



Recent events and their financial implications to Canadian medical students

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 effective 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%.

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) [The COVID-19 Emergency Response Act](#)

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. The idea behind this program is to alleviate the immediate cash flow issues that Canadians may be facing.

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).