

STUDENT LOAN REPAYMENT HANDBOOK 14/15



IT PAYS TO THINK AHEAD!



Leaving school is a new chapter in your life, and change can bring both new opportunities and challenges at the same time. It can be helpful to have a good repayment plan in hand that works for you.

» Do I Need a Budget?

You've earned an education and now is a good time to draft a new monthly spending plan. If you start a new job right away, chances are you will be making more money than you did as a student and you will be able to make regular monthly payments on your student loan. The sooner you start planning for repayment, the more informed you will be about your options.

What do you expect your monthly income will be? First, do some research by talking to recent graduates and checking with professional associations or unions in your field. You can also research salaries using the Occupational Profiles on ALIS at alis.alberta.ca/occinfo or take a look at salaries associated with job titles in the Career

section of newspapers. This will give you a good idea of the average starting salary for graduates working in your field.

Next, try to figure out your living expenses. Where will you live? What new expenses will you have when you start a new job? Will you have special expenses for a uniform, equipment or tools? Factor in new expenses like student loan payments, business clothing, transportation, and parking as well as standard costs like rent, food and utilities.

» How Does My Loan Fit?

It's time to figure out how your student loan payments fit into your monthly spending plan. Your payment amount will depend on:

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

**Olivia, Graphic Design Diploma,
\$10,000 in loans**

Olivia just graduated and is opening a small graphic design firm. Because there are a lot of costs involved in the first year of a new business, she wants to minimize her student loan payments. She customized her loan repayment plan so that her payments are around \$97 a month (assuming a 3% interest rate) and a 10 year repayment term. Once her business gets going, Olivia plans to increase her monthly payments.

"When my business starts to take off, I'll revise my plan and pay the loan back faster. But for now, I need all my money for my start-up costs."

Alberta Completion Incentive Grant
You may be eligible to receive the Completion Incentive Grant upon completing your studies. The amount of your grant depends on the program you complete. To learn more about the Alberta Completion Incentive Grant, visit studentaid.alberta.ca.



PAYMENT AND INTEREST FREE FOR SIX MONTHS



You Have Breathing Room!

When you leave studies, your Alberta student loans will remain interest-free and payment-free for six months. These six months give you some breathing room before you start making loan payments. However, interest will start to accumulate on your Canada student loans as soon as you finish full-time studies.

Many people move after leaving school. Register for online loan services, and you can easily update your personal information with the Student Aid Alberta Service Centre and the National Student Loans Service Centre, or contact them directly. They'll be sending you important information to get you started on the path to repayment.

Spare change?

Putting some money, such as your Completion Incentive Grant, towards your student loans in the six month grace period before repayment begins can help pay off your student loans faster!



Changes to your bank account?

Ensure your bank account information is up to date at the Student Aid Alberta Service Centre and the National Student Loans Service Centre. If your bank account information has changed, let them know by completing a personal pre-authorized payment form from studentaid.alberta.ca and CanLearn.ca.

CURTIS

Curtis, Petroleum Engineering Degree, \$18,000 in loans

Curtis just finished a degree in petroleum engineering. He found a job at a drilling site north of Edmonton making \$90,000 a year. He has decided to pay back his loan as quickly as he can. By making payments of \$530 per month (assuming a 3% interest rate), he'll have paid off his loan in three years.

"I want to pay off my student loan as fast as I can because my next goal is to start saving up to buy a house."

Repayment Options

Pay the interest accumulating on your Canada student loans before entering repayment, and you can claim a tax credit on the interest. This option may also slightly reduce your monthly payment amount.

MAKING YOUR PAYMENTS



Once your six month grace period ends, you will begin making payments. If you have both Alberta and Canada student loans, you will need to make separate payments.

This means you'll also have to stay in touch with at least two loan providers.

During the grace period, you will receive important information from each of your loan providers about your Alberta and Canada student loan repayment options.

