate of interest that was in effect before March 4, 2020. This means that the interest that is charged on these instruments going forward will be less. The BoC has signalled that this is the effective lower bound that the overnight rate can go, but the theoretical lower bound many analysts have been referencing is -0.50%. There have been no further changes to the overnight rate since March 27, 2020.

### 2) New tax filing and payment due dates

- The due date for filing individual tax returns has been extended to **June 1, 2020**.
- Taxpayers will have until **September 1, 2020** to pay any 2019 income tax amounts owed.

### 3) Freezing of existing government student loans

On March 25, 2020, the *COVID-19 Emergency Response Act* received Royal Assent and is now legislation. This piece of legislation contains the primary fiscal tools that the federal government is using to help address the economic challenges that this country is facing. For students:

- Student loan repayment will be suspended until **September 30, 2020**.
- Interest will not be charged to borrowers on their student loans from March 30, 2020 to September 30, 2020.

If your loan was issued by NL, NB, ON, SK or BC, this applies to both the federal and provincial portions of your student loan. If your loan was issued by PEI, NS, AB or MB, the National Student Loans Service Centre (NSLSC) only administers the federal portion of your loan, and therefore, this applies to your Canada Student Loan only. The province of Québec operates their own student aid programs. There are other benefits implemented by this piece of legislation like



the Canada Emergency Response Benefit, a one-time additional payment under the GST/HST tax credit, and providing temporary additional amounts under the Canada Child Benefit. They may be of interest to you and/or your family.

#### 4) Mortgage deferrals

On March 17, 2020, the six largest Canadian banks announced a program that allows customers facing financial hardship as a result of COVID-19 to defer payments for up to six months. During this period, the banks continue to add interest to the loan's principal. As a result, your payments will be slightly higher after the deferral period ends. The idea behind this program is to alleviate the immediate cash flow issues that Canadians may be facing.

#### 5) Canada Emergency Response Benefit

The Canada Emergency Response Benefit (CERB) provides eligible workers – those who have lost income due to quarantine restrictions and other COVID-19 related issues – with \$2,000/month for up to four months. As the CERB is focused on people who are already in the workforce, most medical students will find themselves ineligible for this program. If you had a job throughout your studies you can determine if you are eligible and apply through the [Canada Revenue Agency account portal](#).

#### 6) Canada Student Emergency Response Benefit

The Canada Emergency Student Benefit (CESB) provides financial support to post-secondary students, and recent post-secondary graduates who are not eligible for the CERB or EI. For post-secondary students who aren't eligible for the CERB or Employment Insurance (EI), the Canada Emergency Student Benefit (CESB) provides students and new graduates with a payment of \$1,250/month from May 2020 to August 2020 (\$2,000/month for those with a disability or dependents). The CESB will be delivered by the Canada Revenue Agency (CRA). As of **May 15, 2020**, the application is open on the [Canada Revenue Agency account portal](#).

You are eligible for the CESB if you:

- Are currently enrolled in a college or university program
- Planned to start college/university in September 2020
- Graduated from college/university in December 2019
- Are a working student earning less than \$1,000/month
- Are actively looking but unable to find full-time employment or are unable to work due to COVID-19

#### 7) Student Grants

To recognize students' significant contributions to the COVID-19 efforts, the Canada Student Service Grant (CSSG) will provide up to \$5,000 towards your post-secondary education costs in the fall if you are volunteering in the fight against COVID-19. More details will be made available on the [I Want to Help platform](#) over the coming weeks, including more detailed information about eligibility, the levels of funding available under the grant, how to apply for a national service position, and how applications will be assessed.



The government has doubled the Canada Student Grants (CSG), up to \$6,000 for full-time students and \$3,600 for part-time students for the 2020-2021 school year. The CSG for Students with Permanent Disabilities and Students with Dependents will also be doubled. Also, there will be a broadening of eligibility for student financial assistance by removing the expected student's and spouse's contributions in 2020-21. The government has also raised the maximum weekly amount that can be provided to a student in 2020-21 from \$210 to \$350. The above changes are affected via the Canada Student Loans Program (CLSP). Students in Quebec, Northwest Territories and Nunavut do not receive CLSP support as these jurisdictions run their own student financial assistance programs. Additional compensation will be offered to provinces and territories that do not participate in the CLSP.

Further changes to the Ontario Student Assistance Program (OSAP) and other provincial programs may be announced in the coming weeks, and we will keep you apprised of any developments.

#### **8) New Jobs and Opportunities**

The government is expanding existing federal employment, skills development, and youth programming to create up to 116,000 jobs, placements, and other training opportunities to help students find employment this summer and over the coming months. If you are interested in this program you can find more information [here](#).

#### **9) Support for Student Researchers**

The government has committed to provide \$291.6 million to support student researchers and post-doctoral fellows through the federal granting councils. Funding would support a one-semester extension for eligible students whose research scholarships or fellowships end between March and August 2020 and who intend to continue their studies. It would also provide a 3-month extension in funding for holders of federal research grants to support eligible trainees and staff paid out of these awards. If you are enrolled in a combined Masters or PhD program alongside your MD training this may be of value to you, and we encourage you to consult the relevant federal granting agencies for more information.

We hope that you find the above update helpful. As always, we have dedicated resources on our website to address key aspects of your financial wellness. If you are experiencing immediate financial hardship, it is advisable that you reach out to your local student financial aid office as many schools have started to roll out urgent financial assistance for those who are in need. If you have any questions on any of the above matter, you may reach out to CFMS' VP Finance, Anson Lee ([finance@cfms.org](mailto:finance@cfms.org)).