



The Hidden Costs of Bill Pay 2021

doxoINSIGHTS Report 2021



A comprehensive analysis of the four hidden costs of bill pay that affect consumers: late fees, overdraft fees, identity fraud, and detrimental costs of credit.

www.doxo.com/insights

About doxoINSIGHTS

doxoINSIGHTS leverages doxo's unique, aggregate, anonymized bill pay data comprised of actual bill payment activity to confirmed household service providers across the country.

6M+

Statistically significant, with over 6 million paying consumers.

30,000+

Geographically diverse, capturing payment activity in all 30,000+ U.S. zip codes

100,000

Covering 45 different biller service categories, with more than 100,000 unique billers

All income brackets

Economically representative, with participation from all income brackets.

All payment funding sources

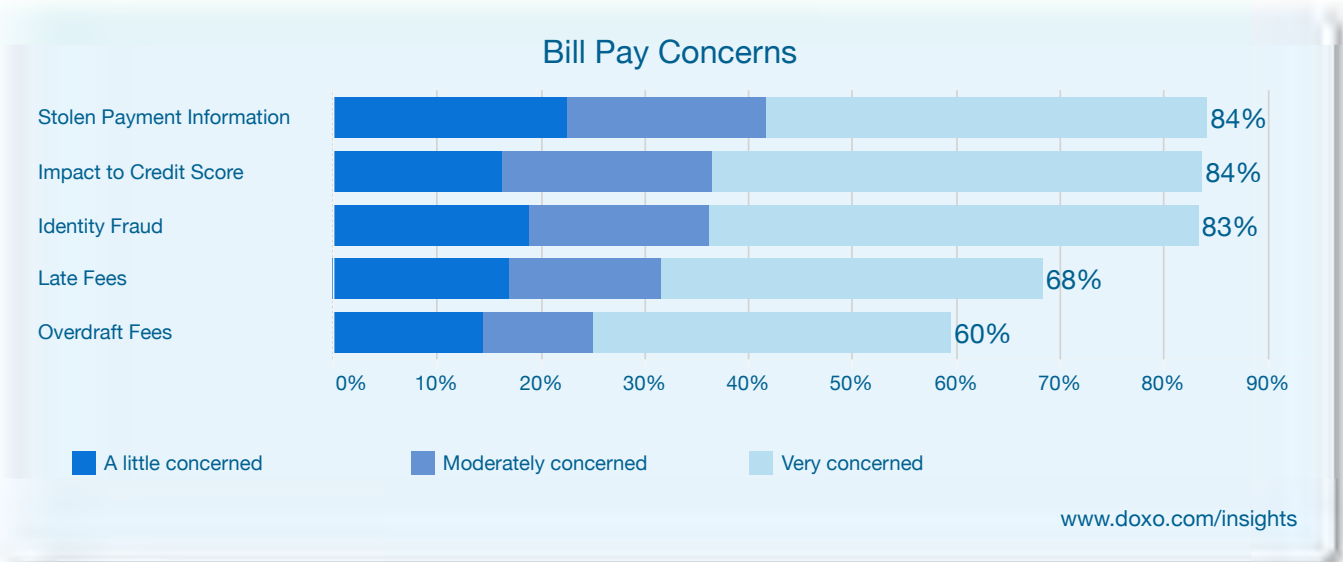
Capturing all payment funding sources, including bank accounts, credit cards, and debit cards.

A comprehensive analysis of the four hidden costs of bill pay that affect consumers: late fees, overdraft fees, identity fraud, and detrimental costs of credit.

doxoINSIGHTS aims to bring transparency to the U.S. bill pay market by bringing together the broadest available data set for analyzing actual household payment activity, and providing the foundation for bottoms-up market sizing for the 10 most common household bills. For more information about doxoINSIGHTS visit www.doxo.com/insights.

