

## Impact of a Bad Credit Report

Credit scores can affect an individual's ability to make large purchases such as a house or vehicle. Credit reports are very important to both creditors and lenders. But here is a list of other things that can be impacted if an individual has bad credit.



- ✓ **Car insurance.** Insurance companies consider a person's risk of responsibility along with their ability to pay on time. So, it's not surprising that in 47 states an individual's credit rating can be used to determine what rate will be charged for insurance. The higher a perceived risk, the higher the rate to insure the individual. This means your insurance payments will cost more until your credit score improves – even if you haven't had any accidents or claims.
- ✓ **Mortgage loans.** Most individuals apply for a loan when purchasing a home. The financial institution will definitely check credit scores! If an individual has bad credit, or a low credit score, they will likely be denied for a loan. It can also result in a much higher interest rate. The amount of interest you pay is based on your level of risk and the current market rate. The worse your credit is, the higher your level of risk is, and the higher your interest rates will be. This difference can amount to tens of thousands of dollars over the course of a 30-year mortgage.
- ✓ **Vehicle loans.** This is another item for which most people need a loan. Financial institutions will check your credit score before approving your loan application. If the bank is concerned that it is a risky loan, they may increase the interest rates by 2%. That is a lot of money that folks with good credit don't get charged.
- ✓ **Service providers.** Many service providers (like those for your cell phone, internet, and cable) check your credit score. They assess your risk level and if you can pay your monthly bill. Today, many cell phone bills include the cost of the phone with the monthly service fee, causing them to be more cautious.
- ✓ **Jobs.** Under the Fair Credit Reporting Act, potential employers can check your credit when considering you for a position. They must have your written approval before obtaining the report. However, if you refuse, then there is a good chance you may not get the job.