»» Alberta Student Loans

You will be sent important information from the Student Aid Alberta Service Centre explaining your monthly repayment amount, term and interest rate. You can revise your terms at any time to ensure your payments work for you. You will make your Alberta student loan payments to the Student Aid Alberta Service Centre.

»» Canada Student Loans

You will be sent important information from the National Student Loans Service Centre explaining your monthly repayment amount, term and interest rate. You can revise your terms at any time to ensure your payments work for you. You will make your loan payments to the National Student Loans Service Centre.

If you have a Canada student loan that was issued before August 1, 2000, contact your bank for more information.



Stay informed. It's your loan.

Visit Repaying Your Loan at studentaid.alberta.ca for more information on your student loans, and the flexible repayment assistance options available to you.

ONLINE SERVICES



» Online Loan Services

You can quickly access the tasks you do most often to manage your student loan by visiting the Student Aid Alberta Service Centre's Online Services at myloan.studentaid.alberta.ca. This is a safe and secure way for you to manage your student loans online. You can:

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

If you have Canada student loans, visit CanLearn.ca and sign onto the National Student Loans Service Centre's Online Services.





A PLAN THAT WORKS FOR ME



You can adjust the terms of your loans online with the Student Aid Alberta Service Centre and the National Student Loans Service Centre. Change the payment due date to match when you get paid, increase your loan payment to pay your student loans off early, or lower your monthly payments to help make ends meet. And, you can always make lump sum payments on your loan. Develop a plan that works best for you.



»» Interest Rates

»» Customize Your Payments

You can decide on how you will pay your loans based on the:

- amount that works for you
- frequency of payments (monthly or biweekly)
- payment term (number of months it may take to repay your loans).

Your student loan payment amount, frequency of payments and term are set by the Student Aid Alberta Service Centre for your Alberta student loans and by the National Student Loans Service Centre for your Canada student loans.

You can easily adjust the payment amount so it's right for you. The payment frequency is set at monthly for your student loans, but you can

change your payment schedule to coincide with when you get paid. Doing this may help you manage your budget as well. Choosing to make bi-weekly payments will reduce how long you have to pay your loan and you pay less interest. This can help you pay off your student loans sooner and help build your credit rating.

You may also choose to adjust the term on your loan. The payment term is the length of time (in months) you take to repay your loan, and if you:

- decrease the term of your loan, your payment amount increases (and you pay your loan off faster and pay less interest).
- increase the term of your loan, your payment amount decreases (but it will take longer to repay your loan and you will pay more interest).

»» What Will I Pay? Here are some numbers.

Based on a floating interest rate of 3%, here are examples of what your loan payment and interest cost might be depending whether you choose a 5 year or a 10 year repayment period.

Alberta Student Loan Amount	Monthly Payment 5 Year Repayment Period	Total Interest Paid Over 5 Years	Monthly Payment 10 Year Repayment Period	Total Interest Paid Over 10 Years
\$10,000	\$180	\$781	\$97	\$1,587
\$15,000	\$270	\$1,172	\$145	\$2,381
\$20,000	\$359	\$1,562	\$193	\$3,174
\$25,000	\$449	\$1,953	\$241	\$3,968



There are two types of student loan interest rates – fixed and floating. Both are based on the prime rate. The prime rate is calculated monthly and is a reference point based on the variable rate of interest declared by the Canadian Imperial Bank of Commerce (CIBC).

If you have a floating rate, your interest rate will change along with the prime rate. The floating rate for your Alberta student loan is prime. The floating rate for your Canada student loan is prime plus 2.5%. If you don't specify otherwise, you will be given the floating rate for your repayment period.

If you choose a fixed rate, your interest rate will be the same throughout your whole repayment period. The fixed rate for your Alberta student loan is prime plus 2%. The fixed rate for your Canada student loan is prime plus 5%. You can request the fixed interest rate on a one-time basis only.