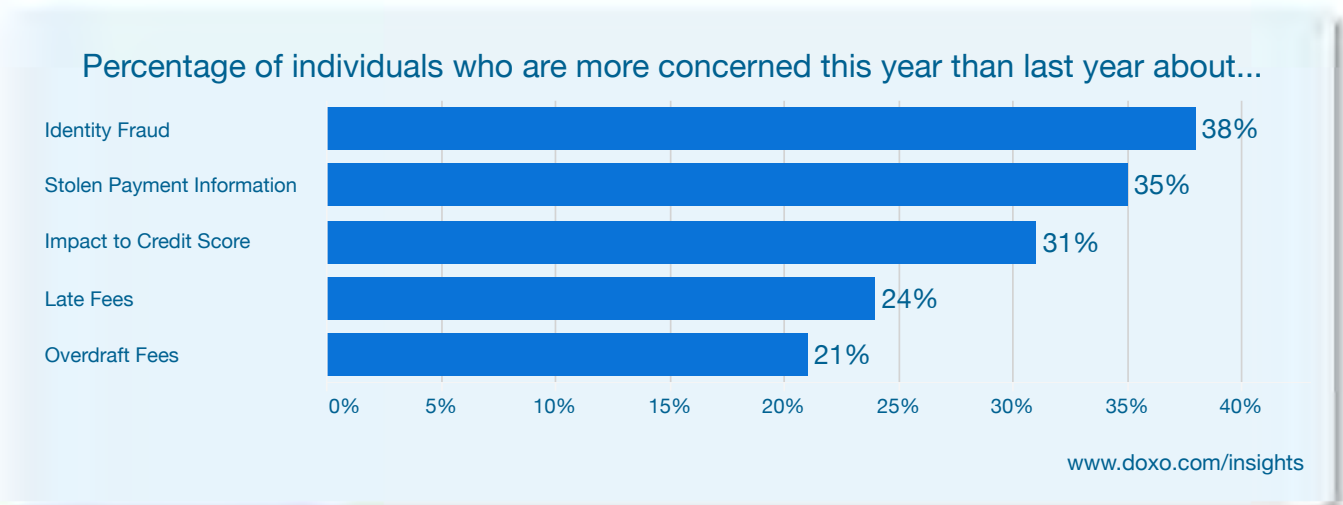
84% of households are concerned with stolen payment information

When paying their bills, stolen payment information emerges as the top concern for U.S. consumers. 84% of bill paying consumers surveyed indicated concern about stolen payment information. Other identified concerns for bill payers are impact to credit score (84%), identity fraud (83%), and late fees (68%).



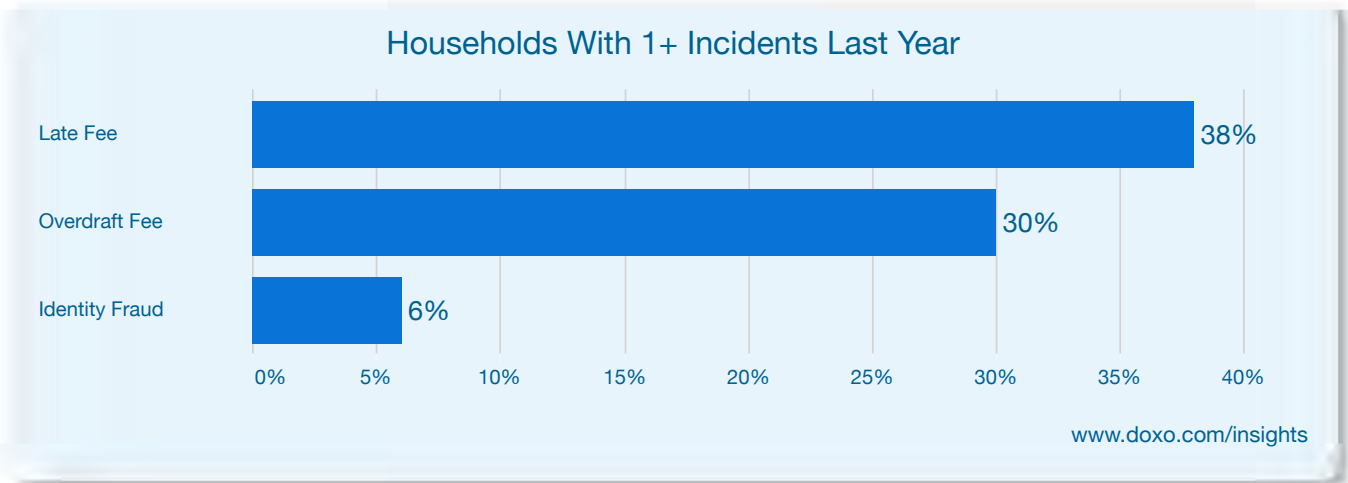
38% of households are more concerned with identity fraud than they were last year

For many households, concerns about bill payments have only mounted during the past year. The largest spike was in concern about identity fraud: 38% of surveyed households were more concerned about it than they were last year. Other mounting concerns were stolen payment information (35%), impact to credit score (31%), and paying late fees (24%).



