

9 Benefits of Having a Good Credit Score

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You can survive with bad credit, but it's not always easy and definitely not cheap. Having a good credit score will help you save money and make your life much easier. If you're looking for inspiration to improve your credit score or reasons that you should maintain your good credit, here are some great benefits to having a good credit score.

Low interest rates on credit cards and loans.

The interest rate is one of the costs you pay for borrowing money and, often, the interest rate you get is directly tied to your credit score. If you have a good credit score, you'll almost always qualify for the best interest rates and you'll pay lower finance charges on credit card balances and loans. The less money you pay on interest, the more you have for everything else including repaying your balance.

Better chance for credit card and loan approval.

With a shaky credit history, you'll probably avoid making new credit card or loan applications because you fear you'll be turned down. Having an excellent credit score doesn't guarantee approval – because lenders still consider other factors like your income and debt – but it does give you a very good chance of being approved. When you decide to apply for a credit card or loan, you can do it with confidence.

More negotiating power.

A good credit score gives you leverage to negotiate a lower interest rate on your credit card or a new loan. If you need more bargaining power, you can refer to great offers you've received from other companies based on your credit score. However, if you have a low credit score, creditors typically won't budge on loan terms and you may not have the freedom to shop around.

Get approved for higher limits.

Your borrowing capacity is based on your income and your credit score. One of the benefits of having a good credit score is that banks are willing to let you borrow more money because you've demonstrated that you pay back what you borrow on time. You can still get approved for some loans with a bad credit score, but the amount will be limited.

Easier approval for rental houses and apartments.

More landlords are using credit scores to screen tenants. A bad credit score, especially if it's caused by a previous eviction or outstanding rental balance, can severely damage your chances at getting into an apartment. A good credit score saves you the time and hassle of finding a landlord who'll overlook damaged credit.

Better car insurance rates.

Add auto insurers to the list of companies that use a bad credit score against you. Insurance companies say that people with bad credit tend to file more claims and these people are penalized with a higher insurance premium. With a good credit score, you'll pay less for insurance than similar applicants with lower credit scores.

Get a cell phone on contract with no security deposit.

Another drawback of having a bad credit score is that cell phone service providers may not give you a contract. Instead, you'll have to choose one of those pay-as-you-go plans that have more expensive phones. People with good credit avoid paying a security deposit and can get hundred-dollar discounts on the latest phones by signing a contract.

Avoid security deposits on utilities.

These deposits are sometimes \$100 to \$200 and a huge inconvenience when you're relocating. You may not be planning to move soon, but a natural disaster or other unforeseen circumstance could change your plans. A good credit score means you won't have to pay a security deposit when you establish utility service in your name or to transfer service to another location.

Bragging rights.

Because of all the benefits, a good credit score is something to feel good about, especially if you've had to work hard to take your credit score from bad to good. And if you've never had to experience a bad credit score, keep doing what it takes to keep your good score.