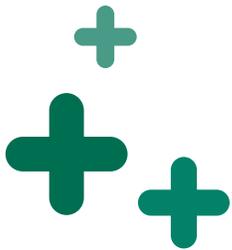
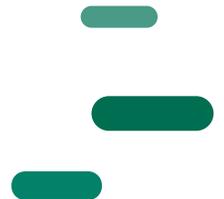


HOW STUDENT LOANS IMPACT YOUR CREDIT SCORE



Student loans can have a big impact on your credit score, and not just in a negative way. Because your credit score is such a big factor in your financial life, you need to understand exactly how any student loan debt alters it. Here's a breakdown of the good and yes, the bad.



THE POSITIVE IMPACT OF STUDENT LOANS ON YOUR CREDIT SCORE

If you pay your student loans on time each month, they can help your credit score in a major way. The largest portion of your FICO score — 35 percent — is derived from payment history. Every time you send in a on-time payment, you're making things better for yourself. Keep in mind that even if you don't have to make payments, you still can, and that will only add to your positive history. Many lenders allow students who are still in school and in their repayment grace periods to make flat-fee payments or interest-only payments. These payments allow you to start building that positive payment history nice and early.

Another way your student loans can positively impact your credit score is through credit history. The longer you have active credit, the better. A FICO score derives 15 percent of its score from credit history. Therefore, taking out a student loan — and making timely payments — helps you out, in that your credit history gets activated early.

THE NEGATIVE IMPACT OF STUDENT LOANS ON YOUR CREDIT SCORE

Just as making timely payments on your student loans helps your credit score, missing payments hurts it. For example, let's say you've never missed a payment and carry a 780 score. US News reports that one, 30-day late payment could drop your score by 90 points. In other words: Do not do this!

If for some reason you're struggling with making payments, time is of the essence. Contact your lender and work out some type of plan. You might qualify for deferment or forbearance, which don't have any negative impact on your score. However, any missed payments before those options are enacted do hurt your score. With student loans, it's important to be proactive.



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