

NerdWALLET

Good driver, but poor credit



Associated Press

A long row of 2018 Countryman models is shown March 12 at a Mini Cooper dealership in Highlands Ranch, Colo. Car owners with poor credit can pay hundreds, if not thousands, more to drive than those with good credit. To get the best rate possible, before heading to a dealership, check your credit scores and get pre approved for an auto loan.

Understanding what makes your car costs so high

LACIE GLOVER
NerdWallet

Car owners with poor credit can pay hundreds — if not thousands — more to drive than those with good credit.

This plays out in two important ways: higher rates on car loans and, in most states, higher insurance premiums. In fact, having bad credit can raise your insurance quote even higher than if you'd had an accident.

To see how much poor credit can cost car owners, personal finance website NerdWallet looked at auto loan terms and insurance quotes for drivers in different credit tiers.

CREDIT AND CAR LOANS

Drivers with blemished credit often choose a cheaper car than they could otherwise afford; however, they'll still pay more to own it — especially if they finance the purchase. Good credit is generally considered 690 to 719, while bad credit is below 630. In a slightly different system, prime credit is 661 to 780 and subprime credit is 501 to 600.

For used car loans in the last quarter of 2017, prime credit buyers received an average rate of 5.48 percent, according to credit reporting agency Experian. The average rate was much higher, 16.27 percent, for subprime borrowers.

Say a buyer purchases a used car with a loan of \$21,000 — just under the average amount financed on used car purchases, according to Edmunds. Using the average rates above, here's about how much each borrower would pay on a 48-month loan:

■ Prime: \$488 per month and \$2,433 in total interest

■ Subprime: \$598 per month and \$7,706 in total interest

In this example, the cost of poor credit is \$110 per month, and \$5,273 over the life of the 48-month loan.

TRAP OF TAKING A LONGER LOAN

To get a lower monthly payment, buyers increasingly accept loans with longer terms — about 42 percent take out loans for six years or more, according to the Consumer Financial Protection Bureau.

While there's merit in

making sure bills fit your budget, this dramatically increases the cost of a car.

With the loan extended to 72 months, the total cost of poor credit becomes \$8,335, or \$116 per month over six years.

DIFFERENT SCORE FOR INSURANCE

The credit scores lenders use to determine loan terms are not the same score auto insurers use to set your premium.

A credit-based insurance score is used to predict your likelihood of filing a claim in the next few years, says Lamont Boyd, insurance industry director of scores and analytics at FICO. Insurers can use this and other scoring models to help set rates in all states except California, Hawaii and Massachusetts, where the practice is banned.

NerdWallet looked at quotes in the rest of the country for drivers with clean records and either "good" or "poor" credit, as reported to the insurer. We averaged rates from 10 ZIP codes in each state and then ranked the difference in price by state.

We also compared quotes for drivers with good credit and one accident versus similar drivers with poor credit and no accidents, and found poor-credit quotes were often higher. In all but two states, drivers can find quotes at least \$500 cheaper per year for good credit and one accident compared with poor credit and no accidents.

INSURANCE COSTS VARY

In Michigan, home to some of the highest car insurance rates in the country, we found that someone with poor credit can pay an average of \$464 more per month than someone with good credit and the same driving record. The next-highest average price increase was \$185 per month in Kentucky. As in many states, in both Michigan and Kentucky average rates for poor credit more than doubled.

On the opposite end of this spectrum is North Carolina, where good drivers with poor credit pay, on average, \$20 more per month for insurance than those with good credit.

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One of our goals should focus on working with high school graduates and first-time job seekers to retain their skills within our communities. This includes working with our school districts and the College of Central Florida to develop short-term, certificate and degree programs (both associate and bachelor's) that focus on the skills sets that business needs.

Rusty Skinner

CEO of CareerSource Citrus Levy Marion.

DRIVE TO THRIVE?



Simple commute taking some workers out of county, while bringing others in from nearby

Michael D. Bates
Staff writer

More than half the workers living in Citrus County leave the county for employment. That makes Citrus the 40th highest among Florida counties when it comes to commuter outflow.



Rusty Skinner
CEO,
CareerSource Citrus
Levy Marion



Bruce Register
County Economic
Development
director.

