



Raising a 'Fair' Credit Score to 'Very Good' Could Save Over \$45,000

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LendingTree's latest study analyzes the cost of poor credit

CHARLOTTE, N.C., July 23, 2018 /PRNewswire/ -- [LendingTree®](#), the nation's leading online loan marketplace, today released a [study](#) on the impact of raising a 'fair' credit score to 'very good' that found consumers could save over \$45,000.

LendingTree researchers analyzed anonymized loan request and average loan balance data from LendingTree users to see how a lower credit score can increase borrowing costs for the average American with a fair versus excellent credit score. The analysts compared the range of credit scores generally considered "fair" (580 to 669) to the range generally considered "very good" (740 to 799) to measure the difference in costs of the life of loans using the average balances for five different kinds of loans (mortgage, student loan, auto loan, personal loan and credit card).

Study Highlights:

- Raising a credit score from "fair" (580-669) to "very good" (740-799) saves \$45,283 on a common array of debts.
- Mortgage costs account for 63 percent of the savings (\$29,106 in savings with very good credit score versus fair).
- Paying the minimum balance on an average credit card debt represents the second largest difference, with about \$5,600 in savings for a very good versus a fair score. That amounts to someone with fair credit paying 248 percent more in interest than someone with good credit.
- Personal loan borrowers can expect to pay 271 percent more interest on the same loan if they have a fair credit score instead of a very good one, and auto loan borrowers can expect to pay 311 percent more in interest.

Total Interest Paid Over the Lifetime of Loans				
Debt Type	Average Loan Amount	Very Good Credit Score	Fair Credit Score	Total Cost Difference
Credit Cards	\$5,265	\$3,794	\$9,423	\$5,629
Personal	\$11,258	\$2,217	\$6,007	\$3,790
Auto	\$21,778	\$2,267	\$7,050	\$4,783
Student	\$37,525	\$7,059	\$9,035	\$1,976
Mortgage	\$234,437	\$197,161	\$226,266	\$29,106
Total	\$310,263	\$212,498	\$257,781	\$45,283

Sources: Analysis of anonymized LendingTree and My LendingTree consumer loan and debt data.

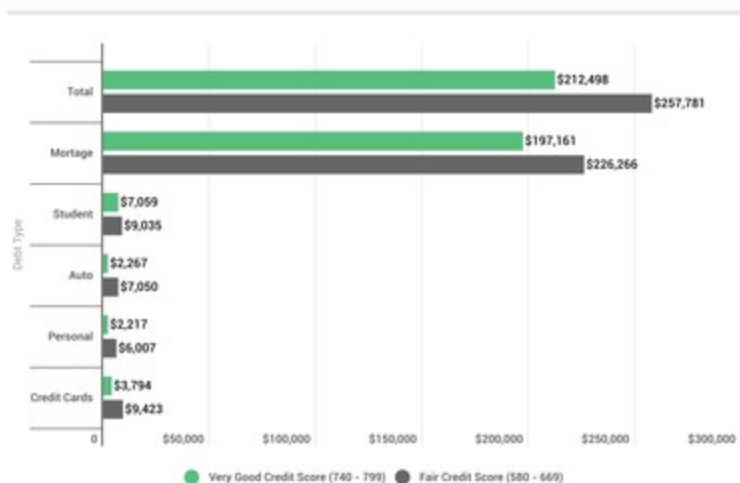
Five Common Debts

Everyone's debt profile is different, but it's typical for an American consumer to buy a condo or house (average mortgage size: \$234,437), purchase a reliable car (average loan size: \$21,778), take out a personal loan to consolidate old debt (average loan size: \$11,258), rack up charges on a credit card (average debt size: \$5,265) and pay off some student loans (average debt size: \$37,525). That adds up to \$310,263 for a lifetime of common American debts. A few things about that figure:

- While the average American may not have \$310,263 of debt all at once, it's still common for borrowers to overlap some or all of these debts at the same time or in close sequence.
- It's likely a low estimate of lifetime American debt, because consumers often have more than one loan of each type throughout their lives.

Still, \$310,263 is a lot of money, especially when considering how much all of that debt costs in interest and fees. Assuming a borrower pays every one of these bills on time, this range of debt will cost someone with a very good credit score (between 740 and 799) \$212,498 in interest. With a fair credit score (between 580 and 669) a borrower is still likely to qualify for similar loan amounts but can expect to pay around \$257,781 in interest and fees, a difference of \$45,283.

