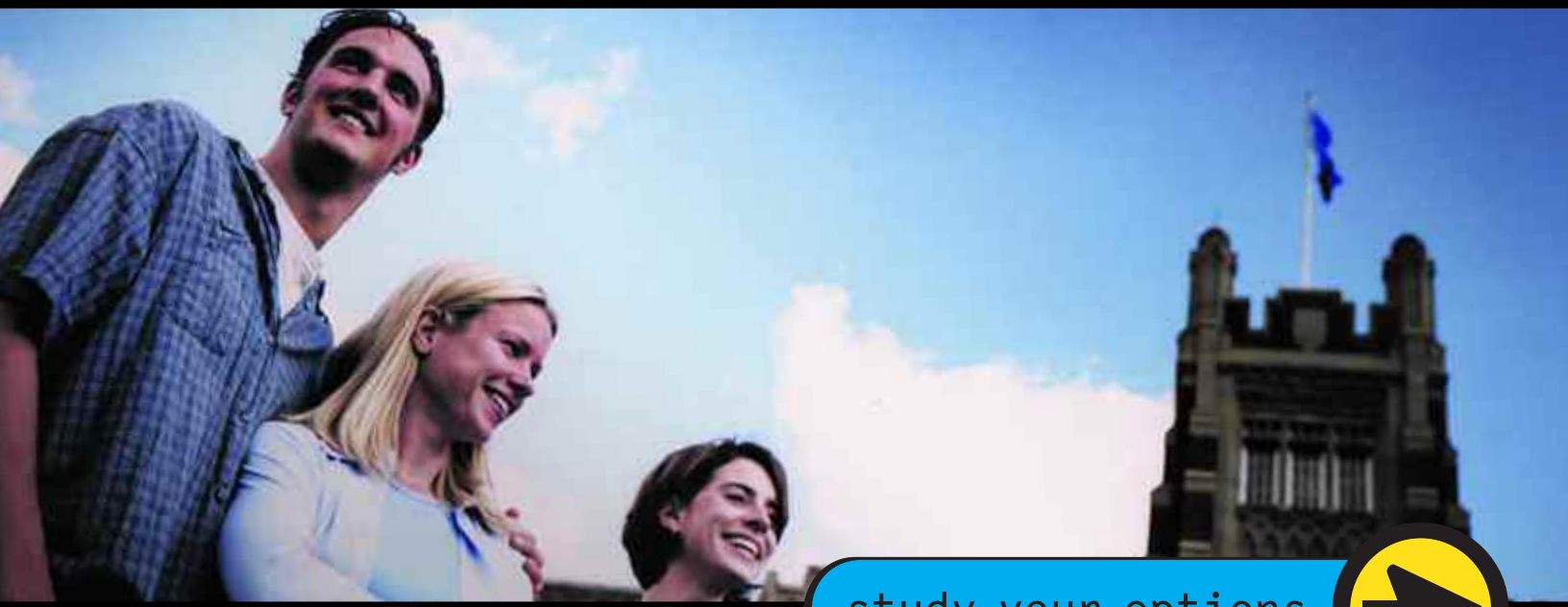


# Exit Guide

Strategies for Paying Back Your Student Loan



study your options



## Table of Contents

A Little Planning Can Save A Lot Of Money . . . . .	1
Payment Free For Six Months . . . . .	3
Leaving School: Making Your Payments . . . . .	4
The Alberta Student Loan Relief Program . . . . .	5
Repayment Terms . . . . .	7
What if You Can't Pay It Back? . . . . .	10
On-line Services . . . . .	12
Frequently Asked Questions . . . . .	13
We're Here To Help . . . . .	15

# A Little Planning Can Save A Lot Of Money

Leaving school can be a lot like starting was – it's a new chapter in your life. It's unfamiliar territory that can be exciting and scary at the same time, with new opportunities, challenges and responsibilities. Paying back your student loan may be the last thing you want to deal with at this point, which is why it's a good idea to plan how you're going to pay it back before you finish your studies.

