



AMERICAN STUDENT
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Money knowledge for college—and beyond.

Student Loans And Credit: An Overview

12.14.15

Tanya Tanaro, Manager Higher Education Partnerships, ASA

- Borrowing realities
- Credit reports and scores
- Student loan and credit card impact
- Conversation and best practices for student education



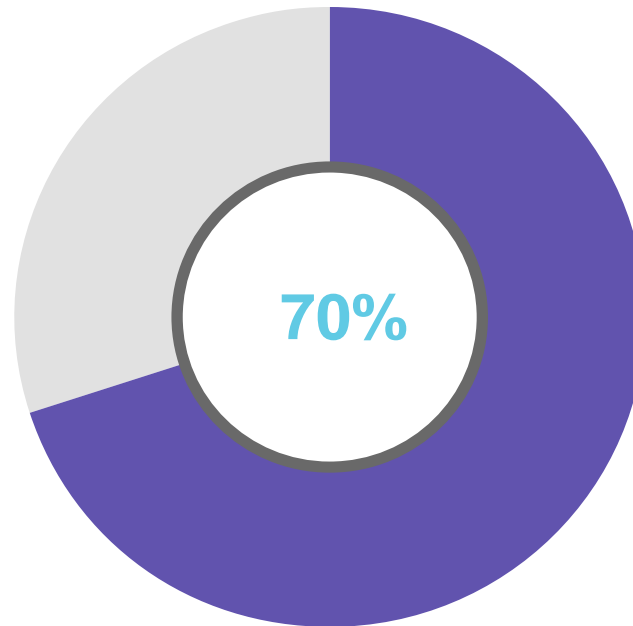
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Borrowing Realities

It's easy for students to get overburdened.



The Class of 2013 is the most indebted ever with 70% of graduates carrying an average debt of \$35,200¹

Average student loan debt

- Does this vary by program or other variable?

Credit card usage

- How many of your students pay for tuition via credit card?
- Troubling trends?

Other consumer debt

- Car loans
- Rent-to-own
- Payday loans



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Credit Reports And Scores

“Contractual agreement whereby a borrower (e.g. consumer) receives something of monetary value now in agreement to repay the lender (e.g. Visa or Sallie Mae) at a future date. **Once credit has been accepted, it becomes debt.**”

- Institute for Financial Literacy, 2010

Secured credit

- Backed by an asset
- Mortgages, auto loans, equity lines of credit

Unsecured credit

- No collateral or asset backing
- Credit cards (most), store charge cards, student loans and personal loans

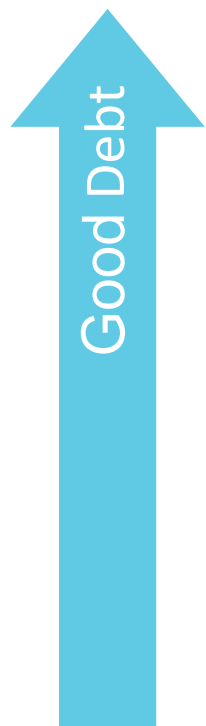
Installment Loans	Revolving Lines of Credit
Specified amount of money is borrowed	Agreement by lender (e.g. bank, credit union) to lend specified money
Purpose and repayment terms are both defined	Money can be accessed at any time to pay for anything
Each payment reduces loan balance and loan is closed when balance reaches zero	As payments are made on balance, that amount frees up for more spending
Examples: Car Loan, mortgage, student loans	Examples: Credit cards, store charge cards, lines of credit

Fixed interest rate

- Stays the same for the life of the loan

Adjustable interest rate

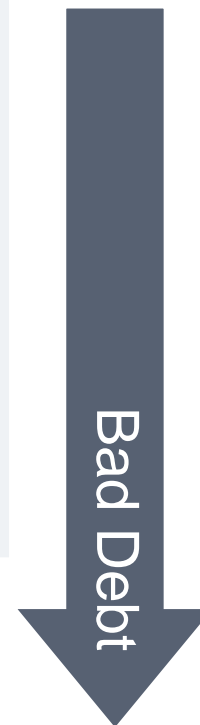
- Changes with certain factors
 - Check when it changes (monthly, yearly)
 - Check what the interest rate is based on (e.g. LIBOR + 2%)



Student Loans
Mortgage
Business Loan

Repayment Plan
Tax Deductible

Credit Card Debt
Car Loan
Consumer Loan



Personal information

Credit history

- Amount borrowed
- Credit limit
- Payment history
- Delinquencies

Public records

Inquiries

AnnualCreditReport.com


The only source for your free credit reports. Authorized by Federal law.

