

INTERVIEW

EASING THE SQUEEZE ON AFFORDABILITY

A 50-year mortgage probably isn't the answer, but there are other ways to alleviate the continuing sting of high prices.

BY PENELOPE WANG



Matt Schulz

It seems that most Americans, even many with higher incomes, are facing affordability issues these days. Is this something you're seeing in LendingTree data? Yes, it's clear that affordability issues aren't just hitting lower-income Americans. For example, data from a recent report we put out on rising theft from self-checkout showed that the biggest reason people steal is because prices are high—and, surprisingly, self-checkout users making \$100,000 or more a year are more likely to say they've intentionally taken an item without scanning. We've also found in a recent survey that the higher your income is, the more likely you

are to say you expect to use a buy now, pay later plan, splitting the cost of an item into four no-interest payments, for an upcoming purchase.

Still, while many people are struggling, many others, especially those with higher incomes, are thriving. They're spending confidently because they feel good about their financial situation.

Recently, the Trump administration floated the idea of 50-year mortgages as a way to improve housing affordability. Would that help would-be home buyers? I get the appeal, but the math just doesn't work. Our analysis found that with a \$500,000 mortgage at a 6.1% interest rate, your payment might drop from \$3,030 a month to around \$2,700. But you would pay an eye-popping \$1.1 million in interest on a 50-year loan—86% more than the \$590,000 in total interest you might pay on a 30-year mortgage. You also build equity very slowly. Even after 40 years, you would have paid down only 52% of the principal. The average first-time home buyer now is close to 40 years old. Taking out a mortgage that you would not pay off until you are 90 seems ill advised.

Auto loans are another challenge for people, given how expensive new cars are now. What issues are you seeing? We're already seeing terms getting longer with auto loans—six or seven years, versus the usual three to five. The initial loan balance, which now averages around \$42,000, is not as high as a mortgage, but it's still a lot of money stretched out over a long time, especially with something that depreciates in value as quickly as a vehicle. If you need to finance a car for that long, you may want to consider whether that's the



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right vehicle for you. Used cars have gotten more expensive, but they can still save you money.

Many people are also struggling with credit card debt. Does that include higher-income households?

What strategies can help? It's a real pain point. And higher-income consumers definitely still wrestle with debt, in part because they have more access to credit and may be able to get a higher spending limit. The higher the limit, the more opportunity for debt.

Recently, the national average for card debt among cardholders with unpaid balances was \$7,321, up from \$6,921 a year ago, with interest rates averaging 24% on new card offers. If you have good credit, moving your debt to a balance-transfer card with a 0% introductory rate is your best weapon. Or simply call and ask for a lower rate. Last year, we found that 83% of those who asked got their request granted, with a reduction of 6.7 points on average.

You point out in your book that you can use that tactic with other businesses, too. What's the best way to negotiate a better deal? Try to make a connection with the person on the other end of the phone or standing in front of you. It can help to give them a reason for giving you a lower rate for, say, a streaming service, or waiving a bank fee. Perhaps you're a longtime customer, or you have a personal emergency. Do your homework, so you can point to the cheaper pricing available from competitors. Sometimes, if you don't get that lower rate, you may get a counteroffer with other perks—maybe a better hotel room or discounts on other purchases. Try not to leave money on the table. **K**