## "I've Got An Education. Why Do I Still Need A Budget?"

Ahhhhh, the end of student life. No more macaroni and cheese, right? If you find work quickly, chances are you will be making a lot more money than you did as a student. But you may also have higher expenses. Just like when you started school, now is the time to draw up a new budget.

What do you project will be your monthly income? Talk to your school or recent graduates, check with a professional association or union in your field, search the Internet for salary surveys, or check the newspapers for similar advertised jobs. This will give you a good idea of the best-case scenario.

Next, try to figure out your post-student living expenses. Where are you going to live? What expenses will you have starting a new job?

The jeans and runners you lived in for the last few years may not cut it anymore. Factor in expenses like student loan payments, new clothes, transportation, and parking costs as well as the standards like rent, food and utilities.

## Where Does Your Loan Fit?

Now, it's time to figure out how your student loan payments fit into your post-student budget. How much your payments will be depends on three things:

- the size of your loan
- the length of your repayment term
- the interest rate on your loan



### Mike

Graphic Design Diploma  
\$10,000 in loans

Mike just completed his program and is opening a small graphic design firm. He knows there are a lot of costs involved in the first year of a new business, so he wants to minimize his student loan payments. He signed a loan repayment agreement that will allow him to take 10 years to pay back his loan, and keep his payments around \$121 a month (assuming a 8% interest rate).

“When the business starts rolling in, maybe I’ll revise my plan and pay the loan back faster. But for now, I need all my extra money for marketing and start-up costs.”

MONTHLY INCOME:  
VARIABLE \$1,000 – \$3,500

STUDENT LOAN PAYMENTS:  
\$121

PERCENTAGE OF INCOME:  
VARIABLE – 3.5% - 12%



[Return to Contents](#)

# Payment Free For Six Months

When you graduate or leave full-time studies, you have a six-month grace period before you have to start making student loan payments. However, interest will begin to accrue on the outstanding balance of your Canada and Alberta Student Loan(s) immediately after you complete your classes.

These six months give you some breathing room to get on your feet before you start making loan payments, but you must begin repaying your student loans, principal plus interest, on the first day of the seventh month following the completion of your studies.

A lot of people move in the six months after leaving school. Make sure EDULINX, your lending institution, and/or the National Student Loans Service Centre have your current address. They'll be sending you important information about your loan, and not receiving it (and not answering it) will start you off on the wrong foot.

Contact EDULINX for more information about your Alberta Student Loan. Call 1-866-827-0310 or visit [www.edulinx.ca](http://www.edulinx.ca).

Contact the National Student Loans Service Centre for more information about your Canada Student Loan. Call 1-888-815-4514 if attending a public institution (university, community college) or 1-866-587-7452 if attending a private institution (career/business college, trade school), or visit [www.canlearn.ca](http://www.canlearn.ca).



## Will

Petroleum Engineering Degree  
\$12,000 in loans

Will just finished a degree in petroleum engineering. He found a job at a drilling site north of Edmonton making \$54,000 a year. He's decided to pay back his loan as quickly as he can. By making payments of \$376 per month (assuming a 8% interest rate), he'll have paid off his loan in three years.

"Once I pay off this student loan, I want to start saving up to buy a house."

MONTHLY INCOME: \$3,000  
STUDENT LOAN PAYMENTS: \$376

PERCENTAGE OF INCOME: 12%



[Return to Contents](#)

# Leaving School: Making Your Payments!

## The Six Most Important Months Of Your Loan

Before the end of your six month grace period, you should talk to EDULINX, your lending institution and/or the National Student Loans Service Centre about repayment. If you have Alberta and Canada Student Loans, you may have multiple loans and you must make separate payments.

## Alberta Student Loan Lender

All Alberta Student Loans are financed by the Government of Alberta through EDULINX, Alberta's student loan service provider. Contact EDULINX at 1-866-827-0310 for more information. If your Alberta Student Loan was issued before August 1, 2001, contact your lending institution for more information.

