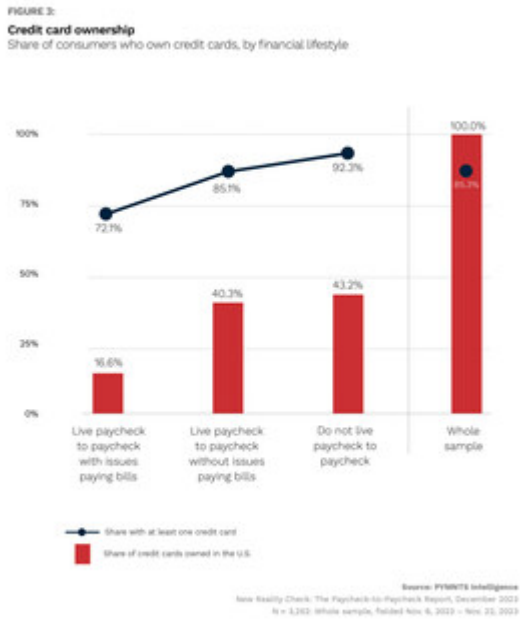
Nearly 60% of Credit Cardholders in the U.S. Live Paycheck to Paycheck

December 18, 2023

40% of Paycheck-to-Paycheck Consumers Report Super-Prime Credit Scores

43% of All Cardholders Have Had a Revolving Balance on Their Credit Cards in 2023, An Increase From 41% in 2022

SAN FRANCISCO, Dec. 18, 2023 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released key findings from the 29th edition of the Reality Check: Paycheck-To-Paycheck research series, conducted in partnership with PYMNTS Intelligence. The Credit Card Use Deep Dive Edition examines the financial lifestyles of U.S. consumers and explores how they use credit cards to manage their cash flows to get by. This edition draws on insights from a survey of 3,252 U.S. consumers conducted from Nov. 6 to Nov. 22 and an analysis of other economic data.



The Paycheck-to-Paycheck Landscape
As of November 2023, 62% of consumers lived paycheck to paycheck, mirroring last year's statistics and slightly higher than last month. For those Americans, this means that they need their next paycheck to cover their monthly financial outflows. Among income brackets, 77% of consumers earning less than $50,000 annually lived paycheck to paycheck as of November 2023, as did 67% of those earning between $50,000 and $100,000 and 45% of consumers earning more than $100,000. These shares have also remained stable since last year, indicating that U.S. consumers, in the face of ongoing inflation, have adjusted their spending where they can and still see their financial obligations outpace their incomes.

Credit Card Ownership
Consumers living paycheck to paycheck own nearly 60% of the credit cards in the U.S. Moreover 80% of paycheck-to-paycheck consumers own at least one credit card, and two credit cards on average. Overall, 54% of all consumers surveyed report having super-prime credit scores, with 77% of those not living paycheck to paycheck saying they have these high scores. That said, paycheck-to-paycheck living does not preclude consumers from these high scores, with 40% of these consumers report having super-prime credit scores. The data also shows that paycheck-to-paycheck consumers are more likely to use debit cards than credit cards for everyday transactions, indicating that though these consumers have access to credit, they aim to live within their

means and preserve that flexibility to remain creditworthy.

Regardless of financial lifestyle, the majority of consumers (80%) consider their credit scores very or extremely important, with the average consumer checking their credit scores every 76 days.

Financial Distress and Credit Behavior
The report establishes a connection between financial distress and credit behavior, revealing that financial strain is linked to a higher frequency of reaching one's credit limits and a higher tendency of revolving one's credit card balances. The research also confirms that those living paycheck to paycheck are more likely to struggle with higher credit balances and to pay bills. Cardholders revolve their credit card balance when they carry an unpaid portion over to the following month. Data shows that paycheck-to-paycheck cardholders are more than twice as likely as those not living paycheck to paycheck to have revolved their credit card balances at least occasionally in the last year. Among all consumers, revolving has increased relative to 2022, with 43% of cardholders doing so at least occasionally in 2023 (up from 41% in 2022), highlighting a concerning shift over the past year.

