WHY IS GOOD CREDIT IMPORTANT?
How you handle your finances affects more than just your ability to borrow.

WHAT IS CREDIT?
Any arrangement in which you receive goods, services, or money in exchange for a promise to repay at a later date.

MAINTAINING A GOOD CREDIT HISTORY IS CRITICAL TO FINANCIAL STABILITY
- Pay all of your credit obligations on time.
- Establish a relationship with a financial institution.
- Monitor your credit history regularly to ensure accuracy.
- Get a free credit report each year at annualcreditreport.com.

CREDIT HISTORY
Your credit history says a lot about you

PAY ON TIME
More readily approved for credit
Offered lower interest rates
Given a higher credit score

PAY LATE
Sometimes denied credit
Offered higher interest rates
Given a lower credit score

CREDIT REPORT
Is a credit report the same as a credit score? NO
A credit report is a record of your credit history. It can show lenders and others how you manage your financial responsibilities.

CREDIT SCORE
What makes up your credit score?
A credit score is a number a lender calculates from entries in your credit report indicating your creditworthiness.

- 10% Types of credit used
- 10% Revolving credit
- 15% Length of credit history
- 35% Payment history
- 30% Amount owed

Is a higher score really better? YES
Sample interest and payment for a $20,000 car loan paid over 60 months

<table>
<thead>
<tr>
<th>Score</th>
<th>750-850</th>
<th>680-689</th>
<th>600-609</th>
<th>560-599</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td>3.50%</td>
<td>6.39%</td>
<td>16.5%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Monthly payment</td>
<td>$302</td>
<td>$384</td>
<td>$606</td>
<td>$906</td>
</tr>
<tr>
<td>Total interest paid</td>
<td>$1,890</td>
<td>$5,318</td>
<td>$39,632</td>
<td></td>
</tr>
</tbody>
</table>

Source: Federal Reserve Bank of New York, Economic Impact of Credit Scoring, 2017

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