## Canada Student Loan Lender

All Canada Student Loans are financed by the Government of Canada through the National Student Loans Service Centre. For more information, contact the National Student Loans Service Centre at 1-888-815-4514 if attending a public institution (university, community college) or 1-866-587-7452 if attending a private institution (career/business college, trade school). If your Canada Student Loan was issued before August 1, 2000, contact your lending institution for more information.

## The Loan Agreement

If you have Alberta Student Loans, you will be sent a standard repayment letter. This repayment letter will automatically set a repayment term and interest rate. If you do not contact EDULINX to discuss alternative arrangements, this will be the terms of your repayment.

If you have Canada Student Loans, you will be sent a standard consolidation agreement that you must sign and return. This agreement will automatically set a repayment term and interest rate. If you do not contact the National Student Loans Service Centre to discuss alternative arrangements, this will be the terms of your repayment, whether or not you sign and return the agreement.

### GET INFORMED

Visit the EDULINX website at [www.edulinx.ca](http://www.edulinx.ca), register and complete the **Exit Counselling session**. This session explains everything you need to know about your responsibilities in repaying your Alberta Student Loans and the programs available to help you.

While on the website, look at EDULINX On-line Services so that you can manage your loan on-line, view details of your Alberta loan and statement history, make a payment and update your address.

### SPARE CHANGE?

If you can put any money towards your student loans in the six month grace period before repayment begins, do it! Your payments will reduce the accrued interest.

[Return to Contents](#)

# The Alberta Student Loan Relief Program

## You Deserve a Break!

If you have a government student loan and have completed your studies, you may be eligible for the Loan Relief Program Completion Payment under the Alberta Student Loan Relief Program. This program is designed to keep the debt level of Alberta students manageable.

## You May Be Eligible If:

Your combined Alberta and Canada Student Loans are more than the established debt level for your program (see chart on page 6). The Loan Relief Program Completion Payment will be applied against your Alberta Student Loans only. Your payment will not be greater than the total amount of your Alberta Student Loan.

## Your Loan Relief Program Completion Payment Can Be Reduced If:

- You withdrew from studies in any academic year, or
- You did not cash all of your student loans in a particular academic year, or
- Your loans for a specific year were less than the established minimum debt level for that year

## You May Still Be Eligible If You:

- **Didn't Graduate.** Your payment will be based on the period of time that you were enrolled as a full-time student.
- **Already Paid Off Your Alberta and Canada Student Loans.** If you qualify for the Loan Relief Program Completion Payment, a cheque in the amount of your payment will be sent directly to you.

**Note:** The Alberta Student Loan Relief Program is not a reward for good grades. Even if you weren't at the top of your class, you may qualify if your loan is large enough and you didn't withdraw from full-time studies part way through the year.

## How is the Loan Relief Program Completion Payment paid?

The Loan Relief Program Completion Payment is an **automatic payment** at the end of your studies only if:

- you received Alberta Student Loans after July 31, 2001, **and**
- you confirmed that you were in your final year of studies on your last Alberta Application for Financial Assistance.

The payment is applied directly to the principal owing, then to interest owing, on your Alberta Student Loans at EDULINX and/or your lending institutions. If you have paid off your Alberta Student Loans in full, a cheque in the amount of your payment will be sent directly to you.

*continued on page 6*

## What if I did not confirm that I was in my final year of studies?

If you did not confirm that you were in your final year of studies on your last Alberta Application for Financial Assistance, the Loan Relief Program Completion Payment will still be paid automatically, however, not until at least 6 months after your last month of studies.

You can avoid the minimum 6-month waiting period by printing off, completing, and mailing in the on-line application.

## How can I get an application form?

Applications for the Loan Relief Program Completion Payment are available on-line at [www.alis.gov.ab.ca](http://www.alis.gov.ab.ca). Click on *Students Finance*, and then choose *Printable Forms*.

