

## How does credit affect my loans?

Many students use the Grad Plus or private education loans to fill the gap between the actual cost of attending graduate or professional school, minus the amount of federal aid you are receiving. Therefore it is extremely important to maintain a good credit history so that you can borrow the Grad Plus or private educational loans you may need for a portion of your graduate or professional school costs. The information in your credit report may have a substantial impact on your eligibility to obtain a Grad Plus or private loans.

Before you apply for the Grad Plus or private loan it would be wise to request your credit report from one of the national credit agencies. It is important to know what your credit says about you, there may be adverse or negative information that may or may not be correct so it is important to know what your credit says prior to applying for a loan.

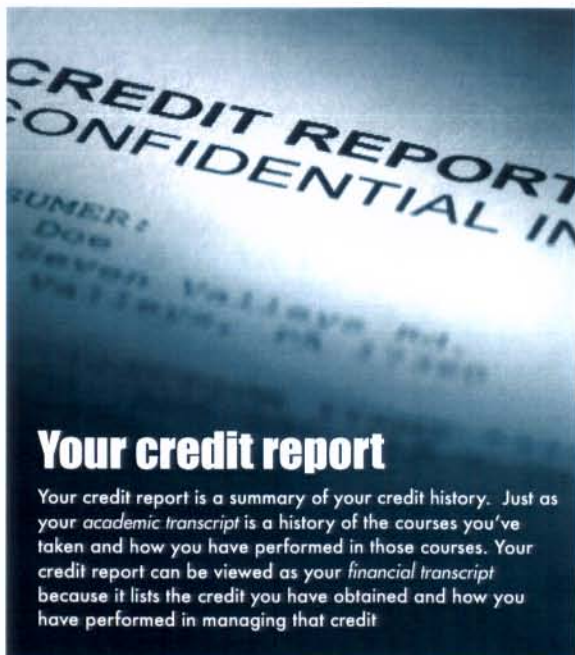
## What kind of credit do I need?

Graduate Plus and private loan borrowers cannot have an adverse credit history, which includes: 60, 90 days or more delinquency on any debt, or having a credit report that shows default, discharge, foreclosure, repossession, tax lien, wage garnishment or write-off of a Title IV debt during five years preceding the date of the credit report.

**Note:** that Graduate and Professional Student Grad Plus loans do not use any kind of a debt-to-income ration or FICO score, unlike private education loans.

If you are not approved for a Grad Plus or private loan you will need to get a co-signer. A co-signer agrees to the responsibilities of a credit application with you, which basically means they take on the liability for your debts. Your co-signer must be a U.S. citizen or permanent resident and credit worthy.

**Note:** The consequences however for not being able to obtain the Grad Plus loan or private loan on your own or with a co-signer could impact your ability to have the funds necessary for living expenses, as your Stafford loans do not cover your entire budget amount.



## Your credit report

Your credit report is a summary of your credit history. Just as your academic transcript is a history of the courses you've taken and how you have performed in those courses. Your credit report can be viewed as your financial transcript because it lists the credit you have obtained and how you have performed in managing that credit.



*It's important to maintain a high credit rating.*

## Your credit score

Credit scoring is a quick, accurate and consistent method of determining the likelihood that you will repay your loans. It is an evaluation tool that determines how well you will manage credit, relative to other borrowers, based on your past credit performance.

**Some examples of negative factors that affect the credit score are:**

- serious delinquencies or collection accounts
- proportion of revolving balances to revolving credit limits is too high
- too many new accounts
- too many accounts with balances
- too many credit inquiries in the past 12 months

If you are denied credit, you have the right to know which factors reported on your credit history caused the greatest influence on your credit score. The lender that has denied you credit will notify you in writing about these factors, along with the name of the credit bureau that provided your credit report to the lender.

**Note:** Having multiple educational loans and/or a large amount of educational debt does not preclude you from scoring well. People with small and large amounts of debt and with or without income can score well provided they have properly managed their debt.

## The importance of good credit and credit tips

Maintaining good credit will insure your eligibility to obtain the Grad Plus or private loans when needed through out your Graduate and professional education.

- Make sure you develop and follow an affordable monthly budget.
- Avoid charging more on your credit cards than you can afford to repay in full each month.
- Limit the number of credit card accounts you maintain.
- Minimize your credit card debt.
- Be careful about opening new credit card accounts.
- Pay all your bills on time.
- Obtain a copy of your credit report at least once a year and review it for accuracy.

## Getting a Grad Plus Loan

To get a Grad Plus loan you must first submit the Free Application for Federal student Aid (FAFSA). To qualify for a PLUS loan, you must be a U.S. citizen or eligible non-citizen, and be enrolled at least half-time. International students are only eligible to apply for a private loan and you will need to apply with a U.S. co-signer.

After you submit the FAFSA, the financial aid office will notify you how much financial aid you qualify for, including Stafford loans. Because Stafford loans have lower interest rates and other advantages over the Grad Plus loan, borrow as much in Stafford loans as you can. The gap in your budget will be awarded in the Grad Plus loan which has a fixed interest rate of 7.9%. Because you have to pay back what you borrow, along with interest, borrow only as much as you need.

**You can obtain a free copy of your credit report from one of the three national credit reporting agencies once every 12 months.**

**EQUIFAX – 800-685-1111 • [www.equifax.com](http://www.equifax.com)**

**EXPERIAN – 888-397-3742 • [www.experian.com](http://www.experian.com)**

**TRANS UNION – 800-888-4213 • [www.transunion.com](http://www.transunion.com)**

Or

**[www.annualcreditreport.com](http://www.annualcreditreport.com)**

## Credit resources

### Fair Isaac and Company

For more information on credit scoring or to purchase your credit score and report, visit [www.myfico.com](http://www.myfico.com)

### Federal Trade Commission

For help with credit reporting problems, call 877-382-4357 or visit [www.ftc.gov](http://www.ftc.gov) for information and free publications about credit.

### Bankrate.com

For information on all aspects of credit and personal finance, visit [www.bankrate.com](http://www.bankrate.com). From this site you can estimate your credit score range free of charge.



We would like to acknowledge the following who help to contribute information for this brochure: [FinAid.org](http://FinAid.org), [Access Group](http://Access Group), [EdFund.org](http://EdFund.org), and [Great Lakes](http://Great Lakes).



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