



Student Loans and Credit Reports



We Will Discuss

The role of credit in personal finance

Review of credit terms and factors

Impact of student loans
on reports and scores

Next steps you can take to
encourage and educate your borrowers





The Role of Credit In Personal Finance



Credit is an Obligation

- ◆ Help students understand their obligations and options as a borrower



Credit is a contract that allows for purchases and services now but pay later with interest

Good Credit Behavior is Rewarded

- ◆ Good credit enables students to:
 - ◆ Qualify for Grad PLUS, private, or other consumer loans
 - ◆ Receive lower interest rates and fees
 - ◆ Receive lower insurance rates
 - ◆ Buy a home or rent an apartment
 - ◆ Secure employment
 - ◆ Avoid cash deposit requirements



A large image of a smiling young man with glasses. Below it is a smaller image of a woman and a man looking at a laptop.

Review of Credit Terms and Factors



Credit Bureaus

- ◆ Collect and store the credit records of millions of individuals
- ◆ Provide credit reports to paid subscribers and consumers
- ◆ Respond to consumers who report errors on their credit report
- ◆ Provide services to help reduce identity theft



Major Credit Bureaus

experian
745 Anton Blvd.
Costa Mesa, CA
92626
(888) 397-3742
www.experian.com

EQUIFAX
P.O. Box 740241
Atlanta, GA 30348
(800) 685-1111
www.equifax.com

TransUnion.
P.O. Box 1000
Chester, PA 19022
(800) 888-4213
www.transunion.com



Federal Student Loan Reporting Requirements

- ◆ Loan holder must
 - ◆ Report information on each student loan it makes to all credit bureaus within 90 days of each disbursement
 - ◆ Report status changes at least quarterly
 - ED strongly encourages holders to wait until the borrower is at least 60 days delinquent



Credit Report

- ◆ Credit report summarizes an individual's financial history
- ◆ Used by creditor to predict risk

Applicant is able to handle additional credit

Applicant is responsible with personal finances



What the Credit Report Says About a Borrower

- ◆ Which types of credit they use

Revolving Credit

Amount of payment varies
Retail store cards, credit cards

Installment Credit

Fixed number of payments over a specific period of time
Auto loan, mortgage, and student loans

- ◆ Whether they pay their bills on time
- ◆ How much they owe
- ◆ How much credit they have available



Information Found on the Credit Report

Personal Information

Name, address, birth date, and employer

Account Information

Date opened, credit limit, balance, monthly payment

Public Record Information

Bankruptcies, judgments, wages garnishments



Information Found on the Credit Report

Inquiries

Your own, from lenders, from employers landlords, etc.

Statements of Dispute

Date opened, credit limit, balance, monthly payment



How Long Does Negative Information Remain on a Credit Report?

Late payments

7 years

Bankruptcies

7 years for complete Chapter 13 bankruptcies and

Foreclosures

7 years



How Long Does Negative Information Remain on a Credit Report?

Collections

Generally, about 7 years, depending on the age of the debt being collected

Public Records

Generally, about 7 years, although unpaid tax liens can remain indefinitely



Student Loan Account Example In-School Status

GLELS/GREAT LAKES

Address: 2401 International Ln
Madison, WI 53704
800-xxx-xxxx

Account Number:
44999111100

Address Identification Number:
111 11111111

Status: Open in good standing

Date Opened: 09/2010
Type: Education Loan

Credit Limit/Original Amount:

Reported Since: 09/2010
Terms:

High Balance:

Date of Status: 10/2010
Monthly Payment: \$0

Recent Balance:
\$5,500

Last Reported: 10/2010
Responsibility: Individual

Recent Payment:
\$0

In-Repayment Loan Example

GLELS/GREAT LAKES

Address: 2401 International Ln
Madison, WI 53704
800-xxx-xxxx

Account Number:
44999111100

Address Identification Number:
111 11111111

Status: Open account in good standing

Date Opened: 09/2008
Type: Education Loan

Credit Limit/Original Amount:

Reported Since: 09/2008
Terms: 120 Months

High Balance:

Date of Status: 11/2010
Monthly Payment: \$253.18

Recent Balance:
\$22,000

Last Reported: 10/2010
Responsibility: Individual

Recent Payment:
\$253.18

Delinquent Loan Example

GLELS/GREAT LAKES

Address: 2401 International Ln
Madison, WI 53704
800-xxx-xxxx

Account Number:
44999111100

Address Identification Number:
111 11111111

Status: Account past due 60 days

Date Opened: 09/2008
Type: Education Loan

Credit Limit/Original Amount:

Reported Since: 09/2008
Terms: 120 Months

High Balance:

Date of Status: 02/2011
Monthly Payment: \$253.18

Recent Balance:
\$22,000

Last Reported: 02/2011
Responsibility: Individual

Recent Payment:
\$0

Deferred Loan Example

GLELSI/GREAT LAKES		
Address: 2401 International Ln Madison, WI 53704 800-xxx-xxxx	Account Number: 44993400611	
Address Identification Number: 7634449213		
Status: Open/Deferred until 5/2014		
Date Opened: 06/2008	Type: Education loan	Credit Limit/Original Amount: \$10,030
Reported Since: 09/2008	Terms: NA	High Balance: NA
Date of Status: 10/2010	Monthly Payment: \$0	Recent Balance: \$10,030
Last Reported: 10/2010	Responsibility: Individual	Recent Payment: \$0

Paid Status Example

GLELSI/GREAT LAKES		
Address: 2401 International Ln Madison, WI 53704 800-xxx-xxxx	Account Number: 44993400611	
Address Identification Number: 7634449213		
Status: Closed/paid/zero balance		
Date Opened: 06/2008	Type: Education Loan	Credit Limit/Original Amount: \$22,000
Reported Since: 09/2008	Terms: NA	High Balance: NA
Date of Status: 03/2011	Monthly Payment: \$0	Recent Balance: \$0
Last Reported: 03/2011	Responsibility: Individual	Recent Payment: \$114

Consolidated Loan Example

Sample Account Information Survey		
Credit Bureau	Experian	Equifax
Company Name	Dept of ED	US Dept of Ed
Account Number	111 1111	111 1111
Condition	Closed	Closed
Type	Education Loan	Installment
Opened	11/1/2008	11/1/2008
Payment Status	Account closed due to transfer	Pays account as agreed
Reported balance	\$0	\$0
Comments		Account transferred or sold Student Loan

“PUT” Loan Example

Sample Account Information Survey	
Credit Bureau	Experian
Company Name	Dept of ED
Account Number	111 1111
Condition	Closed
Type	Education Loan
Opened	11/1/2008
Payment Status	Account closed due to transfer
Reported balance	\$0
Comments	

Defaulted Loan Example

GLESLI/GREAT LAKES		
Address: 2401 International Ln Madison, WI 53704 800-xxxx-xxxx	Account Number: 44993400611	Aug Sep Oct Nov Dec Jan Feb Mar 01 02 03 04 05 06
Address Identification Number: 7634449213		
Status: Claim filed with federal government		
Date Opened: 06/2008	Type: Education loan	Credit Limit/Original Amount: \$10,523
Reported Since: 09/2008	Terms: NA	High Balance: NA
Date of Status: 03/2011	Monthly Payment: \$0	Recent Balance: \$0
Last Reported: 03/2011	Responsibility: Individual	Recent Payment: \$0

Rehabilitated Student Loans

- ◆ Loan(s) will no longer be considered to be in a default status
- ◆ The default status reported by loan holder will be deleted from credit report
- ◆ History of delinquencies will remain on credit report



Rehabilitated Student Loans

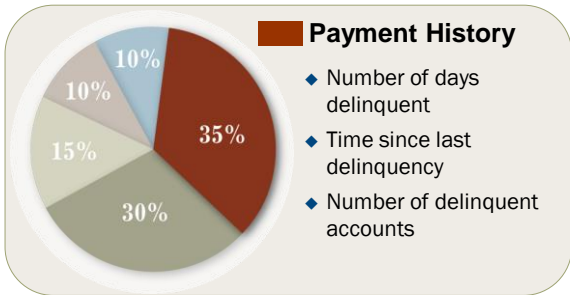
GLELS/GREAT LAKES		
Address:		Account Number:
2401 International Ln Madison, WI 53704 800-xxx-xxxx		44999111100
Address Identification Number: 111 11111111		
Status: Open/Account in good standing		
Date Opened: 09/2008	Type: Education Loan	Credit Limit/Original Amount: 22,000
Reported Since: 09/2008	Terms: 300 Months	High Balance:
Date of Status: 02/2011	Monthly Payment: \$100.00	Recent Balance: \$25,234
Last Reported: 02/2011	Responsibility: Individual	Recent Payment: \$0