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Spot identity theft early. Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)



Your credit reports matter.




- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

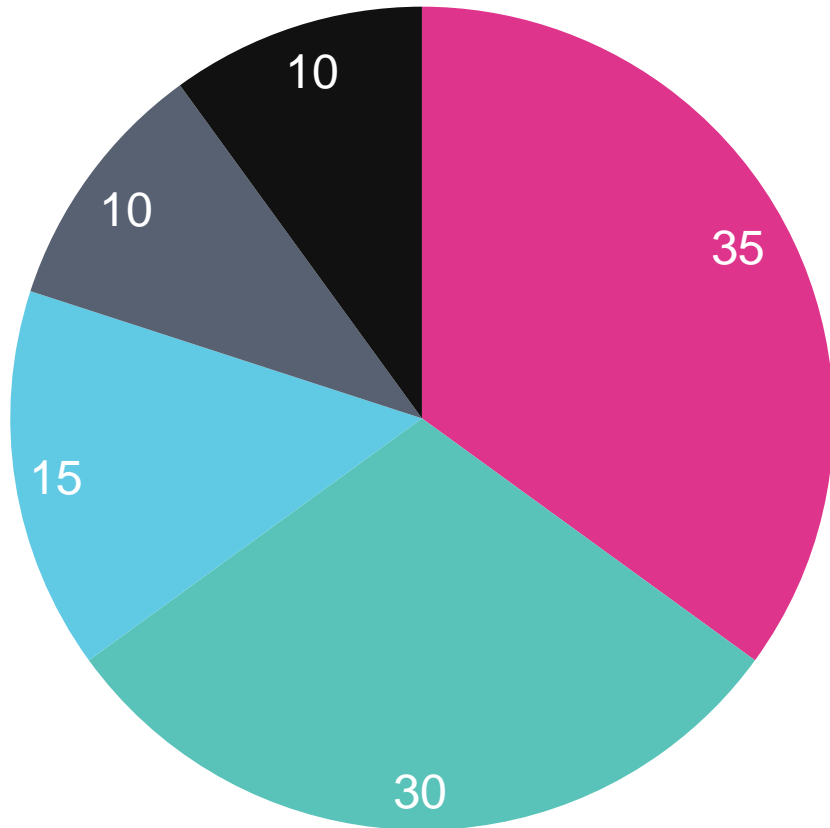
[Request your free credit reports](#)

FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

BROUGHT TO YOU BY





- Payment History
- Amounts Owed
- Length of Credit History
- Type of Credit Used
- New Credit

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Credit Karma gives you access to all of your financial information — bank accounts, credit cards, bills, mortgages, loans, and, of course, your credit scores — all in one location, all under one account, **all for FREE.**

Credit approval

- Including PLUS loans and private student loans

Interest rates

- Including private student loans

Insurance rates

Job opportunities



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Student Loan And Credit Card Impact

Everyone's personal credit situation is **unique**. Depending on your credit make-up, variables can differentially impact **your credit score**.

- Creditor Name
- Creditor Address
- Account Number
- Date Open
- Account Type
 - Installment (for student loan)
- Type of Loan
 - Education (for student loan)
- Highest Credit/Original Loan Amount
- Balance
- Monthly Payment
- Date of Last Payment
- Date Reported

