sallie mae®

Understanding Credit

FICO® Scores, loans, and financial health tips

FICO® SCORE
The score lenders use.™

Brought to you by Sallie Mae® and FICO®

College is a good time to learn more about credit and how to responsibly manage your credit health. It's also an excellent time to start building a foundation for future credit experiences. Successful repayment of your student loans can be the foundation for a strong credit history and a bright financial future.

Credit basics

Your credit health plays an important role throughout your life, whether you're trying to qualify for a loan or even when you're looking for certain types of jobs.

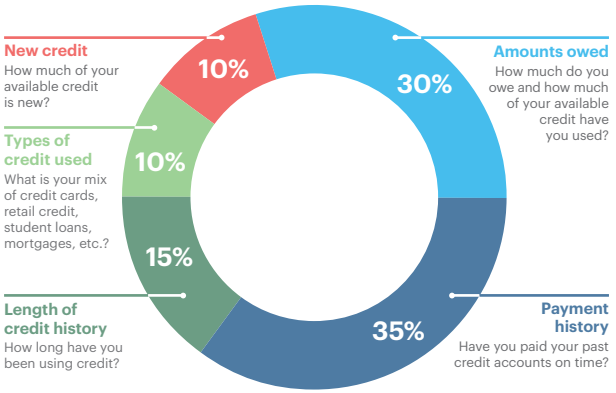
- **Credit** is an arrangement you make with a company or individual to receive goods, products, or services now that you will have to pay for later.
- Your **credit history** is a collection of all the financial information that relates to your life. It helps creditors decide, "If I loan you money, what are the odds that you will repay it?"
- Your **credit score** is a number that summarizes your credit risk.

FICO

FICO® Scores are used by 90% of top lenders in the United States. Lenders can request FICO® Scores from all three major consumer reporting agencies—TransUnion, Equifax, and Experian. Your FICO® Score can influence the credit limit, interest rate, loan amount, rewards programs, balance transfer rates, and other terms offered by lenders.

What exactly is a FICO® Score?
It's a three-digit number calculated from the credit information on your credit report at a particular point in time. Lenders use this number to assess your credit risk quickly.

What makes up a FICO® Score?



This information was available from **ficoscore.com/education** as of May 2019.

What is a "good" FICO® Score?
The higher your score, the better it is.

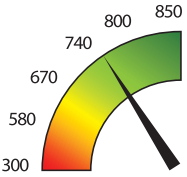
800 +: Well above the average of U.S. consumers.
Demonstrates to lenders you are an exceptional borrower.

740 – 799: Above the average of U.S. consumers.
Demonstrates to lenders you are a very dependable borrower.

670 – 739: Near or slightly above the average of U.S. consumers.
Most lenders consider this a good score

580 – 669: Below the average of U.S. consumers.
Many lenders will approve loans with this score.

< 580: Well below the average of U.S. consumers.
Demonstrates to lenders that you are a risky borrower.



Sample FICO® Score

These three types of loans can be a launching pad for a solid credit history.

Student loans

Does taking out a student loan have a negative impact on my FICO® Score?
Student loans are considered in your FICO® Score. When you open a student loan, it will increase your amount of debt, but if you pay your bills on time, lenders tend to view you as being a relatively lower credit risk.

Does deferring payments on my loan until after graduation harm my payment history?
Deferred loans do not harm your FICO® 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 that impact my FICO® Score?
When you pay student loans on time, it shows responsible behavior, lowers your outstanding debt, and lenders tend to view you as being a relatively lower credit risk. Missing or late payments will have a negative impact on your FICO® Score.

Does moving my loan into forbearance impact my FICO® Score?
Your FICO® Score does not consider the fact that a loan is in forbearance, so moving a loan into forbearance would not affect your score like missing a payment would. However, your loan is still considered part of your personal credit. Even in forbearance, the amount of your loan will be taken into account and could impact your score.

Credit cards

When selecting a card, you should compare different cards' Annual Percentage Rates (APR). An APR is the annual cost of borrowing, including all interest, fees, premiums, etc., expressed as an annualized percentage rate. 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.

Does opening up new credit accounts affect my FICO® Score?
Apply for and open new credit accounts only as needed. Opening accounts for the purpose of providing a better credit picture probably won't raise your FICO® Score and in some cases may even lower your score.

Will closing credit cards increa se my FICO® Score?
Closing cards won't increase your score and may actually lower it at least slightly. A better way to increase your score is by managing your credit cards responsibly.

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, you are responsible for paying both the principal amount and accrued interest. Keep in mind that buying a car includes other expenses (not covered by the auto loan) like taxes, insurance, inspections, fuel maintenance, and repairs.

For more information visit
salliemae.com/understandingcredit

Know your credit

For all types of credit, it's important to make your payments on 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, offer any payment you can. Even a partial payment will demonstrate your willingness to pay back your debt.

Financial health tips

Create a budget

Sallie Mae has a downloadable monthly budget worksheet that can help you stay in control of your finances during college. Create yours at **salliemae.com/collegeplanningtoolbox**.

Pay on time

- Late payments and collections can impact your FICO® Score.
- If you've had a hard time paying your bills on time, consider signing up for an automated bill pay service.
- If you're having trouble paying your bills, contact your creditors. Don't wait and hope it gets better.

Manage your accounts

- Keep your balances low. High balances on your credit cards and other revolving credit can lower your FICO® Score. Consider increasing your monthly payments until all balances are manageable.
- In general, having credit cards doesn't hurt your FICO® Score if you make payments on time. People without credit cards, for example, tend to be at slightly higher risk than people who have shown they can manage credit cards responsibly.

Monitor your credit

- Request a free copy of your credit report every 12 months at **annualcreditreport.com**. Check for errors to ensure you haven't become the victim of identity theft.
- Check and monitor your FICO® Score 6-12 months before applying for a big loan.

Correct mistakes

If you find mistakes on your credit history, contact the following credit bureaus directly:

Equifax	**Experian**	**TransUnion**
Equifax.com	Experian.com	TransUnion.com
1-800-685-1111	1-888-397-3742	1-800-916-8800

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Learn more at **salliemae.com/fico**

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