



# UNDERSTANDING PRIVATE EDUCATION LOAN UNDERWRITING

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## Expectations about this Session

- Generally accepted documentation requirements for International Students
- Credit Underwriting and what information is reviewed
- Basic principles behind credit-based student lending for International students
- What a FICO score is and how it is calculated
- Sample Credit Report
- Ways to increase your FICO score
- It also will include a discussion about the fundamentals of good credit, the use of FICO scores, and what your students and families need to know

## Generally Accepted Documentation Requirements for International Students

### ***International Students Must Provide:***

A copy of their unexpired passport (with photograph) OR a copy of their unexpired student visa (with photograph)

Acceptable visa types include: M-1, F-1, J-1, H-3 and H-4. A B type visa is not acceptable.

### **AND**

An I-94 (“arrival/departure” form) that reflects either an expiration date or indicates “duration of stay”.

Proof of Indefinite Refugee or Asylum status on the I-94 is acceptable in lieu of a visa, but a passport with the student’s photo is required.

Students who have been assigned an SSN through the Dream Act should still apply as an international student as that does not constitute U.S. citizenship.



## Generally Accepted Documentation Requirements for International Students

### ***Non-Citizen Permanent U.S. Residents Must Provide:***

When required, documentation to support permanent resident status includes:

- Current, unexpired USCIS Form I-551 (Resident Alien Card)

- Temporary USCIS Form I-551

- Unexpired passport stamped "Temporary 551" or Form I-90 ("Application to Replace Alien Registration Card")

**AND**

A copy of their unexpired passport or other identification that meets Patriot Act requirements.

## What is Credit Underwriting?

**“THE DETAILED CREDIT ANALYSIS  
PRECEDING THE GRANTING OF A LOAN.”**

### ► **What information is reviewed?**

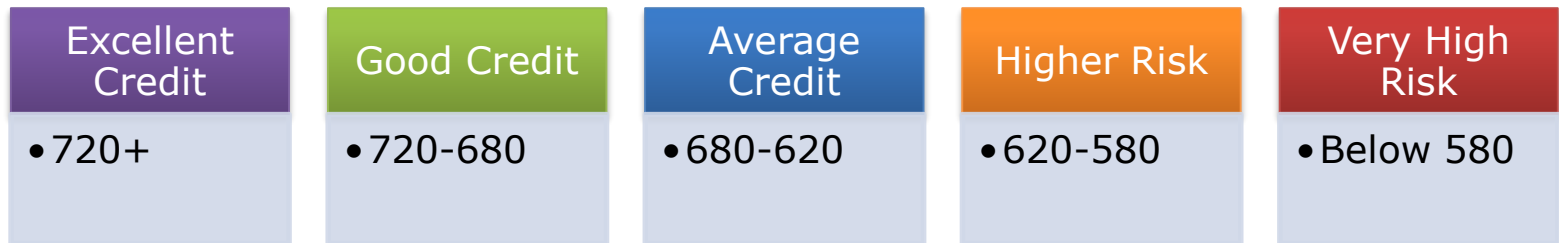
- Credit information furnished by the borrower on the application, including grade level, amount requested, employment history, and income.
- Publicly available information, such as the borrower's credit history, which is detailed in a credit report.
- Performance on existing Sallie Mae loans.
- Borrower's credit needs and ability to pay.

## Basic principles behind credit-based student lending for International students

- ▶ **Why are U.S. Citizen cosigners required for International students?**
  - Loan Servicing
  - No reciprocity
  - U.S. Laws are not enforceable in other countries
- ▶ **What makes a good cosigner?**
  - Having the ability to repay
  - Having stability
  - Having a willingness to repay

## What is FICO?

- ▶ Your FICO Score is a numerical expression based on a statistical analysis of a person's credit file developed by Fair Isaac Company.
- ▶ At lending institutions, the FICO score is used as a tool or a guide in making a credit decision.
- ▶ Your FICO Score can impact pricing for loans, insurance, and other financial services.
- ▶ The FICO score can range from a maximum of 850 to lowest of 300 with an average national score of 692.