Open/In good standing

- Normal loan status

Closed/Paid/
Zero balance

- Indicates paid in full

Closed/Transferred

- Indicates consolidation or reassignment

Open/Deferred
until X Date

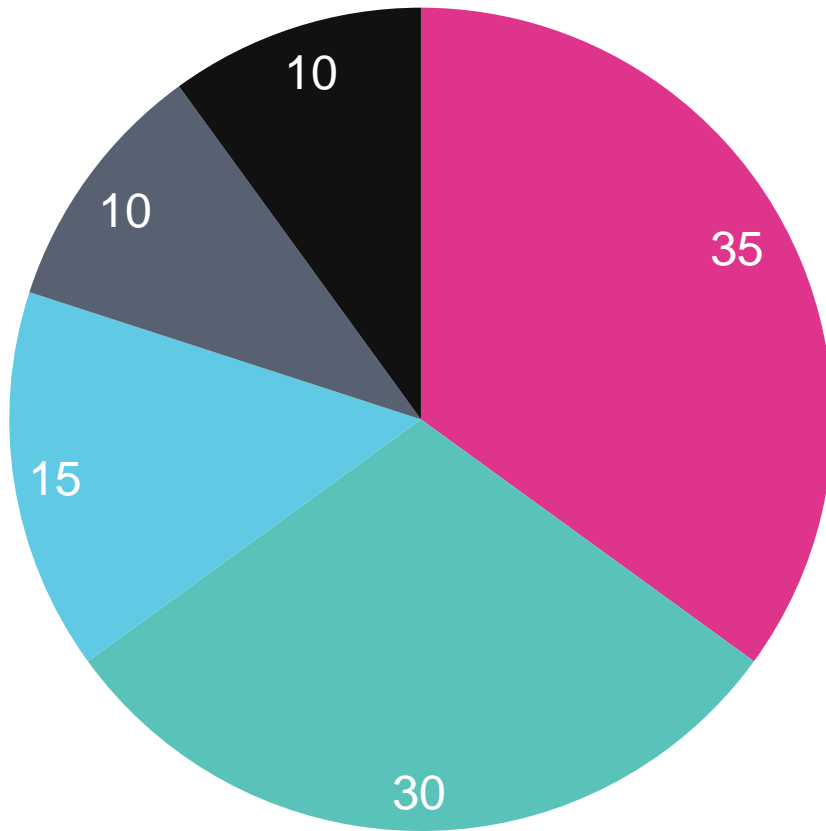
- Indicates deferment/forbearance

Account past due
X days

- Indicates delinquent loan (30/60/90/etc.)

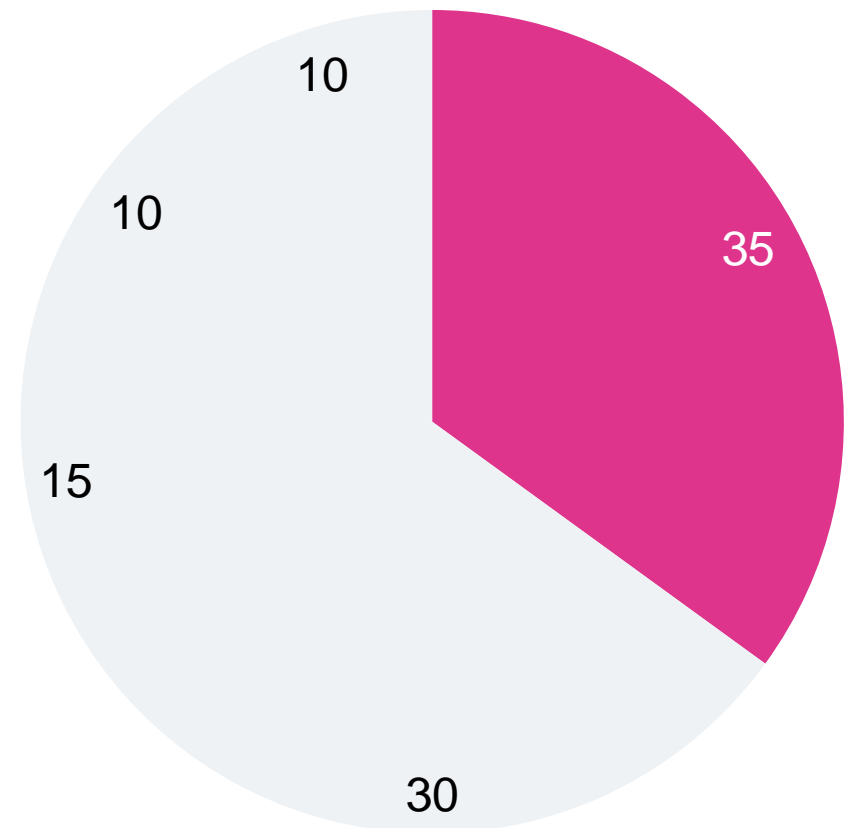
Claim filed with
federal government

- Indicates defaulted loan



- Payment History
- Amounts Owed
- Length of Credit History
- Type of Credit Used
- New Credit