Credit Score

- ◆ A number that predicts the likelihood of repaying debts on time
- ◆ Based on a mathematical equation that evaluates many types of information in the credit report
- ◆ Always changing
- ◆ Each credit bureau offers credit scores for purchase

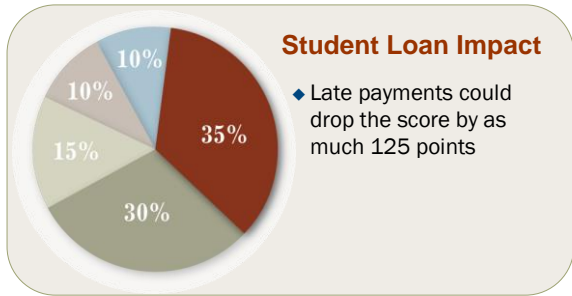


Factors That Make up a Credit Score

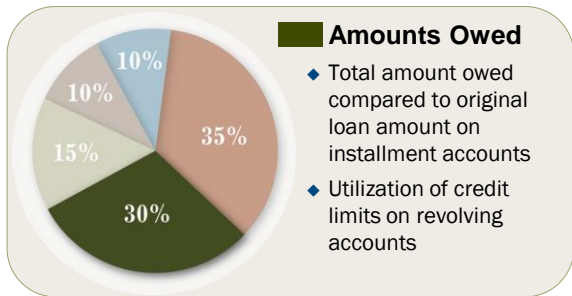


Source: myfico.com

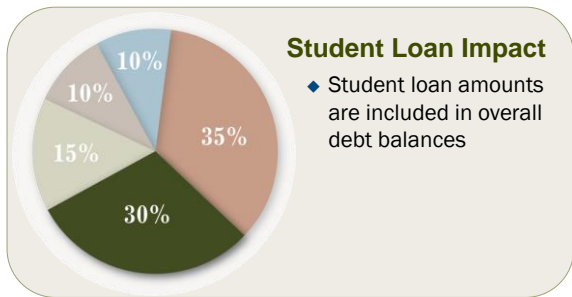
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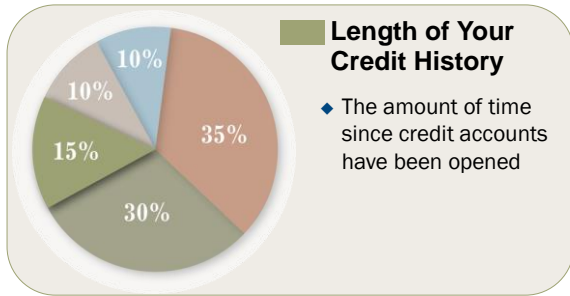
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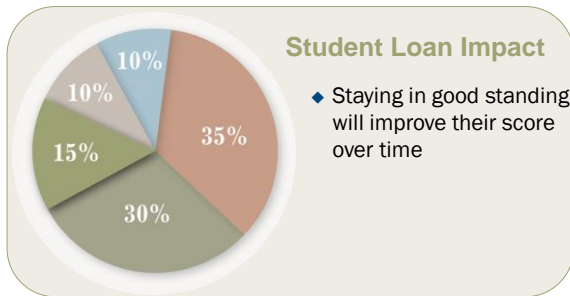
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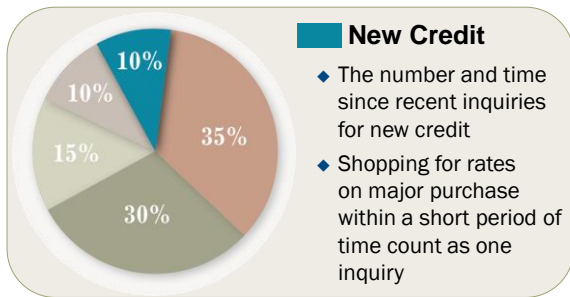
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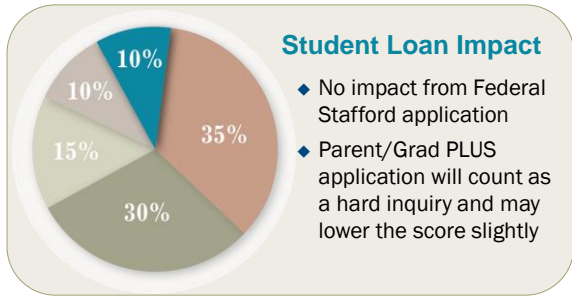
Factors That Make up a Credit Score



