

Debt consolidation comparison shopping as a value proposition for debt relief service providers

The best debt relief service providers don't only provide exceptional customer service and transparent pricing. They also provide valuable financial education and help clients find the best debt management option for their circumstances.

Partnering with financial service networks, such as SuperMoney Monetize allows debt relief companies to provide alternative debt management options, educate users on how to manage their credit, and create additional sources of revenue.

The importance of comparison shopping

As consumers, we love to spend time comparing every detail about the things we buy. On average we:

- Spend 124 hours comparing an average of 19 homes.
- Invest more than 14 hours researching a new vehicle.
- Spend an average up to 20 hours planning a week-long vacation.

However, the same can't be said about the way we compare the loans we use to finance those purchases.

Consumers who are looking for a debt consolidation loan will often go for the first offer they qualify for without taking the time to compare options. This can be an expensive mistake.

Debt relief companies can help clients create a get-out-of-debt plan that includes the most cost-effective strategies. Connecting clients with debt consolidation loans with competitive rates they can prequalify without hurting their credit score is a valuable service that can also provide debt relief companies with an additional source of revenue.

Not comparing lenders is an expensive mistake

Here are a few examples of the cost of not comparing financing options.

For most homebuyers, the mortgage shopping process stops after their first application. [A study by the Consumer Finance Protection Bureau](#) reported that 77 percent of homebuyers only applied to one lender. However, [comparing multiple lenders](#) on a typical \$250,000 mortgage would save the average buyer up to \$3,900.

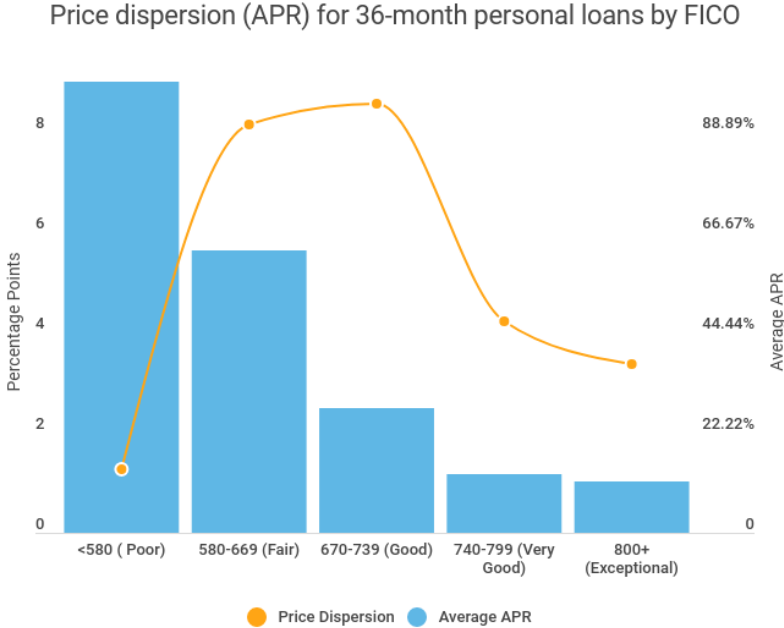
A recent [survey by the Federal Reserve](#) reported that 76.1 percent of car buyers negotiated the purchase price with the seller, but only 31.6 percent negotiated the interest rate on their loan. Failing to compare several auto lenders causes the average car buyer to pay an interest rate that is 1.3 percentage points higher than the best rate [available](#). In other words, **most borrowers pay more than they need to just because they don't know they have better offers available.**

We also find this trend in the unsecured personal loans sector. People tend to go with the first lender that approves their loan. This is a big mistake.

Case study of personal loans comparison shopping

SuperMoney, a financial services site, recently carried out a case study that illustrates well the value debt relief companies can provide users.

SuperMoney analyzed nearly 160,000 loan offers to over 15,000 borrowers who recently applied for a loan. **It found that the average difference between the highest and lowest APR offer (for the same borrower and loan term) was 7.1 percentage points.**



Source: SuperMoney data and analysis (2020)



The potential savings on even modest loan amounts are huge when the range of rates is so broad. Consider one borrower in the study’s dataset that had a credit score of 720 and applied for a \$30,000 loan with a 36-month term. The lowest APR offered was 5.99 percent APR and the

highest was 15.87 percent. **This price dispersion on a \$30,000 debt consolidation loan translates into savings of up to \$5,050 — or 17 percent of the loan balance.**

It is worth emphasizing again that this price dispersion is for loan offers to the same consumer.

Comparing multiple lenders when shopping for a personal loan is a smart idea no matter what your credit score is. However, the study showed that **borrowers with fair (580–669) and good credit (670–739) had the most to gain from comparing multiple lenders.** Both credit score brackets had a price dispersion of 8 percentage points. This is a credit score range that includes many consumers considering debt relief services.

That does not mean that comparing lenders is not important when you have excellent credit. According to the same SuperMoney study, **failing to compare multiple lenders could save borrowers with very good credit more money than increasing their credit score by 100 points.**

Debt relief companies working with clients with good credit but who are not sophisticated borrowers can help them save hundreds or even thousands of dollars in unnecessary interest payments.

The problem

Every year, Americans waste billions of dollars on inflated interest rates. Many borrowers only check one or maybe two lenders.

There are several reasons for this. For starters, applying for multiple loan quotes is tedious and time-consuming. Borrowers often think it is a waste of time to compare prices because they assume all lenders have similar rates for people with their credit scores.

Some also worry that applying for multiple loans will hurt their credit score. They are not wrong. Every time you get a hard pull on your credit report, your credit score will probably drop by a few points.

The solution

The good news is that many lenders allow you to prequalify and check your rates with a soft credit pull, which will not ding your credit score.

There are also fintech companies, such as SuperMoney, that are reducing search frictions and price dispersion by making it easier to compare loans.

Debt relief companies can help their clients save money and get out of debt by directing them to lenders with competitive rates and flexible eligibility requirements.

SuperMoney Monetize is a consumer platform specially designed to help companies provide comparison shopping services to their clients.

What benefits do platforms like SuperMoney Monetize offer

Debt relief service providers can use this platform to expand the services they offer and create new revenue streams by connecting

clients to a wide selection of financial services, such as personalized offers for debt consolidation loans.

These services can be offered without sending traffic to another site. For example, SuperMoney uses easy-to-embed and highly customizable offer tables that allow the entire process to occur within the debt relief company's site.

Platforms like SuperMoney's Monetize, provide companies with valuable benefits:

- 1) Provides clients with the ability to compare multiple preapproved offers for relevant services, such as debt consolidation loans without hurting their credit score.
- 2) It allows service providers to overcome sales hurdles, such as - "no thanks, I'd rather apply for a debt consolidation loan than take your debt settlement offer."
- 3) It also helps debt relief companies to give clients access to a wide selection of alternatives to qualified clients before recommending options that may have more detrimental effects on their credit.
- 4) Access to high-volume deals and sleek integrations that keep users on their site or app and can be set up with a simple copy and paste.

If you are interested in learning how SuperMoney's Monetize platform can help your program become more compliant and generate higher conversions, contact Jim Haley (jhaley@supermoney.com).