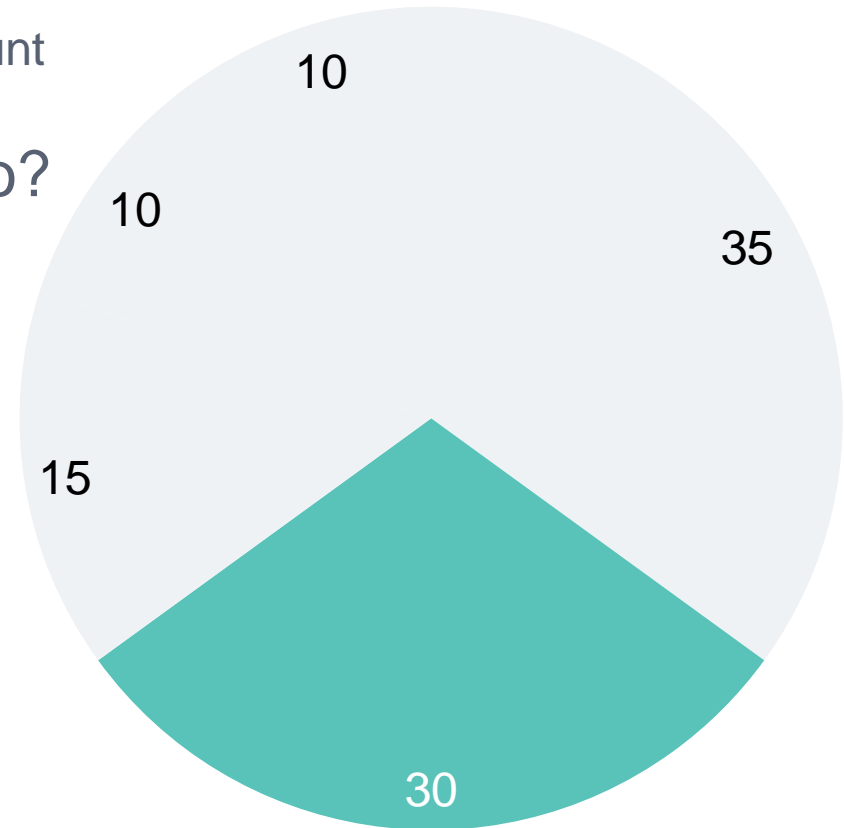
- Are you paying on time?
- Number of days delinquent?
- How long since your last delinquency?
- How many accounts are delinquent?
- How much did you owe?



POTENTIAL IMPACT:

