THE PLASTIC SAFETY NET

FINDINGS FROM THE 2012 NATIONAL SURVEY ON CREDIT CARD DEBT OF LOW- AND MIDDLE-INCOME HOUSEHOLDS

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Why a credit card survey?

- Builds on Demos' previous 2005 and 2008 surveys to learn:
  - How did the 2008 credit crunch impact low- and middle income American households?
  - How did other aspects of the Great Recession (unemployment, loss of housing wealth) affect these households and their relationship with debt?
  - What influence did new consumer credit card protections have?
- New questions about credit reports and scores.

Survey Methodology

- Dēmos contracted with Knowledge Networks to survey 997 low- and middle-income American households who carried credit card debt for longer than three months. We also surveyed 1,000 households who had credit cards but no debt.
- The survey was conducted in February and March 2012.
- We defined low- to middle-income as a total household income between 50 percent and 120 percent of the local (county-level) median income. All of our respondents were at least 18 years of age.
- The margin of error is +/- 3.9 percentage points.

Average credit card debt has declined.

"WHAT IS THE TOTAL AMOUNT OF CREDIT CARD DEBT THAT YOU CURRENTLY HAVE?"

	2008	2012	% change
All	$9,887	$7,145	-27.7%
AGE			
18-24	$3,498	$2,982	-14.7%
25-34	$10,407	$5,156	-50.5%
35-44	$10,141	$6,156	-39.3%
45-54	$10,154	$8,408	-17.2%
55-64	$10,013	$8,228	-17.8%
65 and Older	$9,823	$9,283	-5.5%
RACE/ETHNICITY			
African American	$6,970	$5,784	-17.0%
Latino	$9,049	$6,066	-33.0%
White, Non-Hispanic	$10,358	$7,315	-29.4%
INCOME LEVEL			
Less than $35,000	$7,763	$5,405	-30.4%
$35,000 - $49,000	$10,206	$6,736	-34.0%
$50,000 - $74,999	$11,528	$8,916	-22.7%
$75,000 or More	$11,896	$9,235	-22.4%

Many households still rely on credit cards to pay basic living expenses.

- In 2012, 40 percent of households in our survey report that they used credit cards to pay for basic living expenses such as rent or mortgage bills, groceries, utilities, or insurance in the past year because they did not have enough funds in their checking or savings accounts.

- This rate is comparable to what households reported in 2008.

Many households still rely on credit cards to pay basic living expenses.

Which Expense Do You Think Contributed Most to Your Current Level of Credit Card Debt?

	Percent of Households
Cost-of-Living Expenses	**51%**
Layoff or loss of a job	15%
Car repairs	10%
Home repairs	9%
Major household appliance purchase	5%
Money given to, or used to pay the debts of relatives	4%
Starting up a new business or running an existing business	4%
College tuition/expenses for a spouse, partner, or yourself	3%
College tuition/expenses for a child	1%
Non-Essential Expenses	**31%**
Smaller purchases of non-essential goods and services	22%
Major purchase of a non-essential good or service	9%
Don't Know/Offered Individual Response	**18%**

Medical bills are among the leading contributors to credit card debt.

THE IMPACT OF MEDICAL EXPENSES ON DEBT

	All Indebted Households
Percentage of Households with Medical Expenses on Their Credit Card	47%
Average Amount of Credit Card Debt Due to Medical Expenses	$1,678
Median Amount of Credit Card Debt Due to Medical Expenses	$800
Percentage of Households with Medical Debt Not on Credit Card	30%
Average Outstanding Medical Debt not on Credit Card	$6,476
Median Outstanding Medical Debt Not on Credit Card	$800

Consequences of medical debt.

"IN THE PAST YEAR, HAVE YOU OR A MEMBER OF YOUR HOUSEHOLD TRIED TO REDUCE MEDICAL EXPENSES BY DOING ANY OF THE FOLLOWING?"

