**Credit Happiness**

Joaquin Cordero

MSDS Program, Bellevue University

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Professor Metzger

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Having a credit score in the US is very much intertwined with our adult lives and it all starts from the moment we sign up for our very first credit card. The point system ranges from 300-850 and it places your individual score into categories starting from Bad 300-629, Fair 630-689, Good 690-719, and Excellent 720-850 (Barroso and Schwahn 2023). Having a good credit score in the US is most likely if not essential for all adults, although some may not care about having the perfect score it still affects them greatly in their everyday lives. So, what does having a credit score get you? Having a good credit score has many benefits, but a few examples are lower interest rates on your credit card/auto loans, might be even allowed to have higher loan amounts, and it helps with having more housing options (CapitalOne 2021).

With that being said, does having a good credit score have an impact with our overall happiness? My research began with using Google Trends and I started by asking the four questions found below with the timeline of a year based in the US only. What I found was that the question “Is my credit score good?” was the most popular out of all the other questions and the least popular question was “How can I improve my credit score?”. To me the correlation between these two is that if someone asks if their credit score is good and they learn that their credit score ranges from Good to Excellent then they wont bother to ask how to improve since the marginal utility of having a perfect score might not even be worth to check. Another observation I noticed was that the question “Is my credit score bad?” was not as popular as I thought it would be. In my opinion, if someone asks if their score is bad, they are most likely to ask for improvement, but not everyone wants to improve, and some might even be satisfied with their overall score. A graph of a graph

Description automatically generated with medium confidence

“*According to Google Trends, search volume for Credit Score”*

After reading *Everybody Lies* by Seth Stephens-Davidowitz, I briefly remembered that people tend to lie to themselves and have a more positive social outlook on themselves meaning asking if their score is good would be the best option to ask. However, I quickly realized, after looking at the charts and trying to make the most sense for what it could mean, that I made a mistake on what I was asking or looking for. The topic I wanted to research and discuss was how does credit score affect our overall happiness, with the questions I looked for I learned that I did not make any connections with overall happiness in the US to credit score. After doing my own research I learned that changing what is being asked will improve connections, so that I could make a further correlation for the topics presented. By asking better questions that connects criteria or concerns, each topics could prove or be proven wrong about how one’s credit score has an impact on their overall happiness.

What does having a low credit score mean and how does it actually affect overall happiness? Well having a low credit score is a result of poor credit management, going back to the score range, the score is broken down to 35% Payment History, 30% Amount Owed, 15% Length of Credit History, 10% Credit Mix, 10% New Credit (myFICO). As we can see ‘Payment History’ and ‘Amount Owed’ have the biggest impact out of all the scores. Which brings me to my next question, does having a poor credit score mean you are financially irresponsible or does financial instability results in poor credit management?

In this sense it could be both scenarios, poor credit score stems from being financially irresponsible, just the two biggest categories sum up to 65% of your credit score. Late payments and having very high credit balances will really impact your score greatly. But it is also true that financial instability results in poor credit score as certain circumstances force them into doing so. In this scenario a person gets laid off from their career, they are unable to find a job right away and use all the savings they had, they begin to charge more and more to their credit cards while only paying minimum payment. Thus, resulting in higher balances and higher minimum payments while accruing more and more interest rate fees, this person finds themselves stuck in crippling debt and will ultimately have a hard time paying off their credit cards. Stuck with that much debt does indeed affect a person’s mental health and overall happiness “About 79% of those surveyed with low credit scores say the situation induces negative feelings, with worried (49%), ashamed (46%) and angry (30%) being the most common” (Leonhardt 2020).

Poor credit score has many side effects but so does having great credit score. Does having a good credit score make a person happy? Well, if poor credit score had financial instability or financially irresponsible, having a good credit score is the exact opposite. A person with a good credit score knows how to handle their money, but the saying goes “money does not buy you happiness” or does it actually? Many people strive for financial freedom which to a lot of people just means not living paycheck to paycheck “Financial stress can be a significant source of anxiety and unhappiness” (Sharma 2023). Turns out money does buy happiness, in a sense, having more money means your worries for basic necessities are taken care of and if emergency situations arise, having confidence with your finances is one less issue to worry about.

Furthermore, having a good credit score allows you to explore more benefits and higher approval rates for loans. More opportunities are available to someone that has good credit while restrictions are placed to someone that has bad credit. It almost creates a snowball effect when it comes to overall happiness as more and more doors open for good credit while more and more doors are closed for bad credit. Thus, there is correlation between credit score and overall happiness but again it does not mean causation since there are many factors that still factor into one’s happiness.

Assumptions that can be made based on the above, are that a person with a good credit score is financially stable or have a great understanding of the credit score system; but a person with a bad credit score is financially unstable or has a bad understanding of the credit system, possibly thinks too little of it. It can also be true that an individual with a bad credit score is fully aware of their financial situation leading them more into depressing situations. These assumptions are solely based on the reasons that one’s financial status has an affect on their own happiness. Again, there are many factors that is involved when it comes to overall happiness, however as discussed above, financial freedom is a factor to overall happiness.

Moreover, base on these assumptions and ranking people’s happiness based on their credit score can become an ethical concern as some might view it as unfair discrimination. Since we are assuming it based on each individual's credit score, essentially placing them in a ranking and telling them they are unhappy because their scores are low or vice versa. However, by taking to account what someone with a similar score is facing may not be an unfair discrimination due to the fact that it is comparing to what others have experienced, and although it may or may not be the same, it is still informative to know and give better opportunities as a learning experience to those that want to improve. Thus, giving better opportunities to those with lower scores by simply making them aware of their situation, which for a lot of people is the first and hardest step to take. But if someone already has a good score, the assumption that they would like to keep improving their score can also be an opportunity or even the bare minimum of maintaining their score of they are satisfied. Although, there are many challenges to improving overall score, the opportunity to improve your score outweighs the challenges as there is also the benefit of improving your overall happiness.

Overall, a person’s credit score will be essential to majority of their adult life even if one chooses not to care about it, they will soon learn how far their credit score can take them. Credit score has five categories weighing their individual percentages that sums to a weighted score, that will then be placed within a range determining if the score is good or bad. The effects of a credit score varies between each individual but is a factor that play a role in their overall happiness, whether it stems from financial stability or instability. Many opportunities are open to those that achieve a great score while doors are slowly closed to individuals that perform below the met criteria, it is up to each individual how adept they would like to be when it comes to their scores. But for those willing to learn more, being aware of their situation can be the first step into improving their overall happiness.

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