## Minimum Debt Levels

You may be eligible for the Loan Relief Program Completion Payment if your combined Alberta and Canada Student Loans are more than the established debt level for your program. The debt levels vary by program and are subject to review. The following are the minimum debt levels for students graduating in the 2005-2006 academic year:

Program	Length of program	Minimum Debt Levels
Private Vocational Schools	Per 4 month semester	\$ 3,570
Diploma Program	2 x 8 month year	\$12,140
Degree Program	4 x 8 month year	\$22,140
Masters Program		\$32,140
PhD Program		\$37,140
Pharmacy		\$27,140
Veterinary Medicine, Chiropractic Study, Optometry		\$42,140
MBA		\$44,280*
Law		\$45,710*
Medicine		\$70,350*
Dentistry		\$72,850*

For example, if you finish a four year program with \$29,280 in combined federal and provincial loans, the Alberta government may repay up to \$7,140 of your Alberta Student Loan.

*\* Students may be eligible to receive an extra semester of funding to meet their needs each year. Students who access this extra semester have an increased debt level.*

MONTHLY INCOME: \$1,300  
STUDENT LOAN PAYMENTS  
SUSPENDED: \$212

PERCENTAGE OF INCOME: 25%

## Sasha

Education Degree  
\$17,500 in loans

Sasha just finished an education degree. She applied for a job with the local Board of Education, but only got hired as a substitute teacher. She's also working part-time as a waiter to help make ends meet. Six months after graduation, Sasha wasn't making enough money to start making payments on her student loan, so she applied to have her loan payments delayed through the Interest Relief program.

"I'll probably be hired as a teacher full-time next fall, then I can set up a regular payment plan for my student loans."



# Repayment Terms

You can't choose to ignore your loan, but there are choices you can make that will have a big impact on your repayment terms. Your first decision is how long you want to take to repay your loan. The shorter the term, the bigger your monthly payments but the longer the term, the more interest you'll eventually pay. You can make changes to your repayment terms using EDULINX On-line Services at [www.edulinx.ca](http://www.edulinx.ca).

You have probably been accumulating loans for at least a couple of years, and it can be hard to translate the grand total into a monthly payment. Well, here is a general idea. Choose the one that best fits your personal circumstances.

## Show Me The Numbers

Based on an interest rate of 8% and a 10 year repayment period, here is an example of what your loan payment might be depending on the amount of your student loan balance.

Student Loan Amount	Monthly Student Loan Payment Amount	Total Interest Paid Over 10 Years	Total Amount Paid
\$10,000	\$121	\$4,520	\$14,520
\$15,000	\$182	\$6,840	\$21,840
\$20,000	\$243	\$9,160	\$29,160
\$25,000	\$303	\$11,360	\$36,360
\$30,000	\$364	\$13,680	\$43,680
\$50,000	\$607	\$22,840	\$72,840

Based on an interest rate of 8% and 5 and 10 year repayment periods, the tables on page 8 illustrate an approximate minimum annual gross income needed to repay a loan based on 15% of gross income used to repay student loans.

*continued on page 8*



## To Repay A Loan Over A 5-Year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income to Repay
\$7,000	\$142	\$8,520	\$11,120
\$14,000	\$284	\$17,040	\$22,160
\$21,000	\$426	\$25,560	\$33,280
\$28,000	\$568	\$34,080	\$44,400

## To Repay A Loan Over A 10-Year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income to Repay
\$7,000	\$85	\$10,200	\$6,480
\$14,000	\$170	\$20,400	\$13,040
\$21,000	\$255	\$30,600	\$19,520
\$28,000	\$340	\$40,600	\$26,000

## Interest Rates

There are two basic types of student loan interest rates – fixed and floating. Both are based on the prime rate. The prime rate is a reference point set by your lending institution that changes in response to the Bank of Canada rate, the economy and other factors.