38% of households incurred late fees over the past year

Consumer concerns about late fees, identity fraud and harm to one's credit score are well founded. Of households surveyed, 38% reported paying at least one instance of a late fee in the past year, with some potentially impacting their credit score. 30% of households report paying one or more overdraft fees. While 6% report an identity fraud event, a far larger percentage of consumers are impacted by theft of personal data through business data losses each year.

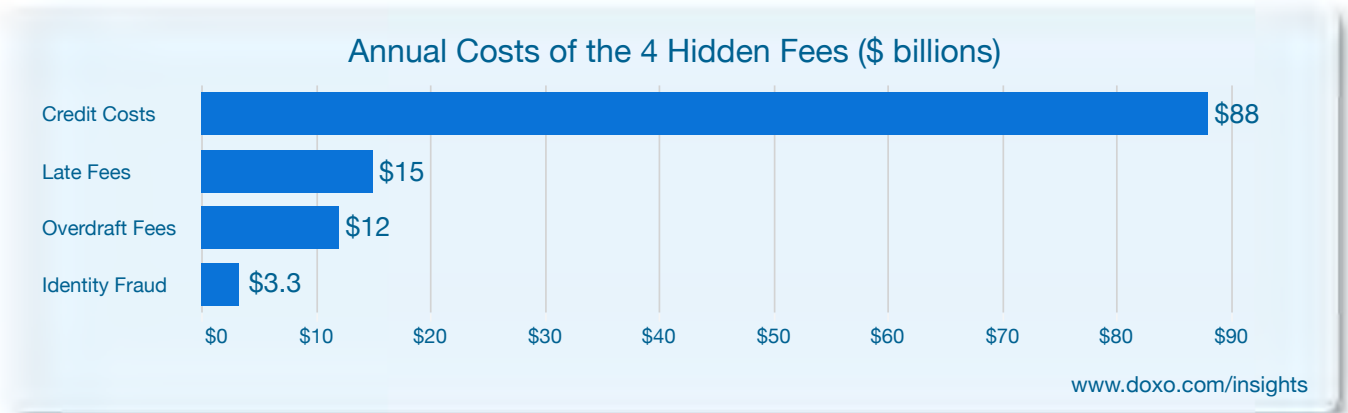


\$119 billion over the past year spent by US households on hidden bill pay costs

doxo analysis uncovers the actual consumer cost of four of the often-overlooked costs of bill pay: credit costs, late fees, overdraft fees, and identity fraud.

These fees and costs add up to an additional \$119 billion in household expenses each year:

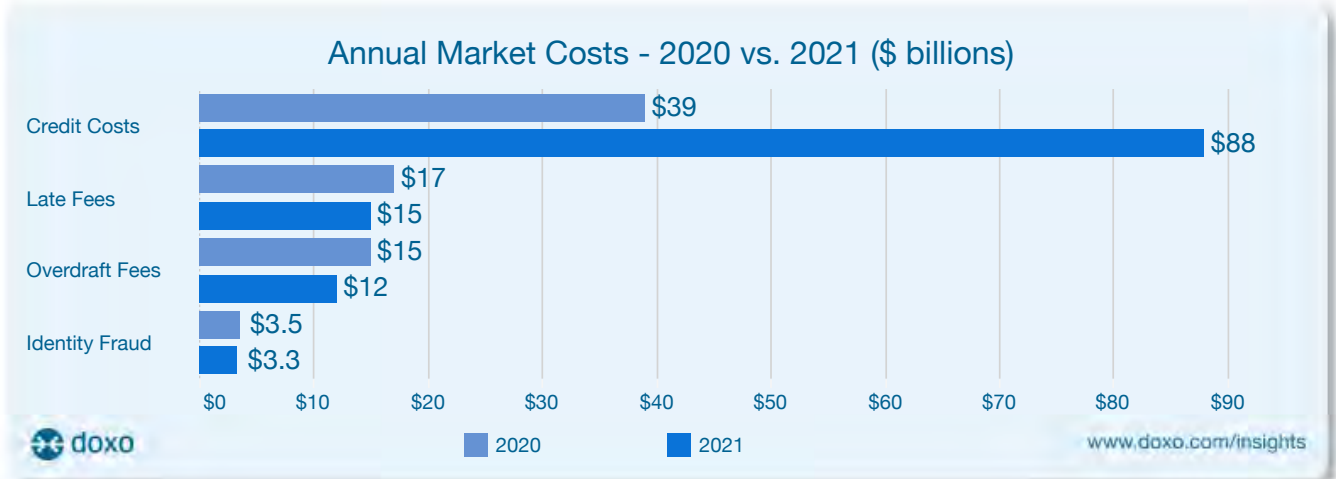
- \$88 billion of detrimental credit impacts
- \$15 billion of biller late fees and penalties
- \$12 billion of bank overdraft fees
- \$3.3 billion of identity fraud



U.S. households spent \$45 billion more on hidden bill costs than last year

The annual market footprint of hidden bill costs increased substantially in 2021. Last year's [Hidden Costs of Bill Pay Report](#) showed that these four categories cost US households \$74 billion, compared to this year's \$119 billion. A more than doubling of the impact of detrimental credit costs was behind this spike. While households paid \$39 billion because of detrimental credit costs in 2020, they paid \$88 billion for them in 2021.

