HOW DO STUDENT LOANS AFFECT YOUR CREDIT REPORT?

SMHS OFFICE OF FINANCIAL AID

Will you need a private loan?

- New borrowers, starting a program after June 30, 2026, are not eligible for Graduate PLUS Loans and should consider private student loans as a funding source.
- Federal Direct Unsubsidized Student Loans are not credit based, but Federal Direct Graduate PLUS and private student loan approvals are based on credit underwriting.
- Graduate PLUS loans are only available to legacy borrowers. (Students who have/or will have borrowed a federal student loan by July 1, 2026, in their current graduate program)

FACTOR	WEIGHT	HOW STUDENT LOANS IMPACT IT
Payment History	35%	On-time payments help; past due payments hurt.
Amounts Owed (DTI)	30%	Higher loan payments raise DTI.
Credit Length	15%	Long-term student loans help lengthen history.
Credit Mix	10%	Student loans add installment credit.
New Credit	10%	Hard inquiries temporarily lower your score.

Payment history makes up 35% of your credit score. Ontime payments help; past due payments hurt. Reporting timelines vary by lender.

•Department of Education Federal Student Loans: At 90 days past due, ED reports payments as delinquent. At 270 days, loans enter default, allowing ED to pursue wage garnishment, tax refund seizures, and license holds. Forbearance may help you avoid delinquency. If you are trying to obtain forgiveness through the Public Service Loan Forgiveness (PSLF) program, make sure your payments are on time. Delinquent payments (more than 15 days past the due date) will not count toward PSLF.

•Private Student loans: Reporting timelines and rules differ by lender. Contact your lender immediately if you expect to miss a payment.

The amount you owe accounts for 30% of your credit score and affects your debt to income (DTI) ratio. Higher monthly payments raise your DTI and may limit borrowing options. Choosing the lowest payment plan and paying extra voluntarily can help keep your reported DTI lower.

Fifteen percent of your score is based on the length of time you have held open accounts. Student loans help your credit length because they typically remain open for several years. For medical school students, the average time to pay off loans is under 10 years, according to a 2022 AAMC study (aamc-data-medical-education-debt-nssp.pdf). Note that time to pay off private loans is based on the terms of the loan. This is usually ten to twenty years. For federal student loans, the term ranges from 10 years to 30 years depending on the amount of federal student loan debt and payment plan.

SMHS OFFICE OF FINANCIAL AID
2300 I St. NW
Washington, D.C. 20037

HOW DO STUDENT LOANS AFFECT YOUR CREDIT REPORT?

SMHS OFFICE OF FINANCIAL AID

Your credit mix counts for 10% of your score. As an example, having both student loans and credit cards can help increase your score. Federal student loans and private student loans are installment loans with fixed payment terms.

Ten percent of your credit is based on new credit. This includes the number of hard inquiries (see below), the number of new accounts opened (can signal higher risk if you have limited credit history) and the age of your most recently opened account (this lowers the average age of all accounts). It is important that you shop for private student loans within a short time to reduce the hit to your credit score.

Good to Know

What happens to my credit score when I shop for new credit, like a private student loan?

•Soft inquiries– If you already have credit with a company, they can look at your credit at any time for account management purposes, and it does not affect your score. Likewise, when you pull your own credit through annualcreditreport.com, or a company like Credit Karma, it is also a soft inquiry.

•Hard inquiries – When you apply for credit, the lender performs a hard inquiry to review your credit history, including the frequency of your recent credit applications. Hard inquiries appear in your credit report. To minimize their impact on your credit score, limit multiple inquiries to a brief period–typically within 30 days–since lenders usually update credit bureaus monthly. This grouping helps reduce the overall effect on your score.

TIPS

Obtaining a Private Student Loan:

•Be conservative. Borrow what you need. Your goal is to obtain a quality education. Try to budget; consider the benefits of roommates and other cost cutting measures (if they don't impede your studies and limit your educational goals).

•Understanding key student loan terminology and personal finance terminology (see below)

•Ask questions: What are the terms of the loan? Are there in-school repayment options? Are there interest rate discounts for automatic payments? What about refinancing a loan? Are there any additional fees such as origination fees or disbursement fees?

•Have you compared private student loan products? ELM Select will allow students to do this (available to GW students April 2026).

•Understand your capacity to repay the loan. Understand how obtaining a loan may affect you and your co-signer's future economic choices and DTI ratio.

•Keep good credit hygiene. You may have to re-apply for each year you attend your program. Check your credit: annualcreditreport.com

Co-signers improve the likelihood of private student loan approval.

- Quality co-signers add positive credit history/score, employment history, and acceptable debt to income ratios.
    - Most private loan lenders look for scores above 660, however a higher credit score will lower your interest rate.
    - Co-signers should show a DTI ratio strong enough to be able to absorb student loan payment.
- Lenders may offer a co-signer release after the borrower has made a specified number of on-time payments.
- You may require a cosigner if:
    - The borrower does not have a credit file (no credit history)
    - The Borrower has a low credit score or is a high-risk borrower (low probability of repayment)

Avoiding Fraud

- Signs of a student loan scam.
- The Office of Financial Aid verifies student status prior to school certification.
- Students can authorize parents, partners, and third-party co-signers to have FERPA (Family Educational Rights and Privacy Act) access to student financial aid information.
- Credit Freezes- Free and helps keep your credit safe. Helpful especially if you are not shopping for credit.
    - You do need to lift a freeze when applying for credit.
    - Remember to put a freeze back on after your lender pulls your credit.
- Credit Lock- usually a fee-based safety net for your credit that allows you to quickly toggle on/off to unlock your credit. This is useful if you are in the market for credit.

