



STUDENT LOANS AND THEIR EFFECT ON YOUR CREDIT

If you're concerned about the impact student loans will have on your financial future, you're far from alone. While your focus may be on creating a plan to pay off those loans, it's important to know that your student loans can influence your credit health.

Student loans are a type of installment loan. Like other loans, student loans appear on your credit report.

Payment history

The most important thing you can do to maintain healthy credit is make sure you're paying your bills on time — student loans are no exception. Even one missed payment can lower your credit score, and late payments can stay on your credit report for up to seven years. Staying on top of your student loan payback schedules is essential.

Inquiries

Most federal student loans do not require a hard inquiry on your credit. Currently, Direct PLUS loans are the only federal student loan option that require a hard inquiry. This type of loan is only available to graduate and professional students, and parents of undergraduate students. On the other hand, private student loans do require a hard credit inquiry and can impact your credit score.

Debt Relief Programs

If one of your student loan accounts closes, there could be a short-term dip in your credit score. However, if your student loan balances are decreased and your accounts remain **open and active**, you may see a positive shift in your credit score. Score changes as a result of student loan debt cancellation either positively or negatively will likely be minimal.



Pursuing Your Education & Understanding your Finances

You have a lot to think about when pursuing your education, just be sure to make time to monitor your student loans and your credit reports.

Just like more time spent in class can help raise your grades, more time working with and understanding your finances can help improve your credit health and understanding.