Those statistics, taken from last week's Florida Department of Economic Development's Bureau of Labor Market Statistics report, may or may not be surprising for most people. But it did prompt comment from those in the economic development field.

Rusty Skinner, CEO of CareerSource Citrus Levy Marion, said the report "reinforces (Citrus County's) need to be competitive, in terms of compensation, with similar businesses within a one-hour commute."

County Economic Development Director Bruce Register said during an economic development workshop last week that Citrus County has "a lot of talent" and there are many who are gainfully employed here.

But even so, he said, there is a large percentage of people who travel 50 or more miles each day for work in other counties.

Register said he can only assume they are willing to travel for higher-skilled and higher-paying jobs.

The numbers

Using the most recent U.S. Census data (admittedly, now three years old), the report said there were 39,183 workers living in Citrus County and 30,972 workers employed here. Of those workers who lived in Citrus, 20,949 — or

53.5 percent — were employed outside the county.

Or, put another way:

Of the 30,972 people employed in Citrus County, 18,234 (58.8 percent) live and work here, while 12,738 (41 percent) commute into the county for work.

According to the report, Citrus County had a net job flow loss of 8,211 workers; in other words, more workers left Citrus County for work than commuted into the county. That's called an outflow rate and Citrus County's was 40th highest among Florida counties.

Most commuters (3,687) are going to jobs in Marion County. The second most popular counties for commuters are Hernando (1,976 workers) and Orange counties (1,628).

But what about those 12,738 folks who live outside the county and commute to Citrus County for work? Where are they coming from?

The report said the three top origin counties are Marion (2,107), Hernando (1,776) and Pasco (828).

On a brighter note: The study finds fewer workers younger than 29 leaving Citrus County for jobs.

Other report highlights include:

Salaries

■ In terms of average annual wages, 42.7 percent (8,937 workers) who leave the county make \$15,012 to \$39,996; 31.1 percent (6,514 people) make \$39,997 or more.

■ On the flip side, 42.9 percent (5,463) of those commuting into Citrus County for work earn \$15,012 to \$39,996, and 29.4 percent (3,743) earn \$39,997 or more.

What kinds of jobs?

■ Of those workers leaving Citrus County, 14.8 percent (3,091) are employed in "goods producing" industries such as mining, construction and manufacturing; 29.5 percent (6,170) in "trades, transportation and utilities;" and 55.8 percent (11,688) in "other services," which covers such fields as dry cleaning and laundry, administering religious activities, personal and pet care, equipment and machinery repair and dating services.

■ Conversely, among workers commuting into Citrus County, 11.5 percent (1,466) are employed in "goods producing" industries; 34.3 percent (4,365) in "trade, transportation and utilities;" and 54.2 percent (6,905) in "other services."

■ Workers living in Citrus County are concentrated in health care and social assistance (18.7 percent) and retail trade (15.2 percent).

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Why you may want to freeze your child's credit

For years, identity theft expert Eva Velasquez warned parents that freezing their children's credit reports was difficult, problematic and probably unnecessary.

Velasquez, chief executive officer of the nonprofit Identity Theft Resource Center, has since changed her mind. Or rather, the sheer volume and severity of database breaches — including last year's breathtakingly huge compromise at Equifax credit bureau — changed it for her. She now recommends that parents "strongly consider" credit freezes for their kids.

"The landscape has changed," Velasquez says.

What hasn't changed, unfortunately, is the difficulty of getting a credit freeze for someone younger than 18. Sometimes it's impossible, depending on where you live.

Credit freezes allow you to restrict access to your credit reports, preventing identity thieves from

opening new, fraudulent accounts in your name. Credit freezes have been available to U.S. adults since 2007.

Children, however, typically aren't supposed to have credit reports. If they do, someone has probably stolen their identity. All three major credit bureaus allow parents to freeze credit reports when a child's identity has been used by a thief.

Many states, though, don't require the bureaus to offer credit freezes if a child's identity hasn't already been compromised. That could change: A Senate-approved bill to loosen Dodd-Frank banking regulations includes a clause that would require credit bureaus to create files for those younger than 18 at a parent's request. Once a file is created, it can be frozen.

The states that currently require bureaus to create reports for those younger than 18 in response to a freeze request are Alaska, Arizona, California, Connecticut,

Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, New York, North Carolina, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin, according to the National Conference of State Legislatures.

