



## New MoneyRates Study Shows Americans Overpay \$72.5 Billion a Year on Credit-Card Debt

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*New metric measures how much consumers could save if they used more cost-effective tools for long-term debt*

**Foster City, CA – February 5, 2020** – Today, American consumers hold \$1.086 trillion in credit-card debt. Twenty years ago it was \$610 billion. Many people make their rising debt worse by paying more interest than necessary. A new credit-card-debt study from [MoneyRates.com](https://www.moneyrates.com) shows high credit card interest rates cost Americans an extra \$72.5 billion every year due to inefficient debt use. This figure is based on the new Excess Credit Expense Index, which shows how much consumers cost themselves by using short-term credit to pay for long-term debt.

The new index was created by MoneyRates.com, a personal finance site, to demonstrate how much consumers can save by shifting their debt balances to more cost-effective tools for long-term debt such as personal loans.

- Personal loans are an alternative with 6.67% cheaper interest rates than credit cards on average
- Applying this 6.67% rate difference to the \$1.086 trillion in outstanding credit-card debt shows Americans are paying an extra \$72.5 billion in interest
- The figure reached an all-time high last year
- Just 10 years ago, it was less than half that at \$29.3 billion
- Twenty years ago the Excess Credit Expense Index was \$7.7 billion

The index calculated the excess interest paid by consumers back to 1999 and shows it rose sharply. The amount of credit-card debt soared in the past 20 years and the gap between credit card and personal loan rates widened. "With debt levels rising, it's more important than ever to make smart decisions about managing your debt," says Richard Barrington, the study's author and Senior Financial Analyst for MoneyRates.com. "Unfortunately, the rise in the Excess Credit Expense Index shows many consumers are failing to do that, and it's costing them dearly."

Credit cards are a means of accessing short-term credit as an alternative to cash. "They're meant for convenience not for carrying long-term debt balances," explains Barrington. "If you don't pay off your credit-card balance promptly, you'll pay a high interest rate for maintaining credit-card debt. There are much cheaper alternatives."

Barrington is available for comment and can offer tips to reduce the amount of unnecessary interest consumers pay, budget better or make more aggressive credit card payments.

See the full results of the study and read more about the Excess Credit Index here, [www.money-rates.com/personal-loans/excess-credit-expense-index.htm](https://www.money-rates.com/personal-loans/excess-credit-expense-index.htm).

### Methodology

*Americans owe \$1.086 trillion in credit-card debt. The average interest rate charged on credit-card balances is 16.88%. Applying that interest rate to the total amount of credit-card debt yields an annual interest cost of \$183.4 billion on credit-card debt. Instead of carrying this debt on their credit-card balances, consumers have the option of applying for personal loans. The average interest rate on a personal loan is 10.21%. Applying this interest rate to the total credit-card debt balance would result in an annual interest charge of \$110.9 billion. The difference in the interest cost on credit-card debt and an average personal loan rate equals \$72.5 billion or the potential savings for consumers.*

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