

Sallie Mae snafu dings borrowers' credit scores

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Because of a computer error at Sallie Mae, thousands of people with student loans from the company had their credit scores decimated.

The problem was fixed Tuesday night, the company said Wednesday.

Sallie Mae, the nation's largest student lender, reported erroneous delinquencies for thousands of its customers to credit-reporting agencies. The company erroneously reported graduated or extended repayment plans for student loans as arrangements for partial payment, causing the Equifax agency to falsely code some borrowers' accounts as delinquent.

The situation was reported Wednesday by Bankrate.com, a financial information service.

In some cases, borrowers' FICO credit scores dropped 100 points or more as a result of the error, according to Bankrate.com.

Sallie Mae spokesman Tom Joyce told The Associated Press the error was resolved Tuesday night, and all customers' credit records should be restored to their accurate condition. The company discovered the problem on Friday and immediately informed Equifax, he said. It has since notified the other credit-reporting agencies.

"Clearly we understand how important a consumer's credit rating is," Joyce said. "We certainly apologize for the error and are pleased that our customers' credit reports have been corrected."

Borrowers with graduated or extended repayment plans who applied for new credit or checked their credit scores during the last few days may have had one or more of their accounts show up as delinquent, generating an adverse credit score.

Joyce said less than 10 percent of Sallie Mae's 10 million borrowers, or fewer than 1 million people, were affected. He did not provide a specific number.

Sallie Mae offered to provide credit reference letters for customers needing one to correct their score or show a prospective lender that the error was caused by Sallie Mae.

The Reston, Va.-based lender urged concerned customers to call 1-888-2-SALLIE or 1-888-272-5543.

The company is upgrading its computer coding to better conform with that of the credit agencies.

The incident was the latest misfortune to befall Sallie Mae, which has suffered since last year from financial losses, a failed buyout and reshuffling of top management. In January, Sallie Mae announced it was cutting back on its core business of making student loans, becoming more selective and stressing the importance of graduation as a predictor of a person's higher earnings potential and likelihood to repay loans. And last month, the company said it would stop offering lower-cost consolidation loans to college graduates, saying the federally backed business had become unprofitable.

As a result of the credit crunch stemming from the subprime mortgage crisis, scores of other student lenders have stopped making government guaranteed loans, either temporarily or permanently, in recent months.