Name: ___________________________________

The Cost of Bad Credit

Making good money choices can improve your credit score, but bad decisions can hurt it – and cost you more money. As you have learned, if a lender perceives an individual to be risky, they will charge higher interest rates. Having bad credit can also make it impossible to get a loan.

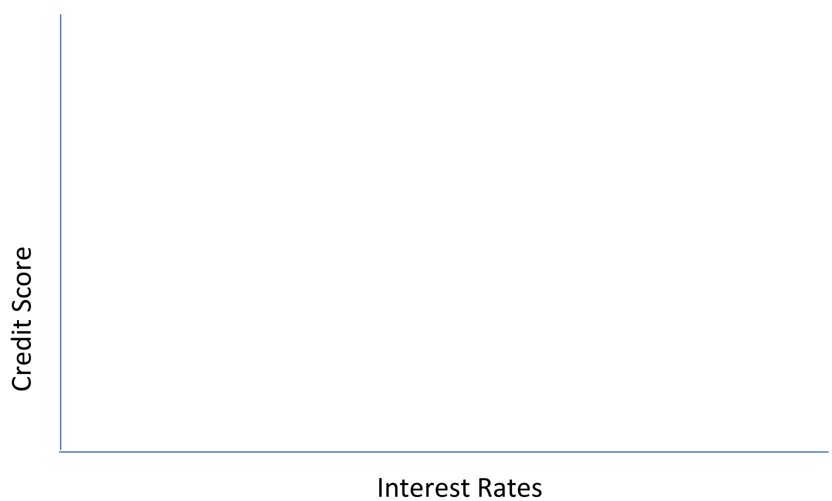
The table below contains three key items to calculate the cost of a three-year $28,000 loan: a range of credit scores, the annual percentage rate (APR), and the monthly payment.

Credit Score	APR	Monthly Payment	Total Interest Paid
720-850	7.126%	$773.00	$2,843
690-719	8.032%	$784.00	$3,215
660-689	9.785%	$804.00	$3,951
620-659	11.745%	$827.00	$4,786
590-619	15.171%	$869.00	$6,272
500-589	15.999%	$879.00	$6,640

Based on this chart, an individual with a high credit score pays $773 per month and a total of $2,843 in interest for a three-year loan. A customer with a low credit score pays $106 more per month and $3,797 more in total interest for the exact same loan. That's a huge difference!

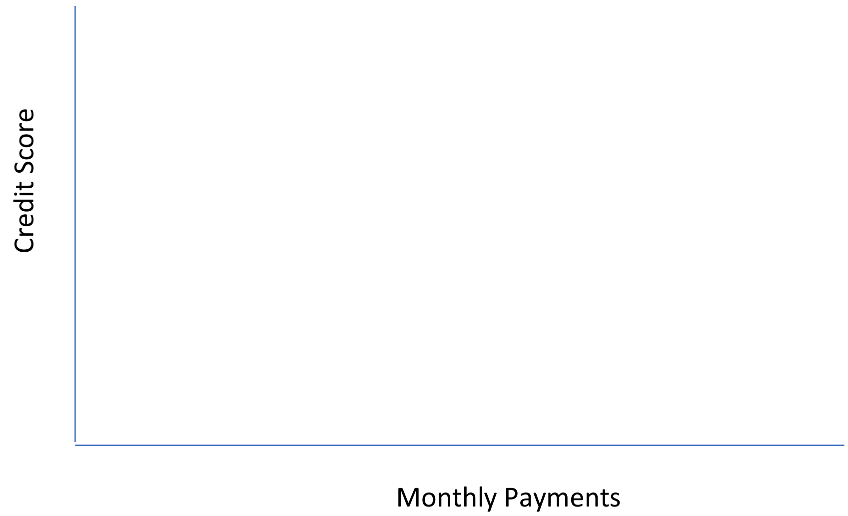
Create three graphs charting the information above. What conclusion can you draw from the data and your graphs?

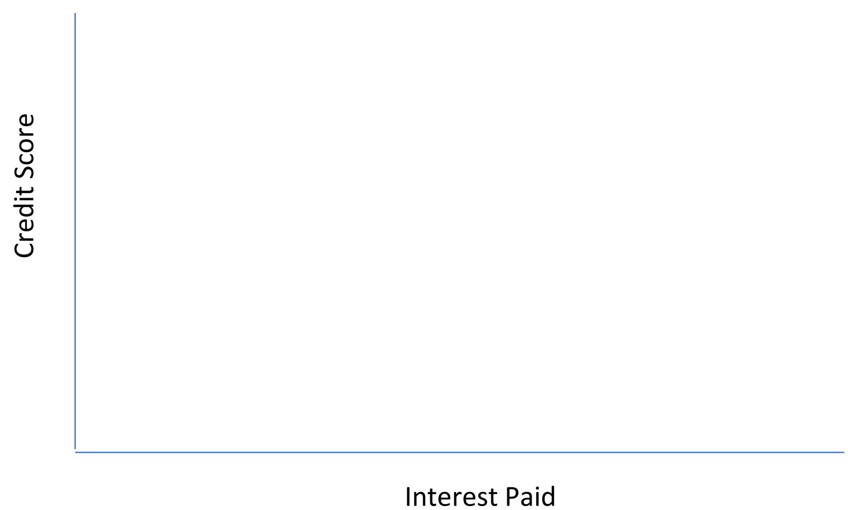
Graph 1: Compare Credit Scores to Interest Rates



Source: https://www.saveandinvest.org/sites/default/files/Credit-Score.pdf

Graph 2: Compares Credit Scores to Monthly Payments





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