

# 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](http://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

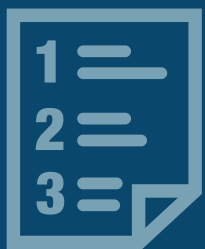


### PAY LATE

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**

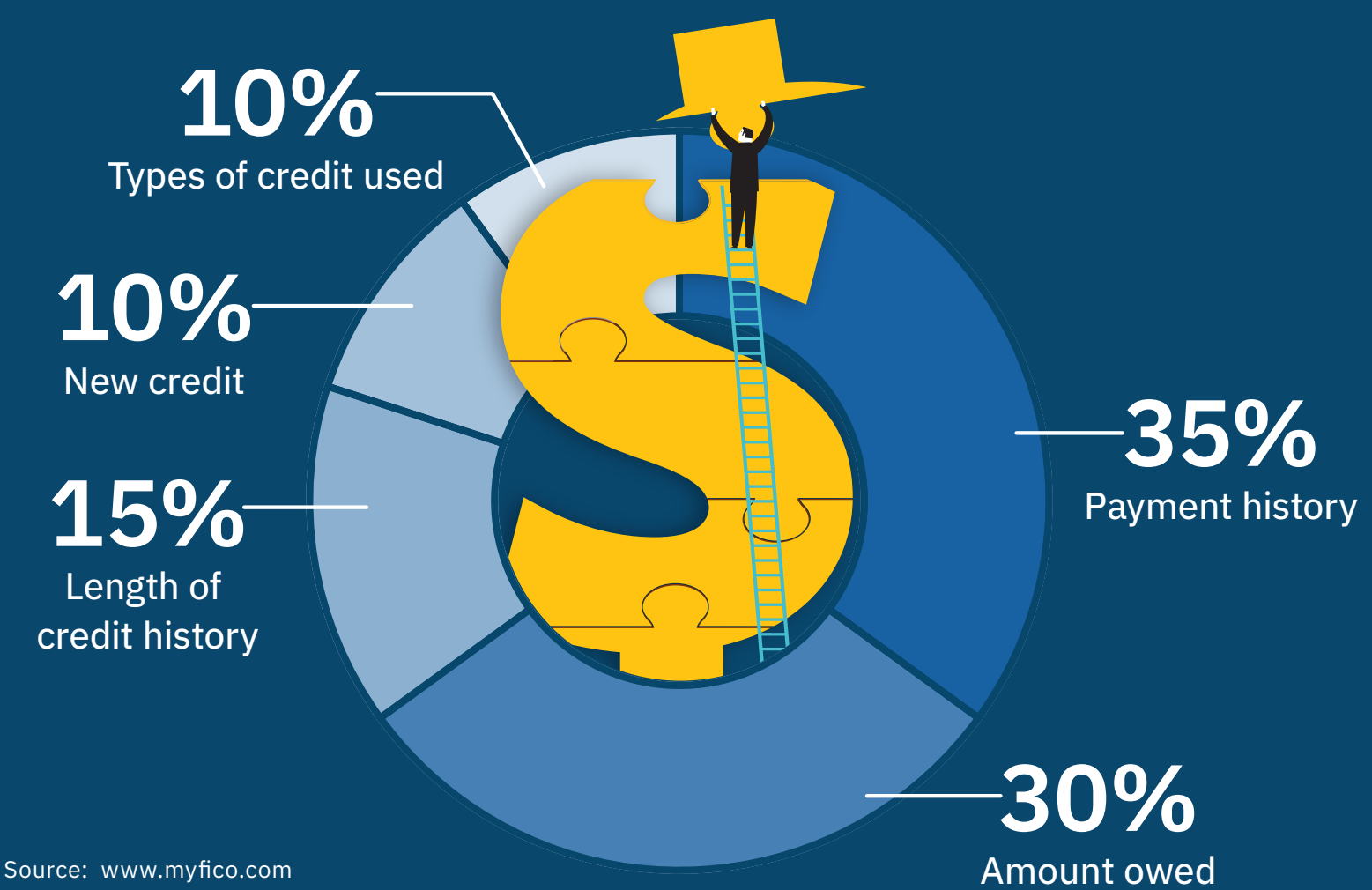


A credit report is a record of your credit history. It can show lenders and others how you manage your financial responsibilities.

## CREDIT SCORE

What makes up your credit score?

A number assigned to you indicating your ability to repay a loan.



Source: [www.myfico.com](http://www.myfico.com)

Is a higher score really better? **YES**

Sample interest and payment for a \$20,000 car loan paid over 60 months

Score	Interest rate	Monthly payment	Total interest paid
720-850	3.93%	\$368	\$2,063
660-689	7.62%	\$402	\$4,111
500-589	16.46%	\$491	\$9,485

Source: Sample loan savings calculator results from [myfico.com](http://myfico.com), as of 3/4/2021

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