



## Raising a 'Fair' Credit Score to 'Very Good' Could Save Over \$56,000

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### LendingTree's study compares the borrowing costs of loan products across different credit tiers

CHARLOTTE, N.C., Jan. 8, 2020 /PRNewswire/ -- [LendingTree®](#), the nation's leading online loan marketplace, today released a [study](#) on the financial impact of raising a 'fair' credit score to 'very good' that found consumers could save over \$56,000 across the lifetime of common interest-carrying debt types. On a monthly basis, that translates to an average total difference of \$316 per month.



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 \$56,400 across five common loan types. That's an average total difference of \$316 a month.
- Mortgage costs account for 73% of those savings (\$41,416 in savings with "very good" credit versus "fair").
- Refinancing student loans comes with the second biggest savings difference at \$4,707, or 8% of the total difference in interest.
- Borrowers with fair credit can expect to pay more than twice as much in interest for personal, auto and student loans, and 97% more on credit cards.

#### Total Interest Paid over Lifetime of Loans

The study analyzed borrowing costs across the 5 most common debt types, using average amounts for each outstanding debt. Assuming a borrower repays all five debts on time, their total costs for interest and fees will amount to \$233,209 (for very good credit) or \$289,609 (for fair credit). That's a difference of \$56,400 in interest and fees. (To put that into perspective, the median earnings for Americans in 2018 was \$35,291, according to the [U.S. Census Bureau](#).)

Debt Type	Average Debt Amount	Interest Paid "Fair" Credit	Interest Paid with "Very Good" Credit	Total Difference in Interest Paid (based on credit)
Credit cards	\$3,668	\$6,097	\$3,102	\$2,995
Personal loans	\$11,342	\$6,325	\$2,889	\$3,436
Auto loans	\$25,346	\$7,471	\$3,625	\$3,846
Student loans	\$35,208	\$8,640	\$3,933	\$4,707
Mortgage	\$253,435	\$261,076	\$219,660	\$41,416
<b>Total</b>				<b>\$56.40</b>

Even Americans who don't carry all five of these debt types can save significantly with very good versus fair credit. Assuming every other factor is equal, someone with a very good credit score would have a monthly mortgage bill that is \$115 lower than someone with a fair credit score. They could invest that money, use it to pay down other debts or save for future down payments.

#### Raising your credit score isn't as hard as it sounds

The idea of managing your credit score can be intimidating and might seem like a lot of effort. The good news is that it's not as complicated or opaque as many people fear.

Changes to your credit score can happen quickly, with some consumers seeing positive changes in a relatively short period of time for things like paying down credit debt or disputing any errors on credit reports. Those who plan to take out a mortgage or other loan type should refrain from opening new credit accounts, as credit checks and young accounts can lower your credit rating. And for those in good standing with card issuers, it may make

sense to ask for a higher credit limit, thereby lowering your overall utilization ratio (not increasing your buying power).

Credit monitoring can be an essential key to the process because it helps you identify what may be affecting your credit score and how ongoing decisions can change it. For instance, [My LendingTree](#) alerts users to significant changes in their credit report within 30 minutes.

**For the full report, please visit:** <https://www.lendingtree.com/personal/study-raising-credit-score-saves-money/>

### **Methodology**

Average loan balances and interest rates for personal, auto and mortgage loans were calculated from loan requests and offers from loan amounts requested by inquiring borrowers on the LendingTree platform in Q3 2018 and aggregated by credit score band.

Average credit card balance was calculated using a combination of data sources, including the New York Federal Reserve, anonymous My LendingTree user reports and TransUnion.

Credit card rates were provided by Matt Schulz, chief industry analyst at CompareCards, and average credit card balance was calculated using a combination of data sources, including the New York Federal Reserve, anonymous My LendingTree user reports and TransUnion. We assumed credit card borrowers paid the monthly minimum on the existing debt, which we calculated as  $(\text{principal} * 1\%) + (\text{accrued interest})$ .

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 current undergraduate federal loan rates. Average student debt was calculated from anonymized My LendingTree user credit report data.

### **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, 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, customized recommendations to improve credit health, and notification when there are opportunities 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](http://www.lendingtree.com), dial 800-555-TREE, like our Facebook page and/or follow us on Twitter @LendingTree.

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