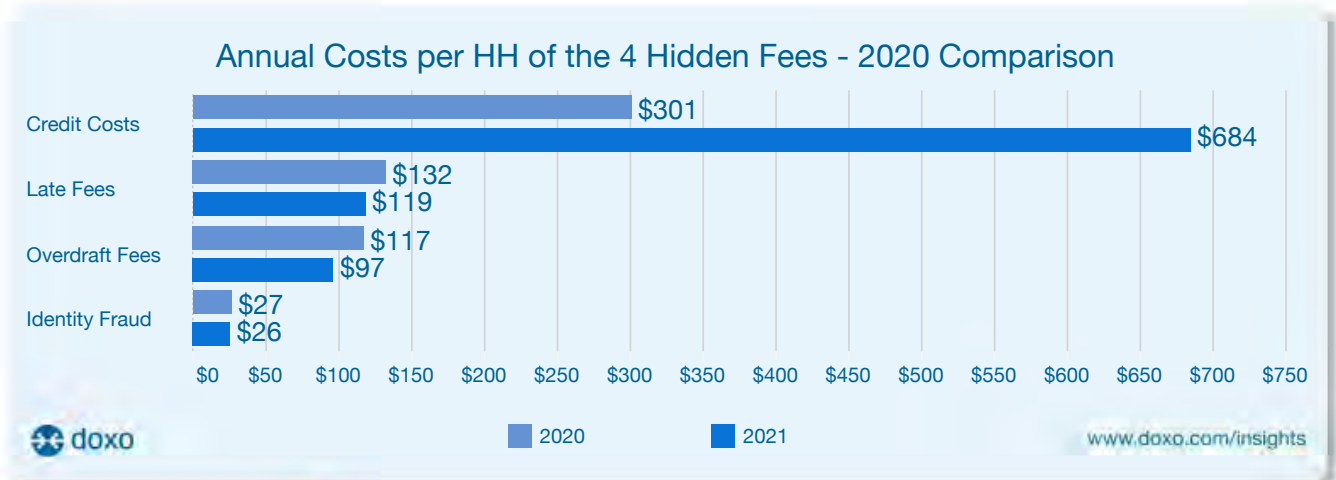
The large increase in credit costs is further discussed on page 7.



Hidden Cost expenses increased \$348 per US Household over the past year

Per household, the sharp increase in the costs of poor credit was due to a widening of the gap in average APR rates between people with high and low credit scores. While the financial benefit of having a 35-point credit score bump was \$301 in 2020, it rose to \$684 in 2021.

The large increase in credit costs is further discussed on page 7.



The hidden costs of bill pay amount to \$925 for the average household

The \$119 billion in total hidden bill pay costs, when applied across all U.S. households, shows that these costs are as significant as \$925 each year. These hidden costs comprise an additional 5% on top of the \$1,889 the average household pays monthly for the 10 most common recurring bills. Staying on top of bills and due dates can mean substantial savings for the average U.S. household.

Category	Percent of Households with 1+ Events	Consumer Concern	Average Cost Per Year to Impacted Household	Average Direct Financial Cost per Household
Credit Cost (35 point change)*	100%	84%	\$684	\$684
Late Fees	38%	68%	\$313	\$119
Bank Overdrafts	30%	60%	\$322	\$97
Identity Fraud	6%	83%	\$454	\$26
Total				\$925

*Average household usage of loan category was used in calculating the \$684, while 100% of households were used to calculate the average direct per household credit costs, since all households can benefit from an increase in credit score.

A 35 point credit score boost could have saved the average household \$684 over the past year

doxo analysis quantifies the specific interest rate impact of a 35 point improvement in credit score, resulting in an annual savings of \$684 for the average household when considering the three most common forms of consumer debt (mortgage, auto loan and credit cards). Staying on top of bills and debt obligations is one of the most straightforward ways to achieve or exceed such a boost.