Total Interest Paid Over the Lifetime of Loans



Sources: Analysis of anonymized LendingTree and My LendingTree consumer loan and debt data.



To put that in perspective, the median earnings for Americans in 2016 was \$31,334, before taxes. It would take most Americans well over a year to collect \$45,283 of interest via take-home pay — money they would never have to pay if they had good credit.

Even with only one of these loans, the borrower would still see significant savings with a very good credit score. Take a mortgage for example: Assuming every other factor is equal, someone with a very good credit score would have a monthly mortgage payment that is \$81 less than someone with a fair credit score. The person with very good credit could invest that money, use it to pay down debts faster or to increase the down payments on future loans, which would exponentially increase the value of those savings over that same 30-year period.

Money Saved by Raising a Credit Score From Fair to Very Good

Debt Type	Average Loan Amount	Loan Term	Fair Credit Score (580 - 669)			Very Good Credit Score (740 - 799)			Total Cost Difference
			APR	Monthly Payment	Total Payments	APR	Monthly Payment	Total Payments	
Credit Cards	\$5,265	Variable	24.49	Monthly Min.	\$14,688	14.49	Monthly Min.	\$9,059	\$5,629
Personal	\$11,258	3 Years	30.27	\$480	\$17,264	12.07	\$374	\$13,475	\$3,790
Auto	\$21,778	5 Years	11.64	\$480	\$28,829	3.97	\$401	\$24,046	\$4,783
Student	\$37,525	10 Years	4.45	\$388	\$46,560	3.53	\$372	\$44,584	\$1,976
Mortgage	\$234,437	30 Years	5.15	\$1,280	\$460,703	4.58	\$1,199	\$431,598	\$29,106
Total:	\$310,263				\$568,044			\$522,761	\$45,283

Sources: Analysis of anonymized LendingTree and My LendingTree consumer loan and debt data.

"The idea of managing one's credit score can be intimidating and may seem like a lot of effort," said Kali McFadden, senior research analyst and report author. "The good news is that it's not as complicated or opaque as many people fear, and it isn't remotely comparable to the time, effort and stress it takes to work for \$45,283 in net earnings."

McFadden continued, "Credit monitoring can be an essential key to the process because it helps people build awareness of what is currently affecting their scores and how ongoing decisions can change the score. For instance, [My LendingTree](#) alerts users to significant changes in their credit report within 30 minutes."

To view the full report, visit <https://www.lendingtree.com/finance/raising-a-fair-credit-score-to-very-good-could-save-over-45000/>.

Methodology:

For mortgage, personal loans, auto loans and student loan refinancing terms, LendingTree researchers aggregated APR offers received by anonymized LendingTree users in May 2018 as an average across credit score ranges. For credit cards, researchers used the published low and high APR rates of a popular card marketed as a low APR product. For student loans, we assumed that those with a very good credit score could refinance at current private refinance rates, while those who don't continue to pay 2017-18 undergraduate federal loan rates, and we used those rates to calculate potential savings on the average student loan debt. Average debt (student and credit card) amounts were calculated from anonymized My LendingTree user credit report data from TransUnion and average loan (personal, auto and mortgage) amounts were calculated from loans received by borrowers on the LendingTree platform in May 2018.

We assumed credit card borrowers paid the monthly minimum on the existing debt, which we calculated as (principal * 1%) + (accrued interest). For the installment loan products, we calculated potential savings using some of the more popular loan terms in each product: 30 years fixed for a home mortgage, 5 years for an auto loan, 3 years for a personal loan and the federal standard 10-year repayment plan for student debt.

About LendingTree

LendingTree (NASDAQ: TREE) is the nation's leading online marketplace that connects consumers with the choices they need to be confident in their financial decisions. LendingTree empowers consumers to shop for financial services the same way they would shop for airline tickets or hotel stays, comparing multiple offers from a nationwide network of over 500 partners in one simple search, and can choose the option that best fits their financial needs. Services include mortgage loans, mortgage refinances, auto loans, personal loans, business loans, student refinances, credit cards and more. Through the [My LendingTree](#) platform, consumers receive free credit scores, credit monitoring and recommendations to improve credit health. My LendingTree proactively compares consumers' credit accounts against offers on our network, and notifies consumers when there is an opportunity to save money. In short, LendingTree's purpose is to help simplify financial decisions for life's meaningful moments through choice, education and support. LendingTree, LLC is a subsidiary of LendingTree, Inc. For more information, go to www.lendingtree.com, dial 800-555-TREE, like our Facebook page and/or follow us on Twitter @LendingTree.

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