

TransUnion Minimum vs. Actual Payments Study

A new TransUnion study found that consumers able to pay more than the minimum payment due on their credit cards had significantly lower delinquency rates on not only their credit cards, but also their auto loans and mortgages. Consumers who made the minimum payment, or close to it, had generally higher delinquency rates.

FULL VERSUS PARTIAL PAYMENTS



FOUR IN 10 CONSUMERS

making payments on their credit cards in a given month almost always pay off their entire credit card balance.

Of the other 6 consumers who make a payment in a given month, **two will only pay the minimum owed.**



TOTAL PAYMENT RATIO CALCULATIONS

Among the metrics developed by TransUnion for this study was the Total Payment Ratio (TPR). It's calculated by dividing a consumer's total credit card payments in any time period by the total minimum due in that time period on all of the consumer's cards.

For instance, someone making \$1,200 in payments on 3 credit cards when the aggregate minimum due on those cards was \$600 has a TPR of 2.0. A person making \$1,200 in payments with an aggregate minimum due of \$200 has a TPR of 6.0. TransUnion used this metric to analyze how credit users performed on various loan types.

TPR	90-DAY CREDIT CARD DELINQUENCY RATES	60-DAY AUTO LOAN DELINQUENCY RATES	60-DAY MORTGAGE LOAN DELINQUENCY RATES
TPR ≥ 30	0.08%	0.12%	0.43%
5 ≤ TPR < 15	0.53%	0.56%	0.98%
TPR < 1.03	2.36%	1.38%	1.98%

AGGREGATE EXCESS PAYMENT METRICS

TransUnion also developed the Aggregate Excess Payment (AEP) metric to gauge how much in aggregate the actual payments made were in excess of the minimum payments due. It's calculated by subtracting the total minimum due from the total payments made in any timeframe across a consumer's cards.

Consumers with the same TPR could have much different AEP profiles. For instance, a consumer making \$2,000 in payments with a total minimum due of \$1,000 has a TPR of 2.0 and an AEP of \$1,000. A consumer making \$200 in payments when the total minimum due was \$100 also has a TPR of 2.0, but his AEP is only \$100.

AEP	90-DAY CREDIT CARD DELINQUENCY RATES	60-DAY AUTO LOAN DELINQUENCY RATES	60-DAY MORTGAGE LOAN DELINQUENCY RATES
AEP ≥ \$1000	0.19%	0.23%	0.67%
\$200 ≤ AEP < \$500	0.78%	0.98%	1.61%
AEP < \$5	1.84%	1.32%	1.83%