The score lenders use.™

Introduction

A student loan may be your first major credit experience. This is a good time to become aware of what credit is and how to responsibly manage credit health. It s also an excellent time to start building a foundation for future credit experiences, from credit cards to auto loans and home mortgages.

Whether applying for a federal or private student loan, do your research, read the disclosures, and know your options so you fully understand the loan s terms and conditions. Successful repayment of your student loans can be the foundation for a strong credit history and a very bright financial future.

For more information, visit SallieMae.com/FICO.

This handbook will give you insights into:

Credit Basics

Credit is an arrangement you make with a company or individual to receive goods, products, or services now that you will pay later. It s a measure of your financial reliability and can be used for small or large purchases. Loans, which are o en credit-based, involve borrowed money that you have to pay back o en with interest. Credit is o ered in many forms, such as:

Revolving credit: When you get a credit card, you re o ered funds that you can continually use, up to your established limit, as you pay down the balance. Interest accrues (grows) on the money you borrow until you pay it back.

Installment or term loans: As with student and automobile loans, an installment loan is one that is paid back over time with a set number of scheduled payments. You don t get additional credit as you pay down the loan, however. And keep in mind that, regardless of whether you actually graduate from school or not, student loans must be paid back with interest.

Mortgage: When you need a home loan, you take out a mortgage. The loan is secured by the property you re purchasing (collateral).

Credit history: Your credit history is a collection of all the pieces of financial information that relate to your life. It helps current and future creditors decide, If I loan you money, what are the odds that you will repay it? Your credit history includes:

- How long you ve had your individual credit accounts
- Your account limits and balances
- Your payment history

Credit score: Your credit score is a number that summarizes your credit risk. Your credit score:

- Is based on a snapshot of your credit file at a particular point in time
- Helps lenders evaluate your credit risk
- Has an impact on whether you can get new credit and the terms, including the interest rate, that lenders o er you

Did you know?

It s good to demonstrate credit history by responsibly borrowing money and/or having credit cards that you pay on time. With no credit history, you may pay a higher interest rate or not be able to get a bank loan or mortgage.

Created by Fair Isaac Corporation (FICO), FICOfi Scores are used in 90% of lending decisions. Lenders can request FICOfi Scores from all three major consumer reporting agencies TransUnion, Equifax, and Experian and lenders use them to help

What is a score factor?

When you receive your FICOfi Score, you ll o en receive several reasons why your score was not higher. These factors are important because they'll give you an idea of how you can better manage your financial health. Score factors can include:

- The amount you owe is too high
- You owe too much on past-due accounts
- You owe too much on revolving accounts (i.e., credit cards)
- You owe too much on your installment accounts relative to the original amount
- You have a recent public record or collection on your credit report
- You don t have enough revolving accounts (i.e., credit cards) to be evaluated

What is a "good" FICO® Score?

With a FICOfi Score, the higher your score, the better it is. The following chart shows a breakdown of FICOfi Score ranges found across the U.S. consumer population. It also provides general guidance on what a particular FICOfi Score range represents. Again, each lender has their own credit risk standards.

800 or higher

- The FICOfi Score is in the top 20% of U.S. consumers
- Demonstrates to lenders that the consumer is an exceptional borrower

799–740

- The FICOfi Score is in the top 40% of U.S. consumers
- Demonstrates to lenders that the consumer is a very good borrower

739–670

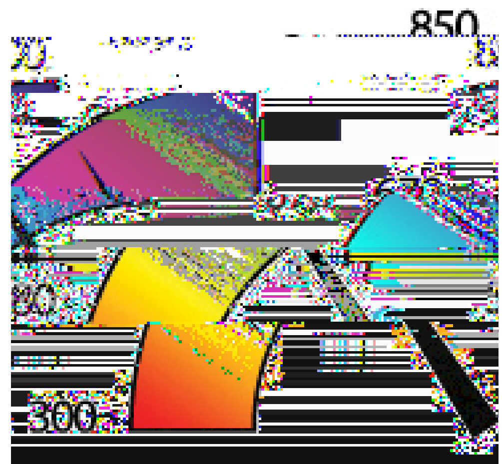
- The FICOfi Score is near or slightly above the average score of U.S. consumers
- Most lenders consider this a good score

669–580

- The FICOfi Score is below the average score of U.S. consumers
- Some lenders will approve loans with this score

580 or lower

- The FICOfi Score is in the lowest 20% of U.S. consumers
- Demonstrates to lenders that this consumer is a very risky borrower



Sample FICO® Score

Did you know?