	All Indebted Households
Did not fill a prescription or postponed filling a prescription	33%
Did not go see doctor or visit a clinic when you had a medical problem	39%
Skipped medical test, treatment or follow up	36%
Any of the Above	51%

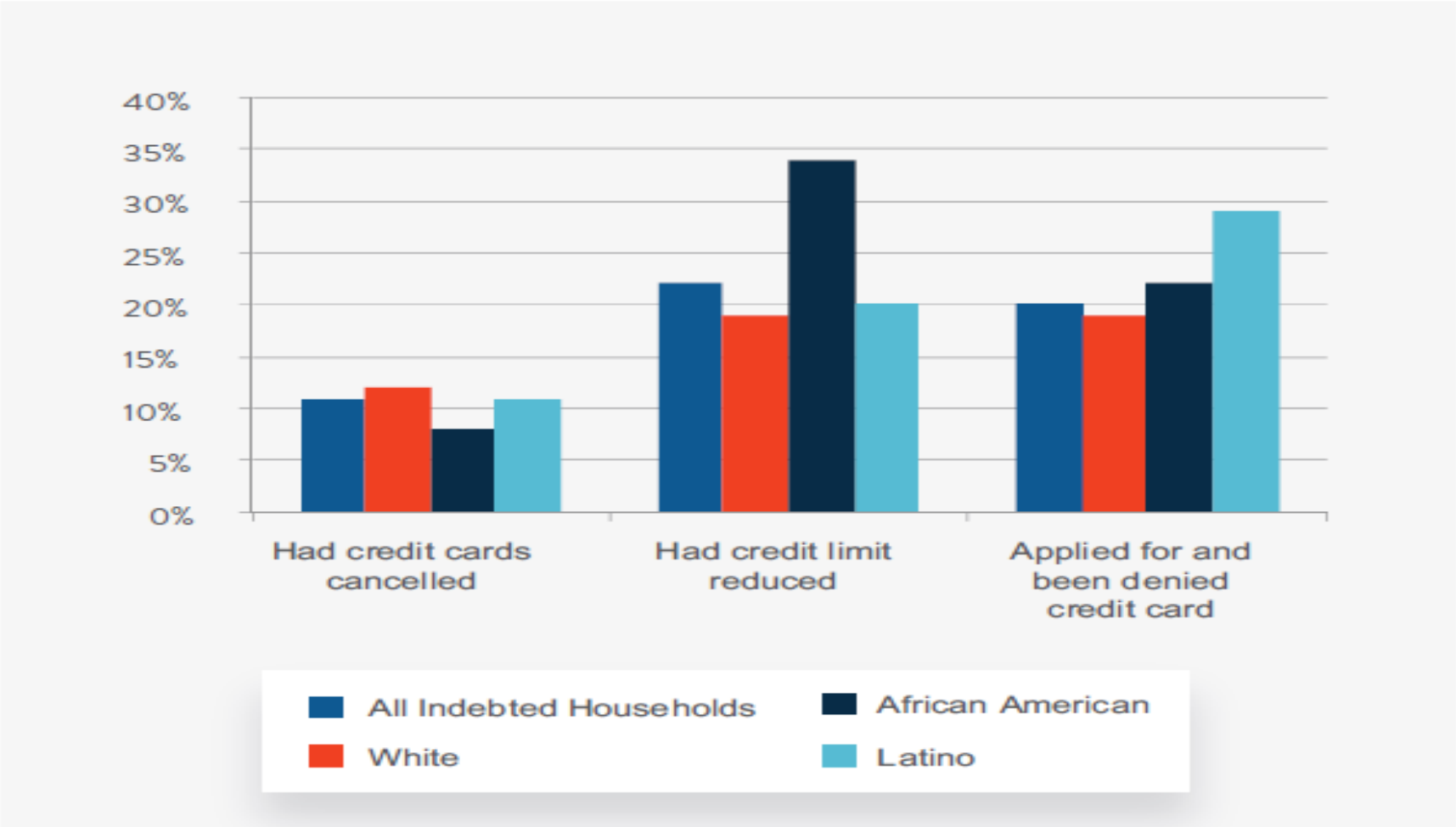
Unemployment is among the leading contributors to credit card debt.

- More than **one in seven** households in our survey say that a layoff or loss of a job was the factor that contributed most to their current level of credit card debt.

- Among households in our survey that experienced job loss in recent years, the proportion incurring credit card debt as a result of that loss climbs to more than **one in eight** households (86 percent).

Since the financial crisis, credit is tighter.

Fig. 7 | "OVER THE PAST SEVERAL YEARS, CREDIT CARD COMPANIES HAVE REDUCED THE AMOUNT OF CREDIT AVAILABLE TO CONSUMERS. IN THE LAST THREE YEARS HAVE YOU..."



