



HOW MUCH IS BAD CREDIT REALLY COSTING YOU?

How your credit score affects your interest rate could mean thousands of dollars to a home buyer over the life of a loan. Even if you're just getting a credit card, over time the higher interest rate will take a huge chunk out of your wallet and make it difficult to save for larger-priced things like a car or house.

For the lender, your credit score means the level of risk involved in lending money to you. Lenders have to look at more than your income to decide if you are worthy of them taking a chance on you. When lenders talk about your "score," they typically mean your FICO® score; the most commonly used scoring system today. FICO scores range from 300-850, with most people falling within the 600s and 700s. In today's market, you need a score of 720 or higher to access the best rates and most favorable terms. This is largely based on statistics of delinquency rates, which are charted like this:

Credit Score	Population	Rate of Delinquency
300 to 499	1%	87%
500 to 549	5%	71%
550 to 599	7%	51%
600 to 649	11%	31%
650 to 699	16%	15%
700 to 749	20%	5%
749 to 799	29%	2%
800 and up	11%	1%

Average Household Expenses**

30-Year Fixed Mortgage

Credit Score	Interest Rate	Monthly Payment	Cost of Bad Credit	Cost Over the Lifetime of the Loan
760-850	4.429%	\$757	0	\$272,520
700-759	4.651%	\$774	+\$17	\$278,640
660-679	5.042%	\$809	+\$52	\$291,240
640-659	5.472%	\$849	+\$92	\$305,640
620-639	6.018%	\$901	+\$144	\$324,360

* From myfico.com, based on the national average rates of 6/18/10 for a \$150,000 mortgage.

36-Month Auto Loan

Credit Score	Interest Rate	Monthly Payment	Cost of Bad Credit	Cost Over the Lifetime of the Loan
720-850	5.353%	\$603	0	\$21,708
690-719	6.891%	\$617	+\$14/month	\$22,212
660-689	8.831%	\$634	+\$31/month	\$22,824
620-659	12.462%	\$669	+\$66/month	\$24,084
590-619	18.165%	\$725	+\$122/month	\$26,100
500-589	19.117%	\$734	+\$131/month	\$26,424

* From myfico.com, based on the national average rates or 6/18/10 for a \$20,000 loan.

A person with a credit score of **760** will end up paying **\$1963** a month on their mortgage and two car loans, while a person with a credit score of **660** will end up paying **\$2077** a month on their mortgage and two car loans and a person with a credit score of **560** will end up paying **\$2369** a month on their mortgage and two car loans, over **\$400 more** than someone with great credit.

** Based on a family of 4



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Credit Card Statistics

According to myfico.com, on average, today's consumer has a total of nine credit cards. About 40% of credit cardholders carry a balance of less than \$1,000. About 15% are far less conservative in their use of credit cards and have total card balances in excess of \$10,000. Nearly 37% carry more than \$10,000 of non-mortgage-related debt as reported to the credit bureaus. The typical consumer has access to approximately \$19,000 on all credit cards combined. More than half of all people with credit cards are using less than 30% of their total credit card limit. Just over 1 in 7 are using 80% or more of their credit card limit. See below for how someone with poor credit compares to someone with good credit.

Credit Card with a \$10,000 Balance

Credit Score	Average APR	Annual Interest Paid	Cost of Bad Credit
Good Credit	14.35%	\$1,435	0
Bad Credit	20.32%	\$2,032	+\$49.75/month

* From creditcards.com, based on the national average rates for 6/21/10.

Over the course of the year, someone with poor credit will have paid nearly \$600 more than someone with good credit.

Insurance Rates

When it comes to insurance, providers say there's a relationship between a person's credit history and the possibility of filing a claim. According to the Insurance Information Institute (III), a lower credit score is more likely to file a claim than one with a higher credit score.

According to a recent survey by Conning & Co., a Hartford, Connecticut-based insurance research firm, 92 percent of all insurance companies use credit information when underwriting new policies. In fact, **credit history is becoming one of the major factors, if not *the* major factor, in determining insurance rates.**

Below is an actual table used by a major auto insurance company in determining rates for auto and homeowners insurance. **insurance score is reference to credit score range*

Insurance Score*	Premier Discount
739 and higher	30%
723-738	25%
651-722	20%
625-650	12%
587-624	4%
586 and lower	0%

Recent government surveys indicate that less than a third of Americans have viewed their credit report within the past year. Many more do not know their current credit score even though financial experts constantly advise consumers to review their credit reports for accuracy. A recent survey revealed that nearly 80% of all consumer credit reports contain serious errors or mistakes of some kind. This prevents millions of Americans from being able to purchase homes or automobiles, or finance other goods or services they need. You, very likely, could be one of those people with inaccurate information. Additionally, many people are paying astronomical interest rates, or have been denied financing unnecessarily due to low credit scores.

Because your financial health revolves around your credit score, it is important that the information your credit report contains be as accurate and up-to-date as possible. Millions of inaccurate items have been removed from consumers' credit reports since the Fair Credit Reporting Act was passed. Why shouldn't YOU join them and start saving money right now?