- YES for all loan types
- Drop (or gain) in credit score

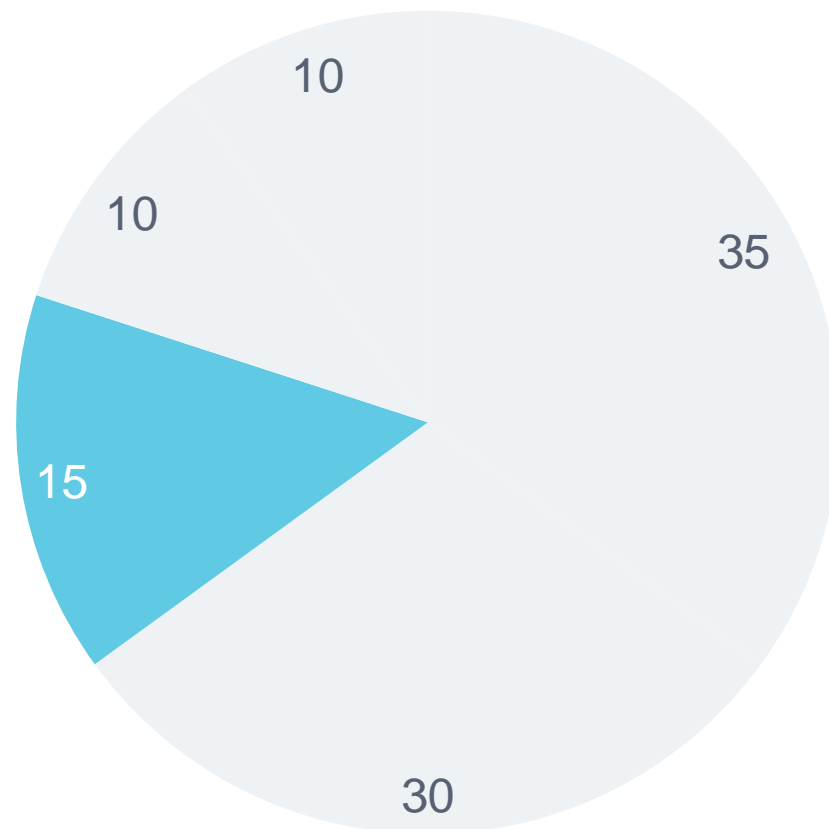
- What is your outstanding debt?
 - Total amount owed vs. original amount borrowed (for installment loan)
- What is your debt to credit ratio?
- What is your debt to income ratio?



POTENTIAL IMPACT:

- YES for all loan types
- Drop (or gain) in credit score

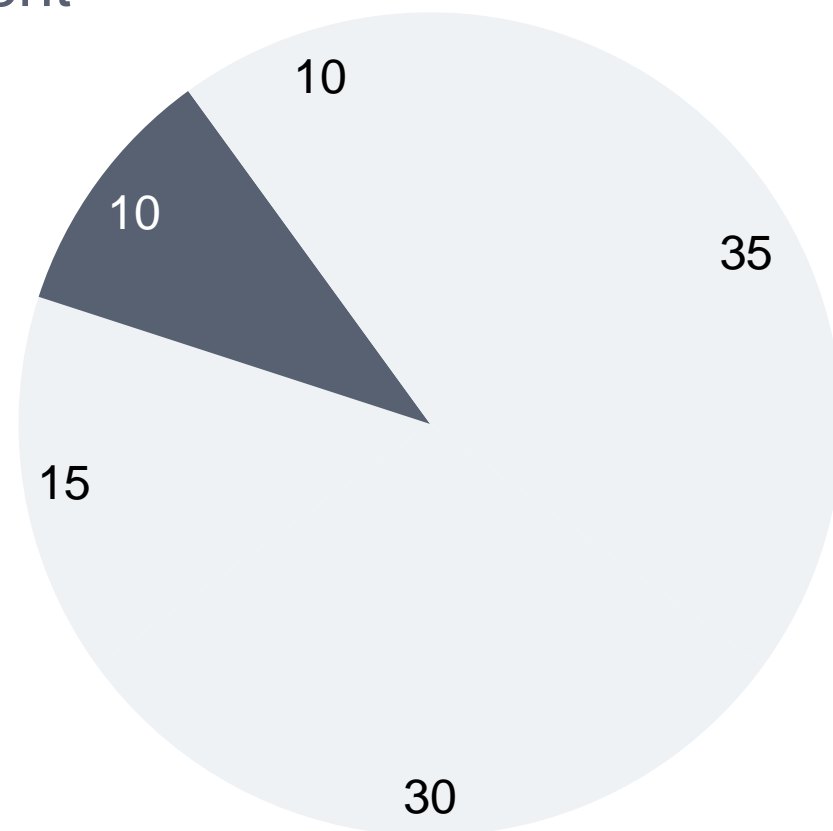
- How long have you had your account(s)?