Only one credit bureau, Equifax, will create and freeze a report at a parent's request regardless of where the parent lives.

Equifax isn't being cooperative as a mea culpa for its sins. This was the bureau's policy even before last year's breach, when thieves made off with about 148 million people's information including names, birthdates, Social Security numbers and some driver's license numbers.

Experian and TransUnion, the other two major bureaus, still insist that parents shouldn't rush to shut down their kids files. "A proactive file freeze is a drastic solution that we only recommend when a child's identity is being used fraudulently," is how TransUnion puts it.

That stance is, to put it

mildly, outdated. No one should have to wait to become a victim when prevention is possible.

And children may be at greater risk than adults. Carnegie Mellon University's CyLab found the identity theft rate for kids was 51 times higher than that for adults, according to a 2011 report. The report found 10.2 percent of the 42,232 children studied from 2009 to 2010 had someone else using their Social Security numbers. The rate for adults was 0.2 percent.

The youngest victim was five months old. One teenager had over \$725,000 in debt on 42 credit accounts opened by eight people. The debt included mortgages, auto loans and collection accounts for medical bills, utilities and credit cards.

Identity thieves target children because the crimes can go undiscovered for years. Often

bogus credit histories don't come to light until the victims apply for their first credit card, apartment or job — and get rejected. Then, they can face huge battles to clear their names after years of credit abuse.

Creating a credit report for those younger than 18 can create problems of its own. The report links the child's name to a Social Security number, information criminals could use for other kinds of fraud that don't involve credit checks, such as employment or medical identity theft.

Other issues are that freezes for children younger than 18 often cost money to create (\$3 to \$15 per bureau, depending on the state) and to lift (\$2 to \$12), they can't be set up online and parents have to keep track of the personal identification number needed to lift the reports when the child is

older than 18 and needs credit.

A freeze also won't typically prevent the child's Social Security number from being used for synthetic identity theft, where thieves use real and fake information to create new identities.

Velasquez in the past discouraged parents from trying to create credit reports when they didn't exist, fearing it would "muddy the waters." But given the rising risks, parents should consider doing what they can, including credit freezes, to protect their kids, Velasquez says.

"The good outweighs the bad now with all these data compromises," she says.

Liz Weston is a columnist at NerdWallet, a certified financial planner and author of "Your Credit Score." Email: lweston@nerdwallet.com.



Liz Weston
NERDWALLET

DRIVE

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How old are commuters?

■ Among workers leaving Citrus County for jobs, 22 percent (4,619) are 29 or younger; 50.8 percent

(10,640) are age 30 to 54, and 27.2 percent (5,690) are 55 or older.

"One of our goals should focus on working with high school graduates and first-time job seekers to retain their skills within our communities," Skinner said. "This includes working with our school districts

and the College of Central Florida to develop short-term, certificate and degree programs (both associate and bachelor's) that focus on the skills sets that business needs."

Contact Chronicle reporter Michael D. Bates at 352-563-3205, mbates@chronicleonline.com.

NERD

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Iowa was the next cheapest for motorists with poor credit, at an average increased cost of \$37 per month.

AVOID PAYING UP

To get the best rate possible, before heading to a dealership, check your credit scores and get preapproved for an auto loan. You can still get financed on the spot, but "now you have this pretty strong negotiating chip to help you get an even better rate from the dealer," says Delvin Davis, senior research analyst at the Center for Respon-

sible Lending.

And even with splotchy credit, you could still save by shopping around for car insurance quotes.

In New York, for example, we found a \$1,219 (per year) difference between the lowest and second-lowest quotes for poor credit — and a \$5,689 difference between the highest and lowest.

You can also improve both your credit and credit-based insurance score by:

- Paying all your bills on time
- Keeping credit card balances below 30 percent of the limit

This article was provided to the Associated Press by the personal finance website NerdWallet. Lacie Glover is a writer at NerdWallet. Email: lacie@nerdwallet.com; Twitter: @laciwrites.

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Free and open to the Public.

Attendees will be given the opportunity to provide feedback on Chronicle news coverage and ask questions.

Additional dates and locations:

Thursday, May 17 from 5:30-6:30 – Coastal Region Library, Crystal River
Thursday, June 21 from 5:30-6:30 – Homosassa Library, Homosassa



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