Nearly 50% of Americans Unaware Federal Interest Rate Hikes Raised Their Credit Card APR by Over 5 Percentage Points

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SAN FRANCISCO, Aug. 13, 2024 /PRNewswire/ -- LendingClub Corporation (NYSE: **LC**), the parent company of LendingClub Bank, America's leading digital marketplace bank, has released new data revealing a surprising lack of consumer awareness regarding the true cost of their credit card debt in today's high interest rate environment. LendingClub conducted a national survey of 1,013 consumers from May 13 to May 21 to understand the trends and opinions on credit card usage and debt management.

APR Confusion and the Knowledge Gap
LendingClub's recent research on personal finance trends exposes a significant gap in Americans' financial literacy. Almost half (47.1%) of Americans are unaware of the current APR on their credit cards. Of the 52.9% who say they do know their APR, a third didn't know that their rate is directly tied to the Prime rate, which fluctuates with Federal Reserve interest rates. In fact, nearly half of all Americans (49.5%) are unaware that their credit card APR automatically rose by over 5 percentage points following Federal rate increases between March 2022 and July 2023. This highlights a lack of consumer awareness about the pace of credit card rate changes, a fundamental misunderstanding of how rates are calculated, and an inability of consumers to easily find and track their current rate.

"Credit card balances reached its highest level in history at $1.14 trillion[1], with average interest rates of 22.76%[2] being the highest we've ever seen," said Mark Elliot, Chief Customer Officer at LendingClub. "Unfortunately, many consumers are unaware of these rising costs, and credit card companies are happy to keep it that way. This lack of transparency makes it even more challenging for consumers to manage their finances and get out of debt."

Growing Debt Levels
Over a third of Americans couldn't manage their finances without a credit card. Despite rising debt levels, many consumers lack a clear understanding of their financial obligations. Nearly a quarter (23.6%) of respondents admit they don't know their total credit card debt. And, while most consumers use their credit cards for convenience or rewards (and pay off their balance each month), a sizeable portion of the population is using their cards to make ends meet amid rising costs. This cohort is more concerning because they are loading debt at — unbeknownst to many of them — historically high floating interest rates

Over the past two years, credit card rates have increased by 500 basis points, reaching a record of 22.76% on average in May 2024, according to the Federal Reserve. Over that same timeframe, 44.7% of Americans increased their spend on credit cards. Yet, 34.4% of people don't recognize that credit card APRs can fluctuate over time, independent of payment history or credit status.

This lack of awareness is not surprising, given that credit card companies are not required to proactively notify consumers of rate changes beyond including the information in statements. As a result, over a quarter of Americans (26.5%) say they don't know where to find their interest rate, 26.4% didn't know their rates increase after a promotional period ends, 28.3% don't understand how interest is calculated, and 39.5% are unaware of balance transfer fees.

"The need for clearer communication from credit card companies is more pressing than ever," continued Elliot. "By empowering consumers with knowledge, we can help them understand their debt burden so they can make more informed financial decisions and develop debt management strategies, especially in a high interest rate environment. Debt itself isn't inherently bad; in fact, we know from our own research that many are comfortable with – and even empowered by – carrying debt. The real issue is that credit cards are designed to do better when the cardholder does worse. Frankly, the deck is stacked against consumers. One way we're working to level the playing field for our members is by simply raising awareness about the debt they're carrying and the true cost of that debt – a small but important first step toward helping them avoid pitfalls."

Since 2007, LendingClub has facilitated over $90 billion in loans to more than 4.9 million members. Members frequently consolidate variable high interest rate credit card debt into a fixed lower rate loan, providing a clear path to paying off that debt. Our borrowers who consolidate their credit card debt typically save on fees and interest, which is supported by our data that indicates that our members save approximately $2,054 on average over the term of a 36-month personal loan from LendingClub[3].

For more information on personal loans as a debt management tool, visit: https://www.lendingclub.com/personal-loan/credit-card-consolidation-loan.

For a visual summary of these findings, view the accompanying infographic here: https://assets.ctfassets.net/orqped9h4wgz/5CdNGQKoYdQ9EmyEE0BJXb/f7614c3f2380726b79fdc1416baf0943/LendingClubDebtSurveyInfographic_Aug2024.pdf.

Methodology
Propeller Insights conducted a national online survey of 1,013 consumers from May 13 to May 21 to understand the trends and Americans' opinions on credit card usage and debt management. Respondents opted into an online database, and from there, they were targeted based on demographics. To further confirm qualifications, respondents were asked to verify their information in the survey itself. Self-identifying qualifications with the maximum margin of sampling error was +/- 3 percentage points, with a 95% level of confidence.

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 4.9 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit **https://www.lendingclub.com.**

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[1] The Federal Reserve Bank of New York, August 2024. Household Debt and Credit Report (Q2 2024). Retrieved from https://www.newyorkfed.org/microeconomics/hhdc

[2] The Federal Reserve, May 2024. Retrieved from https://www.federalreserve.gov/releases/g19/current/

[3] *Reflects the product of: (i) the average dollar value of a LendingClub balance transfer personal loan originated in Q2 2024 (a "Q2 2024 LC Loan") and (ii) the difference between the average APR on credit card debt as reported on WalletHub and the average APR for a Q2 2024 LC Loan.*

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