Gordon and Medina

Gordon and Medina just graduated in the same class with degrees in nursing. They've both found jobs with similar salaries – just over \$60,000. Each of them has approximately \$16,000 in student loans, but they're managing their loan repayments in totally different ways.

Medina is planning to pay off the entire loan in four years, which means monthly payments of \$354. To fit these payments in her budget, she'll be sharing a small apartment with a roommate and waiting before making any big purchases, like a new car.

“Since I only have myself to worry about right now, I want to take the opportunity to get my 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 is married and has a two-year-old child. He and his spouse just bought a house. In addition to managing his student loan, he'll also be making mortgage payments. Gordon has chosen to spread his student loan repayment over eight years – his payments will be about \$188 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.”

HELP DURING REPAYMENT



We're here to help

If you need help making your loan payments, there are repayment assistance options available to you. The key is keeping in touch with the Student Aid Alberta Service Centre and the National Student Loans Service Centre and/or your banks, so they understand your situation.

» Repayment Assistance Plan

The Repayment Assistance Plan (RAP), available for both Alberta and Canada student loans, makes sure your monthly payment is in sync with your income and family size. You can apply anytime during your repayment term.

You could benefit from a reduced monthly payment for six months based on your income and family size. Depending on your situation, you may not need to make any payments during this time.

Completing one RAP application will ensure you are considered for benefits on both your Alberta and Canada student loans. If you would like to apply, use the National Student Loans Service Centre's Online Services to get started, or access the Repayment Assistance Plan Application on studentaid.alberta.ca.

You could be eligible for RAP if:

- you are currently repaying an Alberta or Canada student loan
- your monthly payment amount is not in sync with your income or family size. Use the Repayment Assistance Plan Estimator at CanLearn.ca to see if you might be eligible
- for Canada student loans, you must also be living in Canada

Bring your loans into good standing

If you are behind on your payments, you can ask for a reduced payment to be back dated for up to six months. You can also ask to capitalize your interest charges by three months.

Repayment Assistance Plan information for borrowers with a permanent disability

If you have a permanent disability, you will be considered for RAP-PD (Repayment Assistance Plan for Borrowers with a Permanent Disability):

- You must meet the basic eligibility requirements
- If you received disability grants as a student, you are automatically considered for RAP-PD
- If you did not receive any disability grants as a student, you will have to provide proof of your permanent disability by providing appropriate documentation from your medical practitioner and proof of income
- Your additional living costs due to your permanent disability may be considered in your application



»» How Do I Stay on Track?

Revisit your budget and spending plan before your payments begin, and revise it whenever your situation changes. Some expenses can be difficult to predict, but creating a spending plan including money for unexpected costs can help you manage your money better.

You are in control of your financial future, and every choice you make can have an impact. For more on budgeting for repayment, visit Budgeting and Saving on studentaid.alberta.ca.

Tax Tips

Good news for government student loan borrowers is you get a tax credit on the interest payments on your student loans. If you finished school this year, don't forget you still get a tuition tax credit too. Tax rules change all the time. Contact the Canada Revenue Agency at 1-800-959-8281, or visit cra-arc.gc.ca.

Start out right

Keeping up with your student loan payments is important. It gives you a good credit standing with the banks and has a positive impact on your credit rating overall.

If you miss payments and default on your loan:

- your credit rating will be negatively affected
- your loan will be sent to a collection agency
- any GST or income tax refund you are eligible to receive will be redirected to repay your defaulted loan
- the provincial and/or federal governments may take legal action against you
- you may not be eligible for further financial assistance should you decide to return to school

Good financial choices can make your long-term goals more achievable, and set you on a positive path for your future.

Sasha, Education Degree, \$17,500 in loans

Sasha just finished an education degree and was hired as a substitute teacher with the local Board of Education. Six months after graduation, Sasha's monthly income was \$1,300 and she was not able to manage student loan payments. Sasha applied for the Repayment Assistance Plan and has had her \$169 monthly student loan payment suspended for six months.