**If you have a floating rate**, your interest rate will change along with the prime rate. The normal floating rate is prime plus 2.5%. If you don't specify otherwise, you will be given this floating rate.

**If you have a fixed interest rate**, your rate will be the same through the whole repayment. The normal fixed rate for student loans is prime plus 5%. The fixed interest rate can be requested on a one-time basis only.

*continued on page 9*

Repayment Terms, continued from page 8

## Flexibility

One of the good things about student loans is that repayment is flexible. You can revise the terms of your repayment agreement (such as change your payment amount, payment term and payment date on-line) if your circumstances change, and you can always make lump sum payments on your loan if you have a sudden windfall (you never know!) like a giant tax return or an inheritance. You can make these changes at EDULINX On-line Services at [www.edulinx.ca](http://www.edulinx.ca).

## Danielle and Gordon

Danielle and Gordon just graduated in the same class with degrees in engineering. They've both found jobs in their field with about the same salaries – just over \$54,000. Each of them has approximately \$16,000 in student loans, but they're managing their loan repayments in totally different ways.

**Danielle** is planning to pay off the entire loan in four years, which means hefty monthly payments of \$392. To fit these payments in her budget, she'll be living with a roommate in a small apartment and will not be making any big purchases, like a car. *"To me, it's worth it to get the loan paid off as quickly as possible. By doing it in four years, I'll pay way less in interest. Besides, I have the rest of my life to buy the other stuff I eventually want."*

**Gordon** is in a different situation. He's married and has a two-year-old baby. In addition to managing his student loan, he and his spouse just bought a house.

Because he'll be making mortgage payments too, he has chosen to spread his student loan repayment over eight years – his payments will be about \$228 a month. *"I know I'll pay more interest, but it's worth it to me. My family made a lot of sacrifices while I was in school – I don't want to put the good things in life on hold any longer."*



[Return to Contents](#)

# What If You Can't Pay It Back?



Not everybody finds their dream job six months after they leave school. And people lose their jobs. When you're starting out, the path isn't always smooth. If you don't think you'll be able to make your loan payments, don't panic. There are programs in place to help you get through the rough spots.

The key is keeping in touch with EDULINX, your lending institution, and/or the National Student Loans Service Centre so they understand your situation.

You must have signed your agreement and kept your loan in good standing to be eligible for these programs.

## Interest Relief

Getting [Interest Relief](#) is like returning to student status. For a little while, you get a break from making payments and your loan is returned to interest free status. It covers times when you are looking for work, have been laid off, or have a temporary money crisis (like a medical emergency).

Interest Relief is available on both Canada and Alberta Student Loans, but you may have to apply separately. Interest Relief is given for six months at a time to a maximum of 30 months. You must re-apply after each six-month period.

Whether or not you can get Interest Relief depends on a few things – your income, the size of your family and the monthly payment amount of your student loans. If you think you need Interest Relief, talk to EDULINX, your lending institution and/or the National Student Loans Service Centre, or visit [www.alis.gov.ab.ca](http://www.alis.gov.ab.ca) and click on *Students Finance*. Remember, you must apply for Interest Relief before your loan goes into default; otherwise, you will lose your eligibility for this program.

**Extended Interest Relief:** In special circumstances, if you have exhausted Interest Relief and you still can't make your loan payments, you may be given extended Interest Relief on federal or provincial student loans for up to five years after leaving school.

*continued on page 11*

## AVOID MISSING PAYMENTS

Making regular payments each month will help you establish a good credit rating. Consequences of missing payments (defaulting) on your loan are:

- your credit rating will be negatively affected;
- your loan will be sent to a collection agency;
- any GST or income tax refund that you will be eligible to receive will be redirected to repay your defaulted loan;
- the provincial and/or federal government may take legal action against you.

