



# EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

175 South Lake Ave, Suite 200, Pasadena, California 91101

Tel: (800) 821.5659

Fax: (213) 895.7306

[www.Edfed.com](http://www.Edfed.com)

## Your Credit Report, Part 1

Banks and other lenders reviewing your credit report won't hold it against you that you've gone to school, earned a degree, and accumulated \$10,000, \$50,000, or even \$100,000 worth of student loan debt in the process – as long as you are paying it on time.

Student loans are not something negative that hurts your FICO score or diminishes your potential to obtain bank loans, credit cards, mortgages, or other financing. The problem comes in, however, if you default on one of those student loans. That does negatively affect your credit standing, and it does so in a number of ways.

You may already know that any negative information about your bill payment history (such as a late payment) can be kept on your credit report for seven years at a minimum; ten years for a bankruptcy. But there is another provision in the law though under the Higher Education Act that toughens the severity of any negative information contained in your credit report. In essence, there are statutes of limitation when it came to you being legally obligated to repay a debt and that creditor being able to sue you. In most states, for example, the statute of limitations on credit card debts range from three to ten years.

With a student loan, however, there is no statute of limitations of any kind. This means that if your student loan has defaulted and been turned over to a guarantee agency or the Department of Education, they can report your default forever on your credit report. Moreover, they have the right to file a lawsuit against you, get a judgment against you, garnish your wages, or take other legal actions against you – regardless of how long ago that debt was incurred. It could have been 5 years, 10 years, or even 25 years ago when you got those student loans.

The fact that creditors can “pursue you to the grave” over your old student loans, says Deanne Loonin, staff attorney at the Washington, D.C.-based National Consumer Law Center, gives the Department of Education tremendous power and puts you at an enormous disadvantage. The lack of a statute of limitations for student loans puts borrowers “in unenviable, rarified company with murderers, traitors, and only a few violators of civil laws. Even rapists are not in this category since there is a statute of limitations for rape prosecutions, at least in federal law,” said Loonin in a 2006 report called *No Way Out: Student Loans, Financial Distress, and the Need for Policy Reform*.