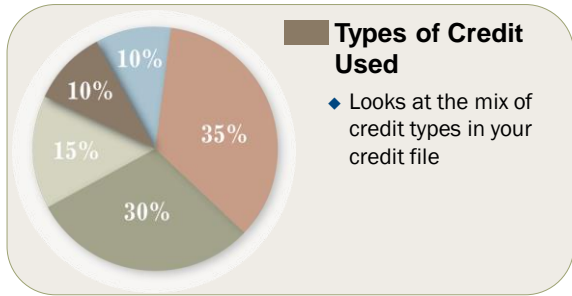
Factors That Make up a Credit Score



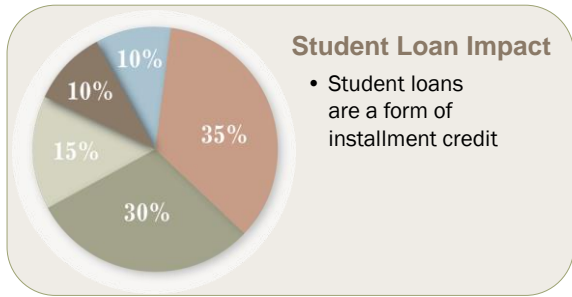
Factors That Make up a Credit Score



Factors That Make up a Credit Score



Factors That Make up a Credit Score





Impact of Student Loans on Credit Reports and Scores



Impact During In-School Period

Loan Application	Credit Report	Credit Score
Stafford loans (<i>no credit review required</i>)		
PLUS loans (<i>credit review required, will show as an inquiry</i>)	✓	
Private loans (<i>credit review required, will show as an inquiry</i>)	✓	✓



Impact During In-School Period

Disbursement	Credit Report	Credit Score
Federal Student loans (<i>reported within 90 days</i>)	✓	✓
Private Student Loans (<i>varies by lender</i>)	✓	✓



Impact During Post-Enrollment Period

Repayment	Credit Report	Credit Score
On-time payments	✓	✓
Delinquent payments	✓	✓
Deferred/In-Forbearance	✓	✓



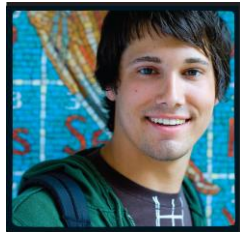


**Next Steps:
Educate and Encourage**



Encourage Student Loan Borrowers

- ◆ Understand their obligations as a borrower
 - ◆ Utilize NSLDS to keep track of the federal student loans



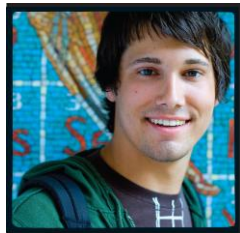
Encourage Student Loan Borrowers

- ◆ Become familiar with the information in their credit reports
 - ◆ Consumers are entitled to one free credit report per credit bureau in a 12-month period
 - ◆ Official site annualcreditreport.com



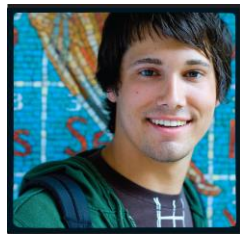
Encourage Student Loan Borrowers

- ◆ Choose an affordable payment plan
- ◆ Make payments on time
- ◆ Set up auto-debit



Encourage Student Loan Borrowers

- ◆ Contact the servicer immediately
 - ◆ Difficulties making a payment
 - ◆ Change payment due date
 - ◆ Change payment plans
- ◆ Catch up on missed payments if they become delinquent



Educate Student Loan Borrowers

- ◆ Offer credit and debt management seminars
- ◆ Consider adding a financial literacy course
- ◆ Provide credit and debt management brochures
- ◆ Include financial literacy information during orientation and exit counseling sessions



Resources You Can Use



Resources

- ◆ mygreatlakes.org
 - ◆ Financial IQ—help students develop spending plans; build a better credit history; understand tax basics; and protect their identity
 - Payment calculators
 - Webcast for students: Your Credit and How Student Loans Impact It
 - <https://www.mygreatlakes.org/borrower/knowledgeCenter/webcasts.html>



Resources

◆ Cashcourse.org—provides free, customizable financial education resources for colleges

- ◆ Can be added to your school's website
- ◆ Includes tools such as Budget Wizard and workshop materials
- ◆ Provided by the National Endowment for Financial Education® (NEFE®)



Resources

◆ Practicalmoneyskills.com

- ◆ Credit card and debt; saving and spending; calculators; videos and more



Resources

Annualcreditreport.com or (877) 322-8228

Myfico.com

Bankrate.com