

What does ACPE Report?

Each month the Alaska Commission on Postsecondary Education (ACPE) reports information on all loans to the credit bureau. Loan accounts that are current in payments help build a good credit history. If payment has not been received on an account for 60 days or more, ACPE reports that account as past due. Repeated instances of a past-due status could affect your ability to purchase goods or receive credit from other creditors. One of the best ways to establish good credit is to repay your education loans timely.



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Understanding Your Credit



Consumer Credit and Education Loan Eligibility

Why is my Credit Important?

If you have borrowed loans or been extended credit, your credit history says a lot about you. It demonstrates whether you pay your bills on time and reflects consumer activity. As a consumer, you'll find that various people are interested in your credit:

- ◆ The auto dealership where you want to finance a car
- ◆ The cell phone company that provides you service
- ◆ The local grocery store when you want to pay by check
- ◆ Potential employers are checking credit more often
- ◆ Even a potential landlord, who wants to know whether you are likely to pay your rent on time

Each time you try to purchase an item or service with anything other than cash, the seller will want to assess the risk of your not repaying the credit extended. Your credit history reflects your use of credit and whether you've been reliable in the past with your debts.

Your current spending habits can affect your future. Using credit wisely can save you from high charges and hidden credit costs. If you have experienced credit troubles, visit the Federal Trade Commission at www.ftc.gov and download their pamphlet "Credit Repair: How to Help Yourself." Another useful Web site is the National Foundation for Credit Counseling at www.nfcc.org.

How do I Get Credit?

No credit history is not the same as a negative credit history. No credit history does not reflect badly on you. However, before a bank or business extends you credit you will generally have to develop a history of managing smaller debts.

If you rent an apartment, pay utility bills, or are paying off a car, you probably already have a credit history (and may not know it). If you don't pay any regular bills, education loans can help you establish a good credit history. The best thing you can do for yourself is make sure you always pay your bills on time.

What is a Credit Score?

A credit score is a number derived from the information in your national credit bureau record used to gauge the risk that you may not repay the loan as required.

A credit score does not consider employment or income; it is based solely on your previous repayment history and the relationship among your available credit, your repayment obligations, and your repayment behavior.

ACPE uses the FICO score provided by the Experian credit bureau to determine borrower loan eligibility for supplemental loans. A FICO score is a form of credit score developed by Fair Issac Corporation (FICO).

FICO scores range from 300 to 850, and higher is better.

- ◆ 73% of the public have FICOs of 650 or better
- ◆ 58% have FICOs of 700 or better
- ◆ 40% have FICOs of 750 or better

The national average FICO score in the US at the time of this publication is 692, and the average Alaska FICO score is 679. For more information, there is a great booklet available at www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf.

How do I Improve my Credit?

Even if you have a low credit score now, you can improve your credit—but it takes time. The following steps will help you:

- ◆◆ Pay your bills on time
- ◆◆ Pay down old balances (reduce current debt)
- ◆◆ If you have minimal credit, apply for a low balance credit card and pay it in full each month to avoid charges
- ◆◆ Do not apply for too many credit cards (seeking more credit may be a negative factor)
- ◆◆ Pay off and discontinue using extra credit card accounts (remove temptation)
- ◆◆ If you cannot meet your debt obligations, contact Consumer Credit Counseling Services of Alaska. They will work with you and your creditors to try to reduce your monthly payments.

Credit Checks & Your Education Loans

Apply for a Federal Stafford Loan
FIRST...

Everyone is Entitled to a Free Annual Credit Report:
Make sure you know what is on YOUR credit report

The federal Fair Credit Reporting Act requires each of the nationwide consumer reporting companies—Equifax, Experian, and TransUnion—to provide you with a free copy of your credit report, at your request, once every 12 months.

Important! There is only one online authorized source for obtaining your free credit reports. You can link to this site from the Federal Trade Commission site at www.ftc.gov/freereports, or type in the url www.annualcreditreport.com. Beware of other sites that may look and sound similar but may require you to purchase other services to receive a “free” credit report.

For more in-depth information on credit, finances, and consumer information, visit the Federal Trade Commission Web site at www.ftc.gov. Another good credit-information Web site is www.controlyourcredit.gov.



What if I am Denied a Loan?

Applying with a credit-worthy cosigner is an option if your loan is denied due to your credit score.

If your loan application is denied for credit reasons, you can receive a free copy of your credit report. Review your credit report carefully. If you find errors, report them to one of the following credit bureaus:

Equifax
(800) 865-1111
www.equifax.com

Experian
(800) 397-3741
www.experian.com

TransUnion
(800) 888-4213
www.transunion.com

A student's first choice should always be federal loans when attending a federal loan-eligible school. Federal Stafford loans do not require credit checks and have recently increased borrowing limits. Be sure to check with your financial aid office to explore all your options.