

The Hidden Costs of Bill Pay

A comprehensive analysis of consumer sentiment and amount of the commonly overlooked additional bill pay costs.

July 2020

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This Hidden Costs of Bill Pay report uses doxoINSIGHTS data combined with other research to provide the first ever comprehensive look at America's top concerns while managing and staying on top of bills. This analysis uncovered \$577 in additional, hidden costs each year that the average household pays on top of their regular bills.

Survey-based data in this report is based on responses from 1,105 bill paying households and has a 3% margin of error. The reference questions and answer text provided in this report have in some cases been shortened due to space constraints.

About doxoINSIGHTS data

[doxoINSIGHTS](#) data and reports are designed to bring greater transparency to the \$3 trillion U.S. bill pay economy for consumers, service providers, and financial institutions.

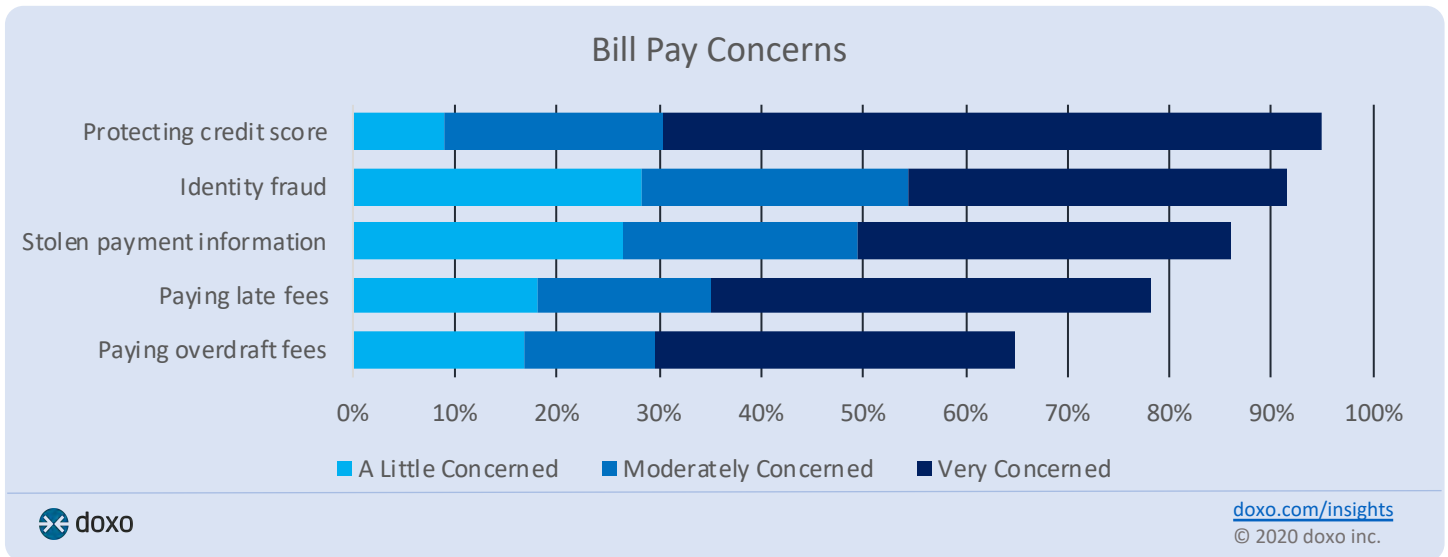
doxoINSIGHTS leverages user surveys and doxo's unique aggregate, anonymized bill pay data, comprised of actual bill payment activity to verified household service providers. This foundation of validated payment behavior provides greater insight and reliability for consumer behavior and statistics than surveys alone. doxo bill pay statistics bring together the broadest available data set for analyzing actual household payment activity. The doxoINSIGHTS bill pay data source is:

- Statistically significant, with over 4 million paying consumers;
- Geographically diverse, capturing payment activity in all 3,007 U.S. counties;
- Economically representative, with participation from all income brackets;
- Covering 45 different biller service categories, with more than 65,000 unique billers;
- Capturing all payment funding sources, including bank accounts, credit cards, and debit cards.

For more information about doxoINSIGHTS visit www.doxo.com/insights.

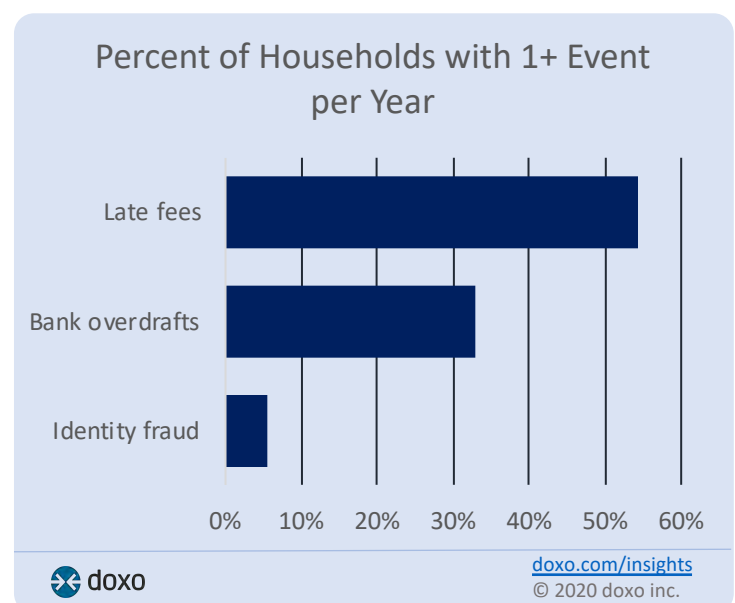
95% of bill payers concerned about protecting their credit score

When paying their bills, protecting their credit score emerges as the top concern of U.S. consumers. 95% of bill paying consumers surveyed indicated concern about detrimental impacts to their credit from late or missed payments. Other identified concerns for bill payers are identity fraud (91%), stolen payment information (86%), paying late fees (78%), and paying overdraft fees (65%).



