

Repayment of Swedish student loan

The modified annuity loan (flat rate student loan)

CSN administrates three different loans for education. The current loan that has been granted since 2001 is a modified annuity loan. Here we inform only on the regulations of the annuity loan.

The rules for annuity loans began to apply from 1 July 2001. One of the aims of the rules on repayment is that everyone should have time to repay his or her loan.

Rules and regulations

Repayment of the loan begins no earlier than six months after a borrower last received financial support for studies in the form of a loan or a grant. The repayment always starts at the beginning of a calendar year. This means that a person who receives study support in a spring term begins to repay the loan at the beginning of the following year. However, a person who received study support during an autumn term begins to repay the loan one year later.

The repayment period is 25 years or the number of years remaining until the age of 60. There is also a minimum annual sum required for annuity loans. Due to this minimum sum the repayment period can be shorter. The minimum annual amount for 2016 is SEK 6 645 (\$ 815)

Annual amount

The annual payable amount is calculated each year taking into consideration

- the amount of the borrower's debt,
- the length of the remaining repayment period for the loan,
- the rate of interest, and
- the so called updating rate, which is a maximum of two percent

The updating rate means that the annual amount the borrower pays is adjusted upwards by approximately 2 percent per year. The construction and the repayment principles will lead to a lower yearly instalment in the beginning of the repayment and higher instalments in the end. This is meant to lower the burden in the beginning of repayment, when former students often have a low income.

Repayment in advance is possible, but there is no bonus.

Interest and cost of the loan

Interest runs from the first payment of the loan to the student until it is fully paid back; thus it is running also during studies.

The interest rate is 0,6 % in 2016. The Government sets the interest rate every year based on its average borrowing costs over the past three years.

The borrower pays the same interest on the loan, regardless of whether they reside in Sweden or overseas.

The interest is not deductible in general tax returns. This is because that the interest rate has already been reduced by 30 per cent, which corresponds to the right to deduct capital costs in the tax system. A borrower therefore pays a lower rate of interest from the beginning instead of receiving a subsequent rebate on the tax.

CSN charge an administration fee every year of SEK 150 (\$18). If a borrower has not paid their annual amount on time, CSN send a reminder. CSN charge a reminder fee of SEK 450 (\$55).

Debt collection

If the borrower pays late or not at all CSN sends 2 reminders for payment and one letter of demand. If a borrower residing in Sweden has not paid despite reminders, CSN will pass the matter on to the Swedish Enforcement Authority for collection. For borrowers who are residing abroad CSN employs debt-collection agencies. If the borrower is not repaying for a long time, then we have the right to revoke the loan-agreement. Then we can collect the whole loan at the same time.

Regulations of “safety arrangements”

Even though we call the current student loan a traditional instalment loan, it is in reality a mix between a traditional loan and an income contingent loan. In order not to restrain potential students with debt aversion, there are possibilities to get a reduction of the yearly instalment. You can for example get a reduction of the yearly instalment down to 5 (till 49 years of age) or 7 percent (from 50 years of age) of your gross income. In spite of these possibilities, there are two important differences between the current loan and the earlier income contingent loan: The percentage paid is higher (5 or 7 percent of gross income instead of 4 percent), and an application is needed. Far from all borrowers with the right to a reduction apply for it – they want to repay their loans as quick as possible!

There is also a possibility to have a reduction of the yearly instalment due to exceptional circumstances.

Loans can also be written off under the following circumstances:

- At 68 years of age.
- At death.
- Or due to exceptional individual reasons.

Due to the “rules of security” and due to other risks, we calculate the risk of loss to 7 percent of the given loans. An amount corresponding to 7 percent of the paid loans is yearly funded to cover future costs.

Student loans 2015

We have approximately 1.5 million borrowers with a debt. 59 percent are female. The borrowers owed a total of SEK 211 billion (\$ 25,9 billion). Borrowers with a study loan debt repaid SEK 13,9 billion in 2015 (\$ 1.7 billion).

Payments 2015

91, 5 percent of all the total charged annual amount was paid. The borrowers who live in Sweden paid 93, 6 % of their charged annual amounts. Borrowers living abroad paid only 70, 3 percent of their charged annual amounts. 83 100 loan were paid in full.

Borrowers residing abroad

In 2015 there were 65 400 borrowers residing abroad. Their total debt was SEK 13 billion (\$1, 6 billion)

Most of the borrowers live in Europe and in the United States.

Problems regarding borrowers residing abroad

In Sweden we have problems to maintain correct address information for borrowers living abroad. In some countries it is also very difficult for us to collect debts.

In Sweden the principle of public access to official records allows us to obtain address information electronically from the Swedish Population Register and Tax information from the Swedish Tax Agency. The Swedish Enforcement Authority assists in recovering unpaid debts. (execution). For borrowers living abroad we do not have these possibilities.

What do CSN do?

For borrowers who are residing abroad CSN employs debt-collection agencies. We have since 2014 legal action in the US and have won one case. We have started cooperation within the EU regarding exchange of address information. Our administrators make telephone calls or send e-mails to borrowers living abroad to get them to start paying. Our administrators also seek addresses via the internet using telephone directories, open blogs etc.

We are also trying to effect legislation changes.

Improved rules for increasing the repayment

In order to increase the repayments the Swedish government has made some changes in the Study Support Act. The period of limitation has been extended from 10 to 25 years. The loan can also be called in and the borrower must immediately repay the whole amount. The borrowers living abroad also have a legal obligation to provide address information.

A experience from Sweden

One experience CSN have made is that when CSN makes contact many borrowers are willing to pay. Enforcing repayment abroad costs a lot of time and resources and it are important that we increase international cooperation.