Close to one-third of consumers say they have reached their credit card limit, an average of $9,200, at least occasionally in the last year. However, that amount more than doubles to 64% for those having a hard time paying bills. Credit limits average $11,500 among those not living paycheck to paycheck, with only 10% reaching their limit in the last 12 months.

Financial distress is also linked to a greater use of installment or split payment plans. One-quarter of cardholders overall have repayments pending as a part of an installment plan. The likelihood of a cardholder having pending repayments from an installment plan rises sharply among those who live paycheck to paycheck.

Financing Features Are Essential for Paycheck-to-Paycheck Consumers
Paycheck-to-paycheck consumers choose credit cards for their financing features, while those not living paycheck to paycheck value them more for their security and rewards options.

Consumers report that protection against theft and fraud is the top factor they consider when choosing a new card. Data shows that 85% of consumers not living paycheck to paycheck and 77% of those living paycheck to paycheck without issues paying bills report transaction safety as very or extremely important when choosing a credit card. Cardholders not living paycheck-to-paycheck are the most likely to say a rewards program is an important criterion in their choice of credit card, at 77%. In contrast, only 55% of paycheck-to-paycheck consumers struggling to pay their bills cite rewards as an incentive. Instead, struggling consumers are more likely to cite interest rates, at 78%, and credit limits, at 73%, as very or extremely important when choosing a primary credit card.

"Credit cards can be an important financing option that credit-savvy consumers use to better manage their cash flows, though it's concerning that many consumers revolved their credit card balances regardless of financial lifestyle," said Alia Dudum, LendingClub's Money Expert. "Credit cards keep many in debt, and cardholders who carry a balance (revolvers) subsidize the rewards earned by those who pay their balance in full every month (transactors). Revolvers need better solutions for retiring existing debt and better options for bridging gaps in cash flow. There is a real opportunity for financial companies like LendingClub to rebalance the playing field and design products that benefit revolvers by liberating them from the constraints of their existing debt."

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-revolving-debt-financing-credit-scores/

Methodology
New Reality Check: The Paycheck-to-Paycheck Report — The Credit Card Use Deep Dive Edition, a PYMNTS Intelligence and LendingClub collaboration, draws on insights from a survey of 3,252 U.S. consumers conducted from Nov. 6 to Nov. 22 and an analysis of other economic data. The data in this report is not intended to be a representation of LendingClub's core member base. The Paycheck-to-Paycheck series expands on existing data published by government agencies, such as the Federal Reserve and the Bureau of Labor Statistics, to provide a deep look into the core elements of American consumers' financial wellness: income, savings, debt and spending choices. Our sample was balanced to match the U.S. adult population in a set of key demographic variables: 51% of respondents identified as female, 33% were college-educated and 38% declared incomes of more than $100,000 per year.

About LendingClub
LendingClub Corporation (NYSE: LC) is the parent company of LendingClub Bank, National Association, Member FDIC. LendingClub Bank is the leading digital marketplace bank in the U.S., where members can access a broad range of financial products and services designed to help them pay less when borrowing and earn more when saving. Based on more than 150 billion cells of data and over $90 billion in loans, our advanced credit decisioning and machine-learning models are used across the customer lifecycle to expand seamless access to credit for our members, while generating compelling risk-adjusted returns for our loan investors. Since 2007, more than 4.7 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit https://www.lendingclub.com.

CONTACT:

For Investors: IR@lendingclub.com

Media Contact: Press@lendingclub.com

PYMNTS Contact: information@PYMNTS.com

View original content to download multimedia:https://www.prnewswire.com/news-releases/nearly-60-of-credit-cardholders-in-the-us-live-paycheck-to-paycheck-302017514.html

SOURCE LendingClub Corporation