## LINKS TO YOUR LENDERS:

### ALBERTA STUDENT

#### LOANS:

#### EDULINX

1-866-827-0310

Monday to Friday

7:30 am to 8:30 pm

your local time

[www.edulinx.ca](http://www.edulinx.ca)

### CANADA STUDENT

#### LOANS:

National Student Loans

Service Centre:

1-888-815-4514 if attending

a public institution

(university, community

college) or

1-866-587-7452

if attending a private

institution (career/ business

college, trade school)

[www.canlearn.ca](http://www.canlearn.ca)

What if you can't pay it back? *continued from page 10*

## Revision Of Terms

If you're having trouble making your Alberta Student Loan payments, it may be that your repayment plan was a little bit too ambitious. You can ask EDULINX and/or your lending institution about negotiating a revision in your loan agreement that would let you make smaller monthly payments over a longer period of time. Of course, you can also do the reverse. If you decide you can afford to pay off your loan quicker, go on-line to [www.edulinx.ca](http://www.edulinx.ca) or talk to EDULINX and/or your lending institution about reducing the repayment period.

If you have been given Interest Relief for 30 months, you are expected to revise your repayment term to 15 years before applying for other assistance. This extension should lower your payments by almost 25%. If you're having trouble making your Canada Student Loan payments, contact the National Student Loans Service Centre.

## Canada Student Loan Debt Reduction

If you are still having problems five years after leaving school, you may be able to have your Canada Student Loan debt reduced. If you have made the maximum use of all of the other options, the federal government may pay off part of your loan. The maximum amount of debt reduction is half your Canada Student Loan or \$10,000, whichever is less. Further reductions are available if your financial situation persists.

## Tax Tips

Good news for student loan holders as you get a 17% tax credit on the interest payments of your student loan. That means you get back a big chunk of the interest you are paying. If you finished school this year, don't forget that you still get a tuition tax credit too. Tax rules change all the time. Contact Canada Revenue Agency at 1-800-959-8281, or visit [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

[Return to Contents](#)

# On-line Services

## EDULINX Website Service for Students

EDULINX has a secure, self-serve website that allows you to manage your direct Alberta Student Loans on-line. This website at [www.edulinx.ca](http://www.edulinx.ca) allows you to:

- update your personal and contact information
- review your current account statements, including your loan balance on-line at any time
- customize payments that work for you (change your payment amount, payment term and payment date)
- complete an on-line Exit Counselling session
- print off and mail in a Pre-Authorized Payment Form
- complete a one-time lump sum payment on your Alberta Student Loan if you are participating in the pre-authorized payment plan
- benefit from an enhanced personal messaging centre that reminds you about key dates in the life of your student loan
- obtain other details about your Alberta Student Loan

If you have any questions regarding this website, please contact the EDULINX On-Line Services Help Line at 1-866-852-5629 or visit [www.edulinx.ca](http://www.edulinx.ca).



[Return to Contents](#)

# Frequently Asked Questions:



## When do I have to start repaying my loan?

You must begin repayment six months after you graduate from or leave full-time studies. (See pages 3, 4)

## What if I am unable to make payments?

Contact EDULINX, your lending institution, and/or the National Student Loans Service Centre, to discuss repayment options. They may suggest options such as interest relief, or a revision of payment terms. (See pages 7, 10)

## What is Interest Relief?

The Interest Relief Program is a component of the Canada and Alberta Student Loan programs that helps former students who are having difficulty paying back their government student loans. (See pages 10, 11)

## Do I have to be an honour student to qualify for the Alberta Student Loan Relief Program?

No, it is based on your total outstanding student loan debt. It is not a reward for good grades and you do not need to provide a transcript of your marks. (See pages 5, 6)

## What is a loan default?

A default occurs when a student is unable or unwilling to make the required monthly payments on their loan(s). Talk to EDULINX, your lending institution, and/or the National Student Loans Service Centre. There may be options available to assist you.