Good to Know

Student Loan Terminology	
Acceleration	Repayment of obligation that is sooner than originally contracted for.
Accrued Interest	Interest that is earned by the lender and payable by the borrower. Each day interest is calculated on the unpaid principal balance and becomes "accrued interest."
Amortization	The gradual repayment of a debt by periodic (usually monthly) installments of principal and interest.
Annual Percentage Rate (APR)	The total cost of borrowing money expressed as an annual rate.

HOW DO STUDENT LOANS AFFECT YOUR CREDIT REPORT?

SMHS OFFICE OF FINANCIAL AID

Assignment	The transfer of the note to another eligible lender. The borrower's responsibility and obligations do not change.
Capitalization	The addition of unpaid accrued interest applied to the principal balance of a loan which increases the total debt outstanding.
Consolidation	Combining two or more educational loans into a new loan with a new payment schedule and interest rate.
Cumulative debt limit (Aggregate Debt Limit)	The maximum principal borrowing amount of all outstanding student loan debt allowed by lenders.
Daily Interest Credit	The method of calculating the rebate of precomputed interest. If prepayment is made, the interest charge (finance charge) will be reduced to the amount earned to the day of prepayment, also known as "actuarial method."
Default	The failure to repay a loan in accordance with the terms of the promissory note. Default usually occurs after 180 days of non-payment on an account. The lender indicates the amount of time to default on the promissory note.
Deferment Period	Under certain conditions, once the repayment period has begun, principal payments (and interest payments under some loan programs) are postponed during specified periods. The borrower must provide documentation to establish eligibility for a deferment when the deferment begins.
Delinquent	The borrower has failed to make an installment payment when due, or to meet other terms of the promissory note.
Demand Note	A promissory note that is payable (due in full) whenever the holder demands payment.
Disbursement	A transaction that occurs when a lender releases loan funds.
Due Diligence	The efforts and practices of a lender, in the making, servicing, and collection of loans, which are at least as extensive and forceful as those generally practiced by financial institutions for consumer loans.
FDSLP	Federal Direct Student Loan Program.
Federal Reserve Regulation Z	The truth-in-lending law (TILA) that requires disclosure of finance charges and the annual percentage rate.
Financial Need	The difference between the students' educational costs and the determined Student Contribution and Parent Resources (if applicable).
Forbearance	Permitting the temporary cessation of payments or accepting smaller payments than were previously scheduled. Forbearance is granted at

SMHS OFFICE OF FINANCIAL AID
2300 I St. NW
Washington, D.C. 20037

	the discretion of the lender except that it is mandatory for a lender to grant forbearance on Stafford and SLS loans to a physician still in residency.
Grace Period	A 6 to 12-month period before the borrower enters a repayment period. The grace period begins on the day the student ceases to be at least a half-time student at a participating school.
Guarantor	A state agency or private, nonprofit institution or organization which administers a student loan insurance program. The institution or organization guarantees repayment of student loans to private lenders in the event a borrower dies, becomes permanently and totally disabled, has a loan discharged in bankruptcy, or defaults.
Holder (Lender or Payee)	a bank, a credit union, etc.
Holder in Due Course (Bearer in Due Course)	A person or entity other than the original holder who holds a legally effective promissory note and has the right to collect from the borrower.
Insolvency	The inability to make payments.
Installment Note (Renewal Note)	A new note written to satisfy the terms of a previously signed demand note. The installment note specifies a repayment schedule.
Maker	The borrower.
Promissory Note	The legal and binding contract signed between the lender and the borrower that states that the borrower will repay the loan as agreed upon in the terms of the contract.
Renewal Note	See Installment Note.
Sealed Instrument	In Massachusetts, Delaware and N Carolina, a sealed instrument provides for fewer limitations on the lender's ability to collect a note. It changes the statute of limitations for collections of notes.
Servicer	An organization that acts on behalf of the lender to administer their student loan portfolio and is paid a fee to do so.
Student Aid Report (SAR)	The form a student receives after filing a FAFSA application. The SAR notifies the student of his eligibility for federal student aid.
Unsubsidized Loan	A loan on which the student is responsible for paying the interest that accrues on the loan from the date of disbursement until the loan is paid in full, regardless of enrollment status.
Waives Presentment, Demand Notice, Protest and All Other Demands	The borrower cannot claim that payment is not due because the lender did not notify or bill him/her before the due date. It is the borrower's responsibility to make payments when due, even if the lender has not sent a bill or coupon repayment book.

SMHS OFFICE OF FINANCIAL AID
2300 I St. NW
Washington, D.C. 20037