



LendingTree Analysis Reveals How Personal Loan Purposes Vary by States and Credit Scores

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CHARLOTTE, N.C., Jan. 30, 2019 /PRNewswire/ -- [LendingTree®](#), the nation's leading online loan marketplace, today released its [study](#) on the reasons Americans are getting new personal loans and how purposes vary by states and credit score profiles.



Debt balances are on the rise in America, with total consumer debt up by \$1 trillion in the past five years. While Americans are borrowing more overall, the popularity of personal loans has shot up.

Personal loan statistics show that the number of outstanding personal loans currently stands at nearly 20 million today and have a combined balance of more than \$125 billion. The demand for personal loans has certainly increased. The amount owed on personal loans is more than twice what it was five years ago, and the number of outstanding loans rose 50 percent in the past three years.

Key takeaways

- **Managing existing debt is far and away the most popular reason for a personal loan**, representing 61 percent of all loan requests in 2018. Thirty-nine percent of borrowers plan to use their loans to consolidate debt, and 22 percent plan to use it to refinance credit cards.
- **Consumers seeking personal loans to manage debt also requested the highest origination amounts: \$14,107** average amount for credit card refinance, and \$12,670 for debt consolidation.
- **Almost 15 percent of loans reasons are categorized as "other"** —the third most popular choice. Home renovation and improvement loans are the next-most popular loan purpose, accounting for 7.7 percent of loan requests with an average loan amount of \$12,384.
- **New Englanders are the most likely to use their loans to manage existing debt, taking the top five spots.** The residents of Mississippi, Louisiana, and Arkansas are the least likely.
- **Washington, D.C. is home to the highest rates of a few offbeat loan purposes**, with more residents requesting loans here for a move (7.4 percent) or business (2.6 percent). It's also tied with New York and Louisiana as the place where wedding loans are most requested, with 1.5 percent of loans in these states intended to cover the costs of tying the knot.
- **West Virginia is the top state for borrowers requesting loans for their home**, specifically home improvements (8.6 percent of loans requested in this state) or home buying (4.9 percent).
- **In Wyoming, residents request personal loans for medical expenses more than anywhere else** (6.5 percent). In fact, most of the states where people are more likely to request a loan for medical costs are low-density states with more rural areas.

How borrowers are using personal loans

Debt management is by far the most popular use of personal loans — six in 10 wanted a loan to refinance credit cards or consolidate debt. Of the other possible uses, using loans for home improvement was the next-most popular option at 7.7 percent, followed by making a major purchase (3.5 percent), paying medical bills (3.0 percent) and borrowing to move (2.7 percent).

How credit scores affect personal loan use

Borrowers with low credit scores (below 600) are more likely to be seeking a personal loan for "other" purposes. This could include seeking out alternatives to payday loans, funds to cover everyday expenses or help paying for an emergency. They're also most likely to seek a personal loan to cover medical costs. People with poor credit are also the most likely to request loans for moving expenses, which could indicate that they are relocating to chase better opportunities — and the least able to pay for a move out of pocket.

Loan seekers with credit scores in the fair-to-good range (600 to 750) are the most likely to be seeking a personal loan to consolidate debt or refinance credit card balances.

Those with excellent credit (750 to 850) are more likely to leverage personal loans for big-ticket items. Borrowers in both the 750-799 and 800-850 ranges made a higher than average percentage of loan requests — in some cases, significantly so — in the categories of major purchases, businesses, home buying and home improvements.

Americans overwhelmingly use personal loans to tackle debt

Overall, 61 percent of personal loans are requested with the intent to restructure debts. This includes 39.2 percent of people who plan to use a personal loan to consolidate debt, and 21.8 percent who are looking to refinance credit card debt.

To view the full report, visit www.lendingtree.com/personal/why-people-take-out-personal-loans.

About LendingTree

LendingTree (NASDAQ: TREE) is the nation's leading online marketplace that connects consumers with the choices they need to be confident in their financial decisions. LendingTree empowers consumers to shop for financial services the same way they would shop for airline tickets or hotel stays, comparing multiple offers from a nationwide network of over 500 partners in one simple search, and can choose the option that best fits their financial needs. Services include mortgage loans, mortgage refinances, auto loans, personal loans, business loans, student refinances, credit cards and more. Through the [My LendingTree](#) platform, consumers receive free credit scores, credit monitoring and recommendations to improve credit health. My LendingTree proactively compares consumers' credit accounts against offers on our network, and notifies consumers when there is an opportunity to save money. In short, LendingTree's purpose is to help simplify financial decisions for life's meaningful moments through choice, education and support. LendingTree, LLC is a subsidiary of LendingTree, Inc. For more information, go to www.lendingtree.com, dial 800-555-TREE, like our Facebook page and/or follow us on Twitter @LendingTree.

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