## What if I don't repay my loan?

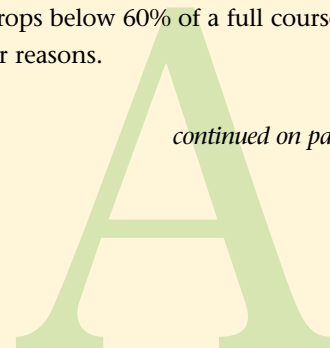
Your loan will go into default. Defaulting on your student loan will seriously affect your credit rating. You will:

- face additional interest charges
- lose future student loan assistance
- have to deal with a collection agency
- establish a bad credit rating
- lose future income tax and GST refunds
- face legal action
- lose interest relief eligibility

## What is an overaward?

An overaward occurs when it is determined that a student received more money than he or she was eligible for. Overawards are discovered when applications are reassessed, an audit is conducted by Alberta Students Finance, or a student drops below 60% of a full course load, and possibly other reasons.

*continued on page 14*



### Do I have to repay all of the money?

Canada and Alberta Student Loans **must** be repaid in full. Grant assistance, bursaries and scholarships do not have to be repaid unless an overaward has been calculated. (See page 5)

### What do I do if my loan has gone to a collection agency?

You must contact the collection agency, and set up a repayment plan. If the collection agency has pursued your defaulted student loans through the courts, you must pay the judgment debt (principal, interest, and costs) in full.

### What if I declare bankruptcy and the student loans are included?

Under the Bankruptcy and Insolvency Act, student loans may not be discharged until 10 years past the study end date. This means that payments must continue to be made on your government student loans because they are excluded from your estate. For all defaulted loans, three years must pass from the date you receive a court-ordered discharge on your Alberta Student Loan or the loan is paid in full before you would be eligible for further loan assistance.

### Who is EDULINX?

EDULINX is the Government of Alberta's student loan service provider.

### Who is the National Student Loans Service Centre?

The National Student Loans Service Centre is the Government of Canada's student loan service provider.

### Who is the “lending institution”?

The “lending institution” is the financial institution where you negotiated your Student Loan Agreement. For example, an Alberta Student Loan or Canada Student Loan received from a previous lender (other than EDULINX or the National Student Loans Service Centre).

### What does “prime rate” mean?

The prime rate is a reference interest rate established by your lending institution, based upon changes to the Bank of Canada interest rate.

### What does “term” mean?

The term is the projected period of time (in months) required to fully repay a loan based on monthly payments being paid on time.

### I've graduated and received the Loan Relief Program Completion Payment. If I return to school later, do I have to repay the Completion Payment?

You will NOT have to repay the Loan Relief Program Completion Payment. A further payment may be awarded at the end of your new program.

[Return to Contents](#)

# We're Here To Help

Paying back a student loan is not complicated. If it seems impossible, the worst thing you can do is ignore your loan. It's in everyone's best interest that you pay your loan back successfully — yours (of course), EDULINX, your lending institution and/or the National Student Loans Service Centre, and the government's. That's why there are so many programs to help you.

If you're having trouble, chances are you aren't the first person in your situation and you won't be the last. Call EDULINX, your lending institution and/or the National Student Loans Service Centre — they can help.

## Where Can You Get Help?

- EDULINX: 1-866-827-0310, Monday to Friday, 7:30 a.m. to 8:30 p.m. your local time; or at [www.edulinx.ca](http://www.edulinx.ca)
- National Student Loans Service Centre: 1-888-815-4514 if attending a public institution (university, community college) or 1-866-587-7452 if attending a private institution (career/business college, trade school); or at [www.canlearn.ca](http://www.canlearn.ca)
- Visit our website at [www.alis.gov.ab.ca](http://www.alis.gov.ab.ca)
- Call the Student Funding Contact Centre in Edmonton at 427-3722, or toll free in Canada at 1-800-222-6485
- E-mail the Student Funding Contact Centre using the secure [e-Contact](#) service available on [www.alis.gov.ab.ca](http://www.alis.gov.ab.ca)
- Write to: Alberta Students Finance, PO BOX 28000, STN MAIN, EDMONTON, AB T5J 4R4

[Return to Index](#)