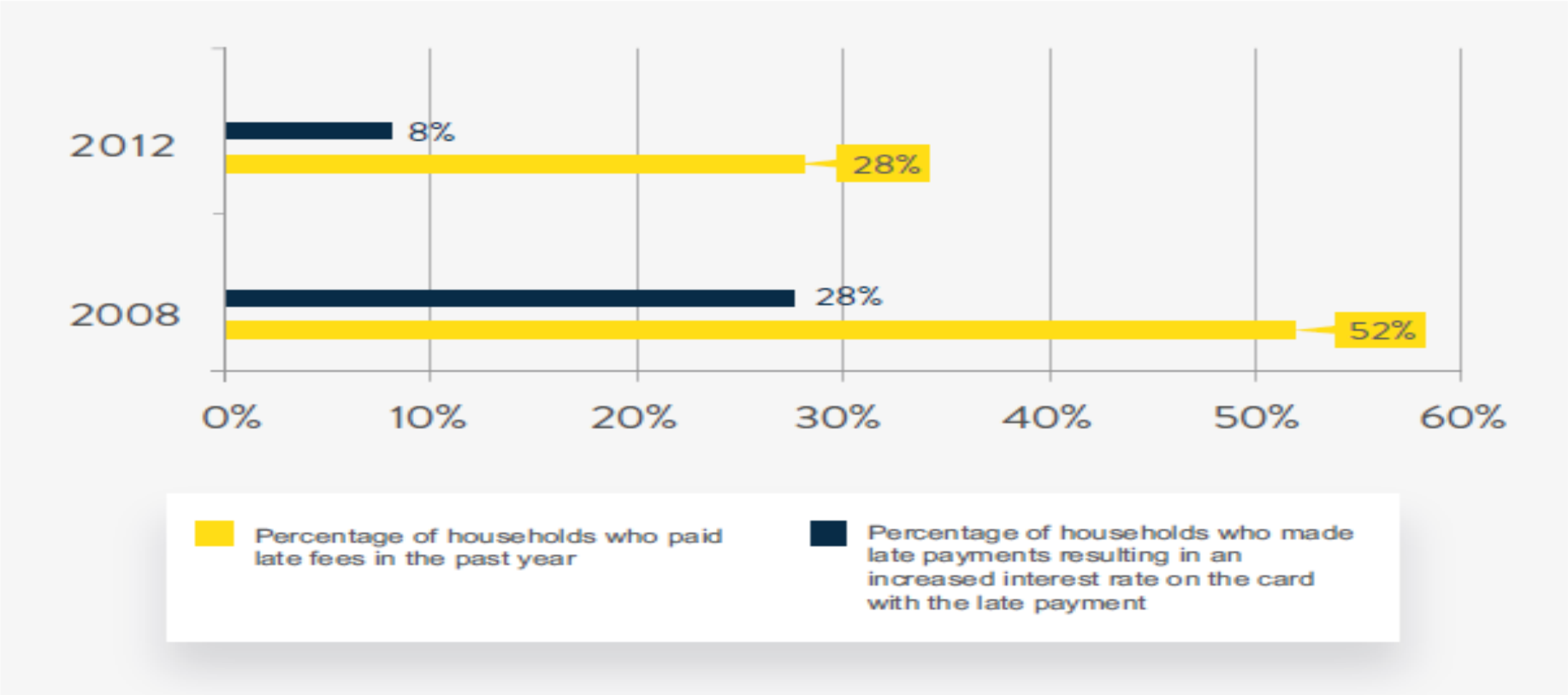
The Credit CARD Act is helping households pay down balances faster.

- 90 percent of households in our survey report that they notice a change on their credit card statements as a result of the CARD Act.

- 33 percent report they are responding to the new information on their credit card statements by paying more toward their credit card balance in the typical month – 54 percent say the new disclosures have not influenced their behavior.

The Credit CARD Act is helping households avoid late fees and interest rate hikes due to late payments.

"IN THE LAST YEAR HAVE YOU HAD YOUR INTEREST RATE INCREASED BECAUSE OF A LATE PAYMENT?"



The Credit CARD Act's crackdown on over-the-limit fees benefits households.

Instead of denying transactions that exceeded a consumers credit limit, credit card companies used to process them and then charge consumers a fee. The Credit CARD Act requires consumer authorization for exceeding credit limits.

CHANGE IN OVER-THE-LIMIT FEES IN THE PAST TWO YEARS

"IN THE LAST TWO YEARS HAVE YOU..."	Percentage of All Indebted Households	White	African American	Latino
Been charged over-the-limit fees less often	22%	19%	32%	36%

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