

## How much does bad credit cost?

Contributed by Rockmond  
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### Buying a home

The cost of bad credit is most evident and most expensive when a large ticket item is being purchased. For most people, that is the purchase of their dream home. Here, a bad credit can really hurt you. If you have poor or bad credit score, you will end up paying between \$66,000 and \$99,000 more in interest than if you had an excellent credit score (that is approximately \$2,000 to \$3,000 of interest per year that can be saved by simply improving your credit score). Here's an example on a \$200,000 mortgage paid over 30 years to illustrate this.

Example: \$200,000 house mortgage paid over 30 years:

| Credit status | Interest rate | Monthly payment | Extra interest paid over the 5 years |
|---------------|---------------|-----------------|--------------------------------------|
| Excellent     | 7%            | \$1,331         | \$0                                  |
| Poor          | 9%            | \$1,609         | \$66,140                             |
| Bad           | 12%           | \$2,057         | \$99,019                             |

### Buying a car

If you have bad credit and have obtained a loan to purchase your car, your interest rate will be much higher and you'll end up paying \$3,000 to \$6,000 more in interest than you would have if your credit score was good. This added interest shows up every month in form of a higher monthly payment. The example below illustrates this on a typical \$25,000 car loan paid over 5 years.

Example: \$25,000 car loan paid over 5 years:

| Credit status | Interest rate | Monthly payment | Extra interest paid over the 5 years |
|---------------|---------------|-----------------|--------------------------------------|
| Excellent     | 8%            | \$507           | \$0                                  |
| Poor          | 12%           | \$556           | \$2,952                              |

Bad 16% \$608 \$6,062

## Credit Cards

Consumers with bad credit in most instances cannot obtain the prime credit cards. These are the cards with reasonably attractive interest rates, payment terms and credit limits. So, consumers with bad credit are typically relegated to so-called "sub-prime" credit cards. These cards typically require exorbitant setup fees (or recurring monthly fees), offer very low credit lines, often require cash deposits, and in most cases do not report your positive credit activity to the credit bureaus.

Going in for Credit repair is good Option.

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