**Source:** [www.creditreport.com](http://www.creditreport.com) Copyright (C) FICO. FICO, myFICO, the FICO logo, and the FICO product and service names are trademarks or registered trademarks of FICO.

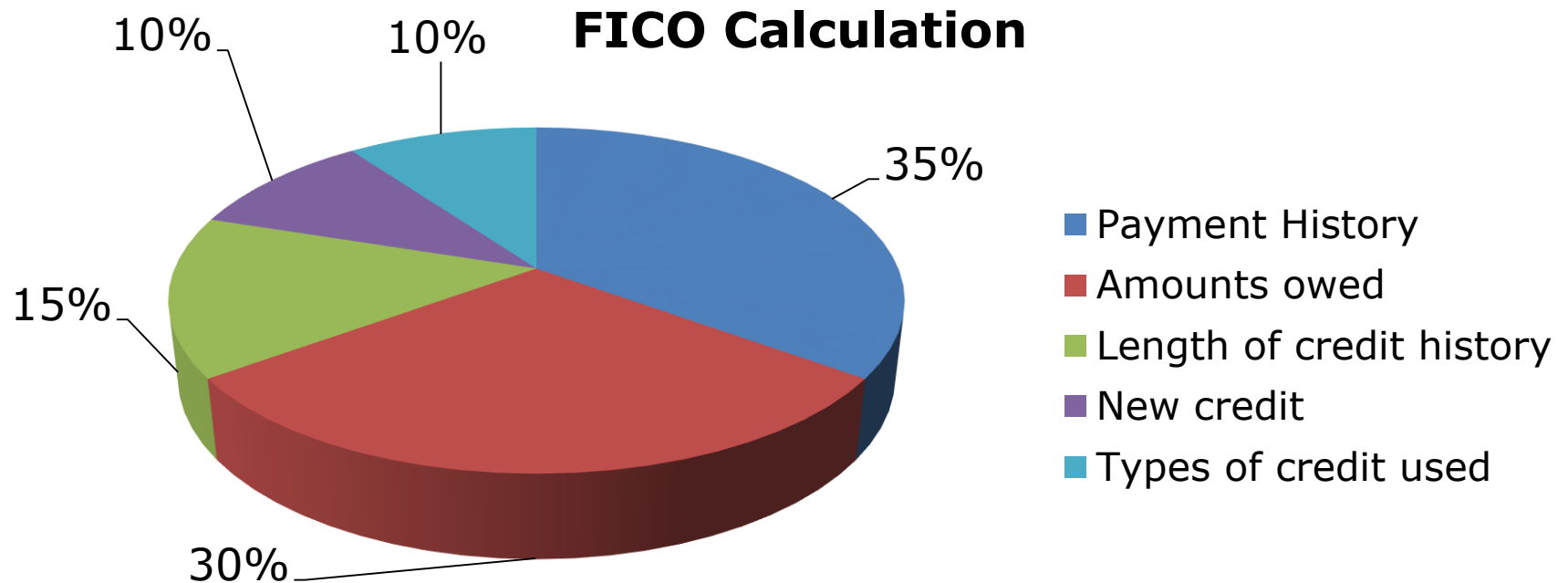
## How FICO is Calculated

- ▶ FICO Scores are calculated from credit data in the borrower's credit report.
- ▶ This data can be grouped into five main categories as outlined on the next slide.
- ▶ The percentages in the chart reflect how important each of the categories is in determining the consumers FICO score.