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

Flexible Repayment Options

If you need assistance with your Alberta and/or Canada student loan payments, you can revise the terms of your loan to make smaller monthly payments over a longer period of time.

To change the repayment terms of your Alberta student loan, visit Student Aid Alberta Service Centre Online Loan Services at myloan.studentaid.alberta.ca or talk to a customer service representative. To make changes to your Canada student loan, visit CanLearn.ca or call the National Student Loans Service Centre.

If your loans are with a bank, contact them directly.



FREQUENTLY ASKED QUESTIONS

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

For your Alberta student loans, you will need to begin repayment 6 months after you leave full-time or part-time studies.

For your Canada student loans, you will need to begin repayment 6 months after you leave full-time studies. You will be charged interest during these 6 months, even if payments are not required.

»» What does repayment term mean?

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

»» What is my interest rate?

The interest rate for your Alberta student loan is a floating prime rate. Your Canada student loan has a floating rate of prime plus 2.5%. The floating rate is based on prime, and so your interest rate fluctuates throughout repayment as the prime rate changes.

»» What is prime rate?

Prime rate is calculated monthly and is determined by the variable rate of interest for consumer demand loans declared by the Canadian Imperial Bank of Commerce (CIBC).

»» What is a fixed interest rate?

At any time, you may request interest be calculated at a fixed rate. This means your interest rate remains the same throughout repayment of your student loan. The fixed interest rate for your Alberta student loans will be set at prime plus 2%, whereas the interest rate for your Canada student loans will be set at prime plus 5%. If you choose a fixed rate, your loans must remain at the fixed rate of interest until your loans are repaid in full.

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

Yes, your student loans must be repaid in full.

»» What if I am unable to make payments?

Contact the Student Aid Alberta Service Centre, the National Student Loans Service Centre, and/or your banks, to discuss repayment assistance options.

»» What is the Repayment Assistance Plan?

The Repayment Assistance Plan, available for both Alberta and Canada student loans, makes sure your monthly payment is in sync with your income and family size.

»» What is a loan default?

A default occurs when you do not make the required monthly payments on your loan(s). To avoid defaulting on your payments, talk to the Student Aid Alberta Service Centre, the National Student Loans Service Centre and/or your banks. There are repayment assistance options available to help you keep your loans in good standing.

»» What happens if I default on my loan?

Your loan will be sent to a collection agency. You must then contact the collection agency directly to make arrangements to set up a repayment plan.

Defaulting on your student loan will seriously affect your credit rating. You will:

- lose eligibility for future student aid
- have to deal with a collection agency
- establish a bad credit rating
- lose future income tax and GST refunds
- possibly face legal action
- lose eligibility for the Repayment Assistance Plan

»» What happens to my student loans if I declare bankruptcy?

If you declare bankruptcy, you are still expected to repay your student loans. You must continue to make monthly payments until the debt is repaid. However, you may request a court-ordered discharge once five years have passed since you left school.

»» WE'RE HERE TO HELP

Stay in Touch!

»» Contact Us

The Student Aid Alberta Service Centre is ready to answer your questions about all aspects of student aid – from applying for funding, eligibility for student loans and grants, and help for student loan borrowers to repay their student loans.

Student Aid Alberta Service Centre

- 1-855-606-2096 toll-free in North America, Monday to Friday, 7:30 a.m. to 8:30 p.m.
- 800-2-529-9242 plus appropriate international access code, toll-free outside North America
- 1-855-306-2240 TTY for the hearing impaired
- Visit studentaid.alberta.ca

National Student Loans Service Centre

- 1-888-815-4514 toll-free in North America
- 800-2-225-2501 plus appropriate international access code, toll-free outside North America
- Countries outside of North America without an international access code: call the Canadian operator at 800-0800-096-0634, then call collect 905-306-2950
- 1-888-815-4556 TTY for the hearing impaired
- Visit CanLearn.ca

»» For more information on Student Aid Alberta,

Visit studentaid.alberta.ca

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