

**Ken Rowan comments on:  
Student Loan Debts**

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You might have a student loan debt owing to Canada and / or one of the provinces. It is important that you understand your rights and obligations. The best party to inform you regarding repayment issues is the lender itself but sometimes it can be difficult to get all the information you should have.

The general issue of student loans can be clouded by differing policies and programs of the respective governments as well as the continual changes to student loan programs over the years. This paper is not a substitute for the advice the student loans organizations can and will give you. You must communicate with them to receive current and accurate information.

This paper discusses only student loans issued under the *Canada Student Loans Act* and the *Canada Student Financial Assistance Act*, not private loans that might have been advanced to you to fund your schooling.

**You should communicate with the student loan representatives:** Keep a list of the names and telephone numbers of the persons you are speaking with. This was once crucial because of the way these loans were administered by the governments and sometimes it would be difficult to understand who to talk to regarding what loan. Many provinces (not BC) have linked their lending administration with the feds making communication simpler for many student loan borrowers. The program has changed over the years and how you can deal with your situation can depend on the program criteria when you applied for your loan.

The advantages of maintaining regular communication with the student loans personnel is that they can make you aware of programs to assist you, you might be able to keep your loan out of default or repayment status and lessen collection activity, and you might be able to maintain your eligibility for even more student loans to advance your education. Contact them if you think you are going to miss a payment.

**They have programs to help with your payments:** Student loan debts begin to accumulate interest when your studies end, although repayment is not expected to commence until 6 months later, enabling you to hopefully get settled in the work force.

For whatever reason you may become unable to make your student loan payments. It was noticed particularly in 2004 that loan defaults were very significant. Perhaps due to quite vocal student groups, subsequent changes to their programs have made repayment of these loans much easier.

If your student loan has fallen into default status perhaps because of non-payment, you may not be eligible for these programs unless you firstly reinstate your student loan. Reinstatement could require that you firstly bring your outstanding payments up to date, so it is best to completely avoid default status.

## Canada Student Loans

### How to Reach Canada Student Loans (“CSL”)

These are administered by Canada Revenue Agency which runs the National Student Loans Service Centre. You can call them at 1-888-815-4514. Online, Canada Student Loan information starts at <http://bit.ly/fbqrpS> . After you register online you can access information on their programs.

### Default and Collection

If a Canada student loan is in arrears for 270 days, the Canada Revenue Agency's Non-Tax Collection Services will start collection. It contracts out most of its collection activities to private collection agencies. Avoid this.

### Programs to help you with your Canada Student Loan

Students in financial difficulty should seek assistance under the following relief programs established by Canada Student Loans:

#### Repayment Assistance Plan (“RAP”)

Since August 2009 the RAP program replaced other programs such as interest relief. The amount of your student loan can be reduced if you experience exceptional difficulties in meeting your loan obligations. The plan is that:

- no Canada student loan debtor should be required to pay more than 20% of their income on those loans;
- no repayment period should extend beyond 15 years after leaving school; and
- the required loan payment will be based on the family size and income.

The repayment plan will be geared to your ability. Obviously, you must apply for this program – you will be requested to complete an application form. They have an online calculator that estimates the amount you are required to pay each month. Check it out to see what you could be paying: <http://bit.ly/ficmdu>

#### Revision of Terms

Canada Student Loans can extend the amortization period of your loan to up to almost 15 years. This would lower your monthly payments but increase your overall interest cost.

## **BC Student Loans**

### How to Reach BC Student Loans

This administration is contacted through the BC Student Loan Service Bureau (BCSLSB). You can reach them at telephone 1-877-535-7681 or 604-660-2610. The Province of BC also has an informative website – it starts at <http://bit.ly/gQ4ngO>

### Default and Collection

If your BC Student Loan is in default because your payments are outstanding for over 150 days, they use a collection agent: Revenue Services of British Columbia will try to collect your loan on behalf of BC.

### Programs to help you pay back your BC Student Loan

Students in financial difficulty should seek assistance under the following relief programs established by BC Student Loans:

#### Interest relief:

Interest relief is available if your income is inadequate to enable you to make normal student loan debt repayments. You are not eligible if you are delinquent in your payments for more than 5 months or if you have already used up the maximum interest relief.

Here is a link to their application for interest relief - <http://bit.ly/fyY4Hd> although they prefer you complete an online application. The link includes a table on page six that shows the maximum student loan payments expected from you, depending on the number of persons in your family and your family income.

#### Loan Reduction:

These are special situations and you must contact BC Student Loans directly for assistance.

The principal amount of BC student loans can be forgiven. This is an automatic calculation they perform and is based on the balance of your loans and whether you have successfully passed your full-time studies. No application is made for this program.