## How FICO is Calculated (Continued)



Source: [www.myfico.com](http://www.myfico.com)



# Sample Credit Report

## PERSONAL INFORMATION >>

SSN: >> XXX-XX-2344

You have been on our files since: >> 09/01/1990

Date of Birth: >> 01/01/1970

TransUnion

**Names Reported: >>** TEST Y CONSUMER, TESTER CONSUMER, TESTER ANN CONSUMER-SMTH, and TEST ANN SMITH

## Addresses Reported: >>

Address	Date Reported	Address	Date Reported
555 W ADAMS ST, CHICAGO, IL 60661	07/20/2012	123 MAIN ST, CHICAGO, IL 60661	10/01/2009
PO BOX 123, NEW YORK, NY 10001	07/20/2012	1234567890 MAIN ST, CHICAGO, IL 60661	02/20/2009
RR-1 BOX 1A, CHICAGO, IL 60661	03/15/2012	12345 SW MAIN ST N, NEW YORK, NY 10001	07/20/2008
123456 ANY ST, NEW YORK, NY 10001	01/25/2012	PO BOX 3, NEW YORK, NY 10001	03/02/2008
2 ANY ST, NEW YORK, NY 10001	11/20/2011		
PO BOX 1, NEW YORK, NY 10001	09/02/2011		
RR2 BOX 2, NEW YORK, NY 10001	02/20/2011		
3 ANY ST 3, NEW YORK, NY 10001	07/20/2010		
123 SOMEWHERE RD, CHICAGO, IL 60661	04/18/2010		

## Telephone Numbers Reported: >>

(312) 555-1200	(312) 555-1111	(312) 555-3333	(312) 555-5555
(312) 555-1234	(312) 555-2222	(312) 555-4444	(312) 555-6666

## Employment Data Reported: >>

Employer Name	Date Verified	Location
COMPANY 20	07/20/2012	CHICAGO, IL



## Sample Credit Report

### PUBLIC RECORDS >>

FLORIDA FEDERAL COURT - Docket #: XXXXXXXXXX (PO BOX 559, JACKSONVILLE, FL 32201, (904) 301-6490)

Date Filed:	11/19/2009	Type:	CHAPTER 13 BANKRUPTCY DISMISSED	Court Type:	US Bankruptcy Court
Date Paid:	11/19/2010	Responsibility:	Individual Debt	Plaintiff Attorney:	
Date Updated:	11/19/2009				

Estimated month and year that this item will be removed: 10/2016

### ADJUSTABLE RATE MORTGAGE INFORMATION >>

#### PUBLIC RECORD MORTGAGE DETAILS

Recorder's Office:	Origination Date:	08/2005	Loan Amount:	\$139,200
DUVAL,	Initial Rate Adjustments:	09/2007	Initial Interest Rate:	6.860%
	Next Rate Change Date:	09/2012	Rate Calculation Change:	5.500%
	Rate Change Frequency:	Monthly	Change Percent Limit:	1.000%
	Rate Change Interval:	06	Maximum Rate:	12.860%
	Index Type:	LIB	Combined Loan to Value:	121.300%

## Sample Credit Report

### ACCOUNT INFORMATION >>

Typically, creditors report any changes made to your account information monthly. This means that some accounts listed below may not reflect the most recent activity until the creditor's next reporting. This information may include things such as balances, payments, dates, remarks, ratings, etc. The key(s) below are provided to help you understand some of the account information that could be reported.

#### Rating Key >>

Some creditors report the timeliness of your payments each month in relation to your agreement with them. The ratings in the key below describe the payments that may be reported by your creditors. Any rating that is shaded indicates that it is considered adverse. Please note: Some but not all of these ratings may be present in your credit report.

N/R	X	OK	30	60	90	120	COL	VS	RPO	C/O	FC
Not Reported	Unknown	Current	30 days late	60 days late	90 days late	120 days late	Collection	Voluntary Surrender	Repossession	Charge Off	Foreclosure

#### Remark Key >>

Additionally, some creditors may notate your account with comments each month. We refer to these creditor comments as "Remarks". The key below gives the descriptions of the abbreviated remarks contained in your credit file. Any remark containing brackets > < indicates that this remark is considered adverse.

