

Appendix II

Example: Restructured loan: principal \$10,000 + interest \$2,500 = \$12,500 (restructured amount).

Loan payment \$500 = \$200 principal and \$300 interest and related charges.

The total of \$500 will be applied to the principal balance and an additional \$750 being 1.5 times the amount paid.

(\$500 x 1.50 = \$750) will be forgiven by the Authority and applied to the accumulated interest and related charges as loan forgiveness.

If there is no interest or other charges applicable, the amount will be applied to the principal balance.

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The Education Loan Authority



Student Loan Repayment Incentives

"Investing in Education today, for a prepared
Bahamas tomorrow"



Minister's Remarks

The people of the Bahamas financed the Educational Loan Program to assist with the education of persons pursuing tertiary education. The loan portfolio is intended to be a revolving fund; and as the borrower pays, the monies are re-lend to assist other qualified students.

To date, the value of the portfolio including principal and interest is approximately \$155 million that represents approximately 4,300 loans. The status of the loans in this portfolio is classified as follows:

- Current: 16%,
- Up to 270 days Outstanding Category: 8%
- 271 and beyond 76%

This was and is clearly unsustainable!

However, we are cognizant of our fiduciary responsibility to the country and that we had to formulate a plan that would sensibly facilitate our pursuit to collect delinquent funds, one way or the other.

THE INCENTIVE PROGRAM

I am most pleased at this point to share the following elements of the Student Loan Repayment Incentives:

1. A twelve-month period of incentives and waivers from March 1st 2016 will be made available to assist and encourage delinquent borrowers to repay their loans.

This period will be an interest-free period, during which no interest will be applied to loans.

2. During this 12-month period, borrowers who wish to pay off their loans in full will settle their loans by repaying the principal only, and all interest and related charges will be forgiven.
3. During the 12-month period, the full loan payment (interest and principal) will be applied to the principal balance only. The Authority will also match this amount, by way of 'debt forgiveness' to be applied to the accumulated interest and related charges. (In other words the accumulated interest will be reduced by a matching amount) (See Appendix I).
4. Persons whose accounts are current for six months prior to the implementation of these incentives will be entitled to a twenty-four month incentivized period. The incentives and waivers enunciated will apply and an additional twelve-month incentive period if payments are consistently made during this twenty-four month period.
5. For persons who restructure their loans during the 12-month period, the loan payment on the restructured amount (principal and interest) will be applied to the outstanding new principal balance and the Authority will forgive 1.5 times the loan payment. This 'debt forgiveness' will be applied to the accumulated interest and related charges in the first instance, and if there is no interest and related charges during the 12 month period. The payment will be applied against the principal balance (See Appendix II).
6. Persons who consistently make their monthly loan payments for the 12-month period (other than persons mentioned in 5 above) will receive an extension of twelve months of incentives and waivers.

7. The maximum loan repayment period will be changed from 15 years to a maximum of 30 years, to accommodate borrowers who wish to restructure their loans in order to reduce monthly repayment amounts.

On this note I wish to advise that the Authority encourages all delinquent borrowers to make contact immediately with the Education Loan Authority and/ or make payments to bring their loans up to date to avoid court action, I repeat, I have instructed the Authority to take court action if and when necessary to collect the people's money.

The Authority, in collaboration with the Ministry of Education and the Ministry of Labour, is also in the process of developing a work program, which will include tutoring, mentoring or other services in the Public Service for borrowers and co-borrowers who are unable to pay their student loans at this time. This program will allow persons to perform a national service to decrease their loans by a maximum of 25 percent.

Appendix I

Example: Loan payment \$200 = \$150 principal and \$50 interest and related charges.

The total of \$200 being 100 percent of the amount paid will be applied to the principal balance and the Authority will forgive an additional \$200 to be applied to the accumulated interest and related charges as loan forgiveness.