BC has a “debt reduction in repayment” program. Your BC Student Loan debt can be reduced if you still cannot afford to make your payments after you have exhausted all available interest relief, the amortization period of your loan has already been extended to at least

174 months, and your BC student loan is in good standing. If your loan is not in good standing it is possible to apply for reinstatement, then ask for debt reduction in repayment.

#### Loan Forgiveness and Remission:

BC student loans can be forgiven over three years if you agree to work for the BC Public Service or a publicly funded organization in certain professions or in remote areas. Careers at BC Public Service can be sought through this website: <http://bit.ly/hVKEfQ>

BC has another, older program that rewards students who complete their studies in good time (“the timely completion factor”), but only reduces the student loan debt down to a certain level. These student loans must be from before August 1, 2000 and you must have applied for remission within one year after the last day of your studies.

#### Principal deferment:

BC can allow you to make interest-only payments on your student loan.

#### Revision of Terms:

BC can allow you to extend the amortization period of your loan to almost 20 years, resulting in lower monthly payments.

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### **Bankruptcies and Proposals Involving Student Loan Debts**

A bankruptcy or a proposal to creditors might be advisable if your overall debts are unmanageable and the above programs, if appropriate, have reasonably been exhausted. Bankruptcy filings, including proposals (both consumer proposals and Division 1 proposals) create a “stay of proceedings”, meaning that the student loan organizations must stop their collection activities, at least for a while.

#### Contact us for help:

To understand whether a bankruptcy or proposal is a reasonable alternative for you, make an appointment to meet with us. Contact us at [http://www.debtsgo.com/Contact\\_us.html](http://www.debtsgo.com/Contact_us.html) to arrange a meeting or telephone us at 604-430-4188.

### Obtaining a student loan during your bankruptcy or proposal:

If you did not have a student loan debt when you went bankrupt or made a proposal, you might be able to obtain a BC student loan during your bankruptcy or proposal. When applying for that loan you should provide a letter from your Trustee stating the student loan funds, if issued, will not be seized by the Trustee.

If you did have a student loan debt when you filed your bankruptcy or proposal, more student loans should be available to you for up to another three years if you carry on the same full-time course of studies already underway. You need to apply for this and presumably you need to be a full-time student when you file your bankruptcy or proposal.

If you have a student loan debt and you are no longer in school, you will almost certainly not be able to obtain another student loan for some time. You will have to contact the student loans administration (Canada and BC) to find out what they can do for you.

### The importance of your study end date:

If your bankruptcy or proposal filing occurs before the date which is seven years after your “study-end-date” (aka “end-of-study date”) then you will not be released from your student loan debt when you receive your discharge from bankruptcy or when you complete your proposal. It is imperative that you know your study-end-date. It appears on your loan document. If you cannot locate it, call student loans and ask for it.

If your study-end-date is **NOT** more than 7 years prior to the date your bankruptcy or proposal is filed then:

- your student loan debt will survive your discharge from bankruptcy or the completion of your proposal;
- your student loan debt will continue to accrue interest;
- you should request interest relief and enroll in the Repayment Assistance Program to obtain whatever relief is available to you from the student loan organizations;
- during your bankruptcy or proposal you might want to continue payments to student loans. In this situation the student loan organizations usually request permission from us;
- after you are discharged from bankruptcy or have completed your proposal payments you should inform the student loan organizations of this. They will give you some advice, perhaps recommending you request the reinstatement of the status of your student loan from being in default. If you do not make that application, they will commence collection activity. If you do make the application and it is accepted, you are to recommence your student loan debt repayments; and
- if you are still having a difficult time repaying student loans then you may apply to court for a discharge of your student loan debts based on hardship. This is available if you were bankrupt or made a proposal and at least 5 years have passed since you

ceased to be a full- or part-time student. This court application can be made by you or by your lawyer. You will have to swear an affidavit, establish a court hearing date, serve the interested parties, open a court file, and attend in court. The onus is on you to show you exercised good faith in trying to repay your student loans and you will explain this in your affidavit. One of the many decisions on this section 178(1.1) application under the *Bankruptcy and Insolvency Act* is Re: Kelly which can guide you as to the relevant principles: <http://bit.ly/dRN2HI> .

If your study-end-date is more than 7 years prior to the date of your bankruptcy or proposal then:

- if you went bankrupt, the student loans organization might oppose your discharge from bankruptcy and ask the Court to require that you make further payments. If such an opposition is made, the Court will consider the special purpose of student loans and, if you can afford to pay, could order that you make further payments before you receive your discharge and the release of your debts;
- you will be released from your student loan debt when you are discharged or when you complete your proposal; and
- if you are planning on returning to school and would like a student loan, ask the student loans organizations for a letter of eligibility or clearance certificate.

You may have questions and we would be pleased to help you.

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