AID ACCOUNT INFORMATION DISPUTED BY CONSUMER CLO CLOSED



# Sample Credit Report



## ADVERSE ACCOUNTS >>

**BAC HOME LOANS SERV LP #XXXXXXXXXXXX\*\*\*\* ( 450 AMERICAN ST SV416X, SIMI VALLEY, CA 93065, (800) 669-6607 )**

<b>Date Opened: &gt;&gt;</b>	08/23/2005	<b>Balance:</b>	\$151,744	<b>Pay Status: &gt;&gt;</b>	>Account 120 Days Past Due Date<
<b>Responsibility: &gt;&gt;</b>	Individual Account	<b>Date Updated: &gt;&gt;</b>	05/31/2012	<b>Terms: &gt;&gt;</b>	\$1312 per month, paid Monthly for 360 months
<b>Account Type: &gt;&gt;</b>	Mortgage Account	<b>Payment Received: &gt;&gt;</b>	\$0		
<b>Loan Type: &gt;&gt;</b>	CONVENTIONAL REAL ESTATE MTG	<b>Last Payment Made: &gt;&gt;</b>	01/31/2012		>Maximum Delinquency of 120 days in 04/2010 and in 05/2012 for \$41,993<
		<b>High Balance: &gt;&gt;</b>	\$145,072		

**High Balance: >>** High balance of \$0 from 12/2012 to 07/2011; \$0 from 09/2011 to 07/2012

**Credit Limit: >>** Credit limit of \$2,000 from 12/2010 to 07/2011; \$2,00 from 09/2011 to 07/2012

>>	05/2012	04/2012	03/2012	02/2012	01/2012	12/2011	11/2011	10/2011	09/2011	08/2011	07/2011	06/2011
<b>Balance &gt;&gt;</b>	\$151,744	\$151,744	\$151,744									
<b>Amount Due &gt;&gt;</b>	\$1,312	\$1,312	\$1,312									
<b>Amount Paid &gt;&gt;</b>	\$0	\$0										
<b>Past Due &gt;&gt;</b>	\$41,933	\$40,680	\$38,964									
<b>Remarks &gt;&gt;</b>	AID	AID	AID									
<b>Rating &gt;&gt;</b>	120	120	120	120	120	120	120	120	120	120	120	120
	05/2011	04/2011	03/2011	02/2011	01/2011	12/2010	11/2010	10/2010	09/2010	08/2010	07/2010	06/2010
<b>Rating &gt;&gt;</b>	120	120	120	120	120	120	120	120	120	120	120	120
	05/2012	04/2010										
<b>Rating &gt;&gt;</b>	X	120										



## Sample Credit Report

### SATISFACTORY ACCOUNTS >>

CAPITAL ONE BANK USA NA #XXXXXXXXXXXX\*\*\*\* ( PO BOX 30281, SALT LAKE CITY, UT 84130, (800) 258-9319 )

Date Opened: >>	04/18/1998	Balance:	\$0	Pay Status: >>	Current; Paid or Paying as Agreed
Responsibility: >>	Individual Account	Date Verified: >>	09/01/2005		
Account Type: >>	Revolving Account	High Balance: >>	\$977		
Loan Type: >>	CREDIT CARD				

### REGULAR INQUIRIES >>

PLAIN GREEN LLC ( 93 MACK RD STE 600, PO BOX 255, BOX ELDER, MT 59521, Phone number not available)  
Requested On: 05/22/2012

Inquiry Type: Individual

DRIVE TIME ( PO BOX 29018, PHOENIX, AZ 85038, Phone number not available)  
Requested On: 03/07/2011, 02/03/2011

Inquiry Type: Individual

FIRST PREMIER BANK ( 3820 N LOUISE AVE, SIOUX FALLS, SD 57104, (605) 357-3440 )  
Requested On: 08/30/2010

Inquiry Type: Individual

CAPITAL ONE BANK USA NA ( PO BOX 30281, SALT LAKE CITY, UT 84130, (800) 955-7070 )  
Requested On: 08/30/2010

Inquiry Type: Individual

GECRB/STEIN MART DC ( PO BOX 965005, ORLANDO, FL 32896, (866) 864-2149)  
Requested On: 07/31/2010

