Bankrate

Half of Loan Applicants Denied Since Federal Reserve Began Raising Rates

Younger generations more likely to be denied loan or financial product

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NEW YORK - March 4, 2024 - Half of loan or financial product applicants (50%) have been denied since the Federal Reserve began raising interest rates in March 2022, according to a new Bankrate survey. Additionally, almost 1 in 5 (17%) applicants have been denied more than one financial product. Click here to read more:

https://www.bankrate.com/finance/credit-cards/credit-denials-survey/

Credit card applications have been denied the most (19%), which includes 14% of those who have been denied a new credit card and 6% of those who have been denied a balance transfer card. Others were denied a credit limit increase on a credit card (11%), a personal loan (10%), car loan or car lease (9%), insurance (8%), debt consolidation loan (6%), mortgage loan (5%), home apartment rental application (5%) home equity loan or home equity line of credit (3%). The remainder don't know/can't recall (5%) or prefer not to say (4%).

“One of the ways higher borrowing costs wrestle inflation is by slowing the flow of credit to households and businesses,” said Bankrate Analyst Sarah Foster. “Lending doesn’t stop, but financial firms grow pickier about who they approve for a loan, assessing factors such as income, outstanding debt and payment history.”

The share of Americans who have been denied a loan or financial product rise substantially for those with lower credit scores. Specifically, 73% for those with “poor” credit (a score ranging from 300 to 579), 63% with “fair” credit (ranging from 580 to 669), and 55% with “good” credit (ranging from 670 to 739) are more likely to be denied a loan or financial product. Conversely, less than one third of those with “exceptional” credit (ranging from 800 to 850) have been denied a loan or financial product (29%).

Younger generations were more likely to apply for new financing, but are also more likely to be denied. Specifically, 44% of Gen Zers (ages 18-27) and 53% of millennials (ages 28-43) applied for loans or financial products, compared to 40% of Gen Xers (ages 44-59) and 34% of baby boomers. Among those who applied, 58% of Gen Z and

60% of millennials were denied, while 49% of Gen Xers and 33% of baby boomers experienced the same outcome.

Parents of children younger than 18 years old are also more likely to have sought out financing since the Fed began raising interest rates (59%) compared to adults without children (37%) and parents of children older than 18 years old (39%). Among parents with children younger than 18 who applied for a loan or financial product, 62% experienced at least one denial, versus 49% of individuals with no children or 39% of parents with children older than 18.

More than 8 in 10 Americans who have been denied a loan or financial product since the Federal Reserve began raising interest rates (82%) say it negatively impacted their finances in some way. Specifically, 32% say they felt more stressed about their finances and 23% say they turned to alternative financing to access the credit they needed, such as payday loans or cash advances.

“One of the best ways Americans can insulate themselves from higher interest rates is by concentrating on their credit score, which may be the factor that impacts them more than the Federal Reserve itself, " added Foster. “Lower your debt-to-income ratio, make payments on time and aim to utilize no more than 30% of your available credit.”

Methodology:
Bankrate commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,483 U.S. adults, of whom 1,046 have applied for a loan or financial product since rates increased. Fieldwork was undertaken between January 31-February 2, 2024. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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