The average U.S. household carries over \$92,000 in debt, so lower interest rates have a significant impact. The \$684 that households could save on these 3 major bill types don't include the additional benefits for good credit that include better rental approval rates, better auto insurance rates, and reducing or eliminating deposit requirements for utilities and other types of services.

The 35 point reference was specifically chosen for this analysis because it represents the difference in interest rates offered for services between a credit score of 660 – the top end of what is often considered a sub-prime credit score – and 695 – the average credit score of the U.S. consumer. doxo believes this 35 point relationship to be relatively linear with even more savings going to consumers who carry more total debt.

In 2020, the difference in credit costs between prime and sub-prime credit scores increased substantially. This was most likely due to the higher unemployment rate and overall industry concern that those with low credit scores may not be able to service their debt. For example, the charge off rate for credit cards in 2020 climbed over 4%, the highest it has been in almost a decade. While the federal government substantially decreased interest rates in 2020 due to concerns over a sluggish economy, and the general credit industry responded with lower rates overall, the gap between the rates that a prime credit score received as compared to a sub-prime credit score widened in all three major lending categories: auto, mortgage, and credit card.

Average Annual Household Cost **\$684**
Consumer Concern **84%**

Category	% HH using credit type	Average Amount of Credit Used	APR Rate Difference from a 35 Point Credit Score Change	Annual Household Cost of Rate Difference
Mortgage	41%	\$151,686	0.43%	\$269
Auto Loan	44%	\$21,438	3.32%	\$313
Carrying a Credit Card Balance	41%	\$5,525	4.49%	\$102
Total				\$684

Late fees cost the average household \$119 over the past year

38% of consumers report being charged with one or more late fees in 2020. While industry data is reported for the credit card industry, which often results in both late fees and interest charges, late fee data is scarce or non-existent across other bill categories.

doxo's consumer survey and analysis uncovers late fee impact across all bill pay categories, which amount to about \$15 billion in total each year. Those households that have a late fee event tend to have multiple events in a year, making it especially costly. While the average cost of late fees across all households is \$119 annually, among households that have one or more late fees, the cost is \$313 annually. Since late fees can directly impact a household's credit score, they are even more costly than the numbers show.

Average Annual Household Cost	\$119
Total U.S. Annual Cost	\$15 billion
Consumer Concern	68%
Households with 1 or More Annual Events	38%
Annual Cost per Affected Household	\$313

Bank overdraft fees cost the average household \$97 over the past year

Banks charge consumers over \$12 billion each year on overdraft fees. 30% of households report having one or more annual events. Bill payments, which are predominantly drawn from checking accounts, are the main cause of bank overdrafts each month.

While the average cost of overdraft fees across all households is \$97 annually, among households that have one or more overdraft fees, the cost is \$322 annually.

Average Annual Household Cost	\$97
Total U.S. Annual Cost	\$12 billion
Consumer Concern	60%
Households with 1 or More Annual Events	30%
Annual Cost per Affected Household	\$322

Identity fraud cost the average household **\$26** over the past year

While total identity fraud losses reach \$17 billion in annual costs, much of this is absorbed by card issuers and merchants. Even so, the average household out of pocket costs for identity fraud still amounts to \$3.3 billion, or \$26 per household each year. These are just the direct costs, not including the time and expense consumers spend to restore and repair their identity records once compromised. These expenses also don't include the increases to overall costs that service providers must build in to cover the expense of fraud.

Consumer anxiety about identity fraud risk is high, and media coverage of high-profile business data losses heightens awareness. 15% of the doxo user base reported some type of identity or payment data theft event – substantially different from the industry reported 6%.

Average Annual Household Cost	\$26
Total U.S. Annual Cost	\$3.3 billion
Consumer Concern	83%
Self-Reported Frequency	15%
Households with 1 or More Annual Events	6%
Annual Cost per Affected Household	\$454

Sources

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Identity Fraud

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About doxo

doxo provides simple, secure all-in-one bill payment to any biller, with any payment method, on any device. A doxoPLUS subscription adds free bank payments and five essential financial protections that boost household financial health.

Through these services, doxo currently serves over six million paying users who can make payments to over 100,000 local and national businesses, making doxo the largest bill pay directory in the nation. Billers on the network get paid directly, fast and free – and consumers have complete bill pay independence over when and how they pay their bills.

doxo expanded its user base by more than 70 percent in the past year and is expanding its team to further accelerate growth and change the bill pay landscape to focus on the customer. doxo investors include MDV, Sigma Partners, and Bezos Expeditions. doxo is based in Seattle, WA.

For more information visit www.doxo.com.