54% of households incur late fees each year

Consumer concerns about credit impacts, fees and identity fraud are well founded. 54% have at least 1 late payment event each year, with some potentially impacting their credit score. 33% of households report one or more bank overdrafts. While only 6% of bill payers surveyed report an identity or payment fraud event, a far larger percentage of consumers are actually impacted by theft of personal data through business data losses each year.

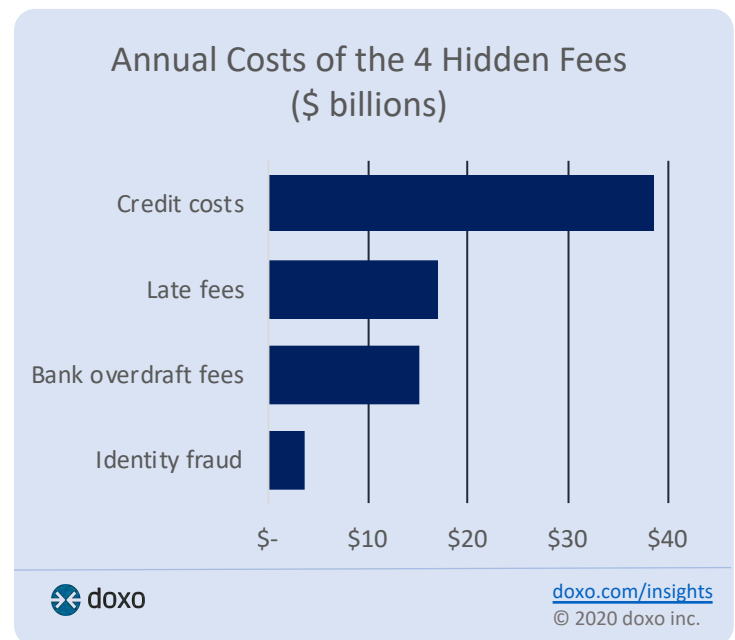


\$74 billion per year spent by U.S. households on hidden bill pay costs

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

These additional fees add up to an additional \$74 billion in household expense each year:

- \$39 billion of detrimental credit impacts
- \$17 billion of biller late fees and penalties
- \$15 billion of bank overdraft fees
- \$3.5 billion of identity fraud



The hidden costs of bill pay amount to \$577 for the average household

This \$74 billion in total hidden bill pay costs, when applied across all U.S. households, shows that these costs are significant at \$577 each year. These hidden costs comprise an additional 5% on top of the [\\$914 the average household pays](#) monthly for the nine most common recurring bills. Staying on top of bills and due dates can mean substantial savings for the average U.S. household.

Category	Average Cost Per Year to Impacted Household	Percent of Households with 1+ Events	Average Direct Financial Cost per Household	Consumer Concern
Credit Cost (35 point change)*	\$301	100%	\$301	95%
Late Fees	\$243	54%	\$132	78%
Bank Overdrafts	\$354	33%	\$117	65%
Identity Fraud	\$481	6%	\$27	88%
Total			\$577	

* Average household usage of loan category was used in calculating the \$301, 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 can save the average household \$301

doxo analysis quantifies the specific interest rate impact of a 35 point improvement in credit score, resulting in an annual savings of \$301 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 \$72,000 in debt in these categories, so lower interest rates have significant impact. These savings 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.

Average Annual Household Cost

\$301

Consumer Concern

95%

Type of Credit	% Households 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%	\$ 148,060	0.26%	\$ 154
Auto Loan	44%	\$ 21,307	0.70%	\$ 66
Carrying a Credit Card Balance	37%	\$ 5,673	3.84%	\$ 81
Total				\$301

Late fees cost the average household \$132 per year

54% of consumers report being charged with one or more late fees each year. 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 \$17 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 \$132 annually, among households that have one or more late fees, the cost is \$243 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	\$132
Total U.S. Annual Cost	\$17 billion
Consumer Concern	78%
Households with 1 or More Annual Events	54%
Annual Cost per Affected Household	\$243

Bank overdraft fees cost the average household \$117 per year

Banks charge consumers over \$15 billion each year on overdraft fees. Even though the average overdraft amount is just \$24, consumers are charged a fee of \$33.36 on average by banks for each incident. 33% of households have 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 \$117 annually, among households that have one or more overdraft fees, the cost is \$354 annually.

Average Annual Household Cost	\$117
Total U.S. Annual Cost	\$15 billion
Consumer Concern	65%
Households with 1 or More Annual Events	33%
Annual Cost per Affected Household	\$354

Identity fraud costs the average household \$27 per year

While total identity fraud losses reach \$16.9 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 \$3.5 billion, or \$27 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.

Managing logins and payment account info across multiple billers increases the fraud risk vectors. Over [150M consumers](#) have had their payment or identity data compromised in recent hacks of U.S. businesses. Over [900 municipalities and billers](#) were hacked in 2019 alone.

Consumer anxiety about identity fraud risk is high, and media coverage of high-profile business data losses heightens awareness. 30% 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	\$27
Total U.S. Annual Cost	\$3.5 billion
Consumer Concern	88%
Self-Reported Frequency	30%
Industry Reported Frequency	6%
Annual Cost per Affected Household	\$481

Sources

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Late Fees

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Bank Overdrafts

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Identity Fraud

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