Inquiry Type: Individual

## PROMOTIONAL INQUIRIES >>

**GOLD STAR MORTGAGE FINAN** ( 1451 W CYPRESS CRE, #375, FORT LAUDERDAL. FL 33309, (800) 784-1074 )  
Requested On: 04/15/2012, 12/15/2011

**MUTUAL OF OMAHA** ( MUTUAL OF OMAHA PL, OMAHA, NE 68175-0001, Phone number not available )  
Requested On: 03/15/2012

## ACCOUNT REVIEW INQUIRIES >>

**BAC HOME LOANS SERV LP** ( 450 AMERICAN WAY, SIMI VALLEY, CA 93065-6285, Phone number not available )  
Requested On: 06/07/2012

**BANK OF AMERICA HOME via COUNTRYWIDE** ( 1515 WALNUT GROVE, RM-162, ROSEMEAD, CA 91770, (800) 447-1692 )  
Permissible Purpose: TO ACQUIRE/SERVICE/INSURE ACCOUNT  
Requested On: 06/04/2012, 04/14/2011

## What leads to “Good Credit” ?

### GOOD ATTRIBUTES

- ▶ On time payments
- ▶ Lower balances
- ▶ Time of established credit
- ▶ Time between new credit accounts

### LESS FAVORABLE ATTRIBUTES

- ▶ Late payments
- ▶ High utilization of existing credit (maxing out cards)
- ▶ Carrying balances on all available credit accounts
- ▶ Limited time of established accounts
- ▶ Numerous inquiries for new credit accounts

**Income is not a factor in the FICO score**



## There are Other Scores

- ▶ Lenders may use other scores than just FICO score when making lending decisions.
- ▶ While FICO score is used by many lenders for normal consumer lending (car loans, mortgages, etc.) some lenders use scoring systems that may be unique to the specific industry.
- ▶ These scores can impact the lenders credit underwriting and price of the loan product.

## Fair and Responsible Lending

- ▶ Sallie Mae recognizes the importance of fair and responsible lending and ensuring the most appropriate lending decision is made on each application.
- ▶ Sallie Mae is committed to making credit products available to consumers on a fair, consistent and responsible basis. Sallie Mae's commitment to fair and responsible lending is not only a basic responsibility for all employees, but also good business.

## Fair and Responsible Lending (Continued)

▶ **The challenge lending institutions face with score-driven operations is you have 2 options:**

Approve everything at a given score band or decline everything at a given score band.

With judgmental lending, we have the ability to pick the applicants with a high likelihood to repay and decline the applicants who do not meet our credit standards.

▶ **What does a lender do?**

- Cash flow assessment
- Identify which party to the loan will be paying the loan during school and after graduation
- Debt structure
- Forward-looking assessment of risk

## Shopping for Loans

- ▶ According to myfico.com (<http://www.myfico.com/crediteducation/questions/Student-Loan-Shopping-FICO-Score.aspx>), student loan shopping inquiries made during a focused time period (for example 30 days) will have little to no impact on a credit score.

## What Can Consumers Do?

- ▶ Pay your current credit obligations on time every month.
- ▶ Try to avoid fully utilizing all available credit.
- ▶ The longer you keep open and active credit accounts without any negative attributes the more favorable this is viewed.
- ▶ Avoid carrying balances on too many credit cards.
- ▶ Make sure to take advantage of federal rules that allow you to review your credit report annually to avoid any errors
- ▶ Request credit reports annually from the 3 national credit agencies.

The Equifax logo consists of the word "EQUIFAX" in a bold, red, sans-serif font.

**Website:** [www.Equifax.com](http://www.Equifax.com)

The Experian logo features a stylized grid of blue and red dots to the left of the word "Experian" in a blue, sans-serif font. Below it is the tagline "A world of insight" in a smaller, lighter blue font.

**Website:** [www.Experian.com](http://www.Experian.com)

The TransUnion logo features a stylized graphic of green and grey dots forming a shape to the left of the word "TransUnion" in a green, sans-serif font.

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