



The Impact of Student Loan Debt on Homeownership

BACKGROUND

The Impact of Student Loan Debt on Homeownership report confirms that student debt continues to significantly impact Ontarians ability to purchase a home.

Conducted by Abacus Data on behalf of OREA, the report found that a large number of young adults find themselves postponing homeownership, with student debt cited as the primary reason for this delay. Other life milestones being delayed as a result of student debt include moving out of the family home, getting married, and starting a family.

Ontario REALTORS® are proposing policy solutions to help address the housing affordability crisis that young Ontario graduates are facing:

1. **The Provincial and Federal government should collaborate to allow graduates to absolve a portion of their OSAP loan when they add funds into Canada's 'First Home Savings Account' (FHSA). The Government should match the addition of funds dollar-for-dollar. For example, if a graduate adds \$5,000 into the FHSA, the Government will reduce the students' OSAP loan by \$5,000.**
 - The FHSA is a federal account that opened in April of 2023
 - Can be opened through a bank, credit union, trust, or insurance company that is authorized to open an FHSA or RRSP on your behalf
 - Eligibility: 18 years of age (or older), and must be considered a first-time home buyer
 - Allows you to save for a home tax free, up to \$40,000
 - When students default on their loans, the National Student Loans Service Centre (NSLSC) submits a claim to the Province of Ontario and/or Government of Canada. Submitted default claims are paid by the provincial and federal government, and the loan turned over to a collection agency. The 2020 OSAP default rate for Ontario postsecondary institutions was 5.2%
 - The administrative burden on the Government is better directed towards loan reduction through other Government programs, instead of managing loan defaults.

- 2. The Government of Ontario should permanently eliminate the accumulation of interest on all Provincial student loans including loans currently being repaid. This is already in effect for interest on Federal student loans.**
 - This policy aligns with the announcement on April 1st, 2023, from the Government of Canada, which permanently eliminated the accumulation of interest on all Federal student loans including loans currently being repaid.
 - Eliminating interest on student loans will go a long way in helping graduates pay down the debt faster and help them save sooner for a down payment.

- 3. The Government of Ontario should increase the grace period for OSAP loan repayment from 6 months to 1 year. This will allow students 6 additional months to obtain stable employment and save money before making payments.**
 - All Ontario students have a period of 6 months after graduating or leaving full-time studies before they are required to begin paying back their loan.
 - Providing a longer grace period will give graduates more time and opportunity to get a great first job following graduation, helping them save money and be in a better position to start making payments.

- 4. The Government of Ontario should enable automatic notification to OSAP when graduates file their taxes and receive their OSAP tax receipt. Following the notification, eligible graduates should automatically be entered into Canada's 'Repayment Assistance Plan' (RAP).**
 - Eligibility for RAP is income-based. This will remove the burden on eligible graduates to re-apply every 6 months.
 - By enabling automatic notification to OSAP when graduates file their taxes, young Ontario graduates can rest assured that they will receive repayment assistance if they are eligible, without additional administrative burden during a time when graduates are hard at work planning their future.

- 5. The Government of Ontario should partner with the National Student Loan Service Center to create an online financial education hub that outlines all necessary information related to student loans. This should include information from each post-secondary institution.**
 - This would ensure that students/graduates do not miss important information about repayment and default processes, loan reduction options, etc., all within a central online location.
 - This will help Ontario graduates be better organized and prepared when making their student loan payments, as well as help them find ways to keep more of their money and plan the next steps of their professional and personal lives.

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