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High credit score can save you plenty

By [Cari Noga](#) • Bankrate.com

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With credit scores driving everything from interest rates and insurance premiums to utility service and job offers, a good credit score is possibly the biggest boost you can give your financial life. It puts you on equal footing with lenders and creditors who want your business. Over the course of your financial life, a good credit score could save you thousands of dollars.

"Everything is negotiable, with the right credit," says K.E. Varner, a former manager at credit reporting agency Equifax and the author of "[The Insider's Guide to Credit Repair](#)."

What's good credit? Varner says above 700 is where you want to be.

"If you're at the 720 mark, you have some bargaining power," he says.

"If you're in the mid-700s upward, you're going to get the very best rates available."

MyFICO.com lists six stratifications within the prime credit range of 620 to 850. (Below 620 you'll be offered subprime rates, if you're

offered credit at all.) Above 760 is equivalent to an "A," says Travis Plunkett, legislative director at the [Consumer Federation of America](#), or CFA.

According to myFICO's daily updated mortgage rate data, that 760 credit score translates to a 6.3 percent interest rate on a 30-year fixed, \$216,000 mortgage. Meanwhile, a 700 score would get a 6.52 rate. A 620 score would pay more than a full percentage point higher, 7.89 percent, for that same mortgage.


Howell Edwards, vice president at Florida-based [InCharge Debt Solutions](#) a national nonprofit credit counseling agency, says that while different creditors judge credit scores differently, "anything over 700 is a pretty good score."

"A good credit score probably does give you the leverage that a bad credit score does not have," he says. "You do have companies that can compete for your business, because you're such a good risk."

In return for demonstrating that low risk, those with those with 700-and-up credit scores can expect from creditors and lenders:

Have a high credit score? You can expect:

- **Job offers.** Increasingly, potential employers pull credit reports and scores as another way to assess job candidates. "Overall, it's a reflection of a person's character. That's the assumption these companies make," Varner says. The connection between credit scores and job offers means the rise in student debt could pack a double whammy on unaware students. "They come out of an Ivy league school, have great grade point averages, but if they haven't managed their credit wisely, they run the risk of having that affect their ability to obtain employment," Varner says. Edwards says InCharge has done studies showing that financial stress does affect productivity. "If you're under financial stress and you come to work, you may be distracted," he says. "Given everybody is equal in their backgrounds and skill set, if one person has a better credit score, you're probably going to be better off with that person."
- **Lower interest rates.** This goes for home loans, car loans and credit cards. Last September, in its second annual consumer credit score survey, CFA and Provident (now Washington Mutual) released findings that consumers could save a collective \$16 billion in credit card finance charges alone if they raised their scores by 30 points.



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- Insurance.** Home and auto insurers may look at credit scores before deciding if coverage will even be offered and then at what premium. Edwards says that several years ago, insurers decided there was a correlation between credit score and losses and that people with higher scores filed fewer claims. That's possibly because habits from responsible credit use -- like paying on time and refraining from taking on too much debt -- may carry over to responsible driving and homeownership. Hence the better rates for better scores. "It's like the good student discount," Edwards says. According to the CFA survey, however, just 57 percent of respondents understood credit scores were a factor in home insurance.
- Utility service.** If you've got good credit, utilities like gas, electric, cable and phone companies may waive hefty deposits and offer better plans. This, too, remains less understood. Just 58 percent of the CFA respondents understood how credit scores affect cell phone pricing and service.

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If you're in that 700-and-up class, don't be shy about using it to your advantage. When Varner's bank called to offer him a reduced interest rate for a balance transfer, the Atlanta area resident thought the terms weren't quite to his liking.

Varner knew his credit score -- 749 -- made him a desirable customer. So he started negotiating.

"Not only did he give me a better rate, after that introductory rate expired, the original rate went down as well," says Varner.

Plunkett at CFA says savvy consumers with good credit, such as Varner, can indeed wield their credit score to save money. Credit card companies are trying to win market share from their competitors and may be very willing to negotiate to gain a good customer.


"In this market for credit cards you are in a good position to negotiate your rate. I could even say deflate your rate," Plunkett says. "But you have to have good credit. They're not going to do it if you've made late payments."

One caveat: If you do have a good credit score and want to shop it around for better deals, don't browse too long. Plunkett says a small number of credit report inquiries within, say a month is OK, but a prolonged spike in credit report requests could hurt your score.

-- Posted: July 1, 2006

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