POTENTIAL IMPACT:

- YES for all loan types
- Gain in credit score for additional time accounts are held

- Do you have a mix of installment and/or revolving credit?
 - Student loans = installment
 - Credit cards = revolving



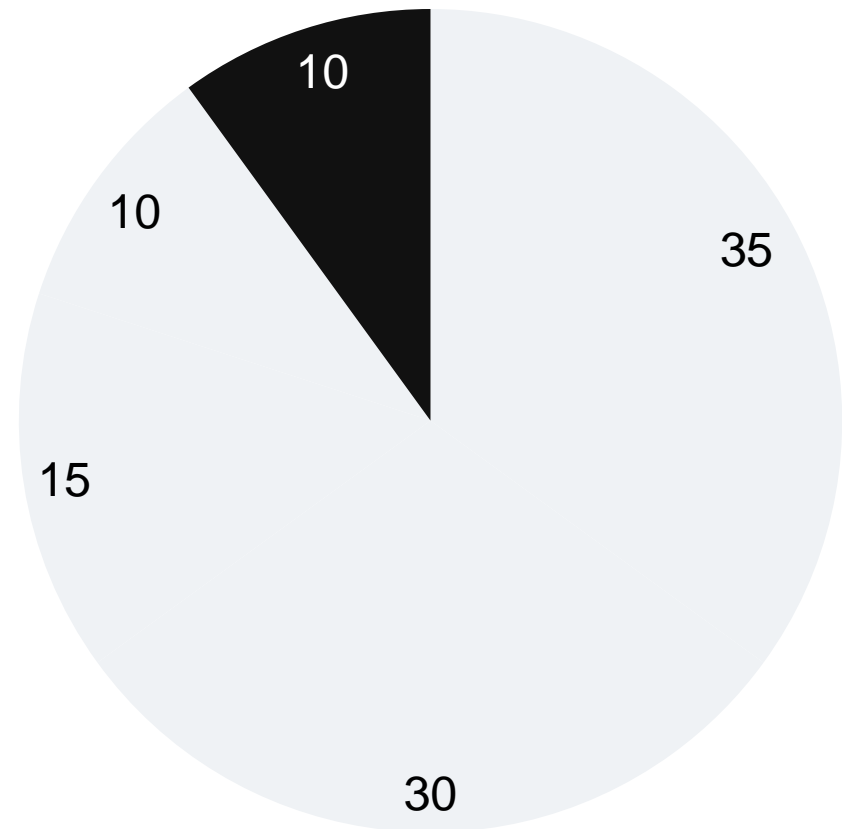
POTENTIAL IMPACT:

- YES for all loan types
- Gain in credit score for having a variety of credit types

- Have there been recent credit inquiries on your account?
- How many recent accounts have you opened?

POTENTIAL IMPACT:

- YES for PLUS or private loans
- NO for Direct/Perkins
- Possible drop in score (although minor as it relates to credit inquiries)





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Conversation And Best Practices

- Information touch points
 - Financial aid award – yearly opportunity
 - Student bills
 - Graduation mailing
 - Withdrawal process
- Speaker series
- Classroom integration
- Web tools
- Student group advocacy

What education are you providing on:

- For all debt:
 - The importance of on time payments
 - Ways to make on time payment more likely (auto-debit, calendar reminders, etc.)
 - The benefits of “good debt” and “good credit”
- For Federal student loans in particular:
 - Repayment options
 - Deferment/forbearance options
 - Forgiveness options
 - How to find who to contact and/or resources to help you



video

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★★★★☆

Why Your Credit Score Really Matters

This conversation covers how your credit score runs your financial life—from small...

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Low credit scores not only make getting loans harder, but they also cost you more if and...

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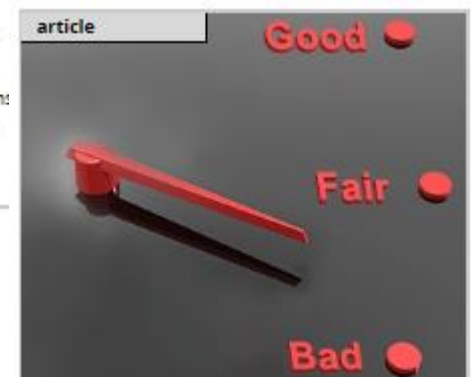
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