You can estimate your FICOfi Score at: SallieMae.com/EstimateScore

Monitoring Your Credit

Thanks to the Fair and Accurate Credit Transactions (FACT) Act, you can get a free copy of your credit report every year through AnnualCreditReport.com. You can order your report from all three major consumer reporting agencies TransUnion, Equifax, and Experian at one time or spread them out throughout the year.

What to look for in your credit reports:

- Missing monthly statements or unexplained activity on current accounts
- Information about credit cards or bank accounts you didn t open
- Any other incorrect information, like your name, address, and Social Security number

If you suspect identity the , do the following as soon as possible:

Place a fraud alert on your credit reports by contacting one of the three credit bureaus; that credit bureau will notify the others.

Report the loss or the of your card(s), including any fraudulent transactions, to the card issuer as quickly as possible. Many companies have toll-free numbers and 24-hour service for such emergencies.

For all types of credit, it s important to make your payments on time, every time, and to make at least the minimum payment. Whenever possible, pay more than the minimum. If you do, you ll pay less interest over time. If you can t make the minimum payment, o er any payment you can. Even a partial payment will demonstrate your willingness to pay back your debt. Let's examine three types of loans: student loans, credit cards, and auto loans.

Student Loans

When you apply for your loan, make sure that you know the terms and payment dates. Consider enrolling in automatic debit so you don t have to remember to mail in your payment each month. To set up automatic payments for your Sallie Mae-serviced loans, log into your account at SallieMae.com and select automatic debit as your payment option.

Is my FICO® Score di erent because I'm a college student; do you take my future earning potential into consideration?

No, income and income potential are not considered in FICOfi Scores.

Does taking out a student loan have a negative impact on my FICO® Score?

Student loans are considered in your FICOfi Scores, along with other credit obligations on your credit report. When you apply for and open a student loan, the FICOfi Scores see this as a new request for credit and an increase in the amount you owe on your outstanding loans. A student loan will increase your amount of debt but, as you establish a history of paying your bills on time, lenders tend to view you as being a relatively lower credit risk.

I don't start paying my student loan until I graduate; will this harm my payment history?

Deferred loans do not harm your FICOfi Score. In fact, the existence of your loan can help establish your length of credit history and mix of credit.

I have the option of starting to pay my student loan while I'm in college. Will th13.9ue pay my stomcom andeste?

Credit Cards

A credit card can be a good way to build credit. When selecting a card, you should compare di erent cards Annual Percentage Rates (APR). An APR is the actual yearly cost of borrowing money, including interest and fees, given as a percentage. You should also be aware of hidden fees. If you miss a payment, make a late payment, or exceed your credit limit, you may be charged fees. Here are additional fees to factor into your choice:

I've been an approved user on my parents' credit card for the past few years; will that impact a FICO® Score?

Auto Loans

When you can t pay the entire sale price for your car, you can take out an auto loan. As with any loan, your monthly payments

Financial Health Information

Create a budget

There are a number of websites that o er models for budgeting. Sallie Mae has a downloadable monthly

Glossary

Accrued interest: The amount of loan interest that has not yet been repaid. Interest on your private student loan accrues (grows) daily.

Annual Percentage Rate The actual yearly cost of borrowing money, including interest and fees, presented as a percentage.

Capitalized interest: Unpaid, accrued interest added to the outstanding principal balance of a loan. Capitalized interest can increase your total outstanding principal balance.

Consumer Reporting Agency (Sometimes referred to as a credit bureau) A company that collects information on your credit rating. It makes that information available to companies and institutions from which you ve requested credit.

Credit: An arrangement to receive goods, products, or services now and pay later.

Creditor: A lender; an entity or person who loans you money.

Credit history: A history of all the pieces of financial information that relate to your life how long you ve had your individual credit accounts, account limits and balances, and your payment history.

Credit report: The report that details your credit history how much credit you have and/or have available, how much credit you re using, and if a creditor is pursuing you for unpaid loans.

Credit score: A number that summarizes your credit risk, based on a snapshot of your credit file at a particular point in time. It helps lenders evaluate your credit risk.

Forbearance: A period during which your loan payments are temporarily suspended under certain circumstances. You must apply for forbearance.

Interest rate: The rate charged to borrow money.

Loan: Money that is borrowed and which you have to pay back o en with interest.

Principal: The amount of money outstanding on a loan (also known as a loan balance). Interest is paid based on your outstanding principal balance.