

Personal Financial Knowledge Has Gone Up, but Americans Still Aren't Making the Right Financial Moves, According to Lending Club Survey

- *The majority of Americans know the rates they are paying on their credit card and their credit rating*
- *Despite this awareness, they continue to carry high interest credit card debt and many do not know how to improve their credit scores*
- *Of those who know the rates on their credit cards, 31 percent have an interest rate of 20 percent or more and 64 percent pay 14 percent or more*
- *65 percent of credit card users have never tried to negotiate a better interest rate, though 93 percent know it's possible*
- *Gender gap: women are less likely to know their credit score and interest rate than men*

Redwood City, CA – June 24, 2010 – Americans still aren't making the most of hard-learned credit lessons, according to the results of a survey conducted online from May 20-24, 2010 by Harris Interactive® on behalf of [Lending Club](#), the leading U.S. peer lending network. Most adults know their credit scores (69 percent) and most adults with credit cards know their credit card interest rates (83 percent). However, those that know their rates are still paying too much (64 percent pay 14 percent or more). Sixty-five percent of credit card users don't bother negotiating for better interest rates even though 93 percent know they can.

Lending Club's Consumer Credit Survey found that Americans are more educated about credit than they were before the recession; 31 percent of adults are unsure of their credit score (compared to 45 percent who did not know in 2007, according to a [Bankrate, Inc survey](#)), and 22 percent of adults who use a credit card don't know the interest rate on the credit card they use most often (compared to 29 percent who reported not knowing in 2007, according to a [National Foundation for Credit Counseling survey](#)).

However, this knowledge isn't translating into action. Forty-four percent of American adults still carry credit card debt (compared to 46 percent in 2007, according to the [Federal Reserve Survey of Consumer Finances conducted in February 2009](#)), and pay high interest rates on it (31 percent have an interest rate of 20 percent or more, and 64 percent pay 14 percent or more). Although 93 percent of credit card users know it's possible to negotiate for a better rate, only 29 percent have ever tried to do so.

"Knowing what to do is only half the battle," said Jennifer Openshaw, founder of Family Financial Network and chief consumer advisor for Lending Club. "Americans need to wake up, take responsibility and take action. The fact that people are paying twenty percent or more in interest is outrageous when alternative loans are available and credit card companies are willing to negotiate. With a few smart moves, anyone can improve their credit scores, get better interest rates and build their bank accounts."

Here is a brief snapshot of Lending Club's Consumer Credit Survey findings:

Credit Scores

Many consumers are unaware of their credit score – a crucial number that determines their eligibility for loans and the interest that they will pay – and they are often unaware of how their actions influence their score. Due to these knowledge gaps, many consumers could actually be making their scores worse when they try to improve them.

- 31 percent did not know their credit scores.

- Men fared better than women, with 74 percent of men aware of their credit scores, compared to 65 percent of women.
- Although closing a credit card account negatively impacts credit score, 18 percent erroneously believe it increases your credit score; 27 percent believed it has no impact.

Credit Cards

Most Americans use credit cards, but more than one in five don't know the interest rate on the credit card they use most frequently. Close to one-third of those who do know their interest rate are paying between 20 and less than 31 percent (30 percent). Although nearly all credit card users know it's possible to negotiate lower interest rates with their credit card provider (93 percent), most adults who have a credit card don't bother (65 percent), even though it could save them a significant amount of money.

- 78 percent of adults use credit cards, but 22 percent of those that use credit cards don't know the interest rate on the card they use most often.
- Of those who know the rates on their credit cards, 31 percent have an interest rate of 20 percent or more and 64 percent pay 14 percent or more.
- As with credit scores, of those who use credit cards, men (84 percent) are more likely than women (72 percent) to know the interest rate on the credit card they use most frequently.
- Although 93 percent know they can try to negotiate a lower interest rate on their credit card, only 29 percent have tried. Of those who have tried to negotiate better rates, over two-thirds have been successful (68 percent).

Debt

Most Americans have some debt (76 percent). Among those who have debt other than a home mortgage, adults 55 and older are more likely to have credit card debt (73 percent) than younger adults 18-34 (60 percent). For those with debt other than a home mortgage, credit card debt is the most common type of debt overall (67 percent) and often the most expensive type of debt to carry.

- Of those with debt, 87 percent say they carry debt other than a home mortgage, and of those with debt other than a home mortgage 67 percent of them have credit card debt. The next most common type of debt among this group is auto loans (48 percent).
- 24 percent of adults with debt besides a home mortgage report owing \$20,000 or more.
- Of those who have debt, younger adults are more likely to have debt other than a home mortgage, with 93 percent of adults ages 18-34 reporting debt other than a home mortgage compared to 83 percent of adults ages 55 and above.
- Older adults, however, are more likely to carry credit card debt, with 73 percent of those 55 and older who have debt besides a home mortgage reporting they have credit card debt, compared to 60 percent of their 18-34 year old counterparts.
- Adults who plan to take out a loan in the next six months are likely to be young, with 26 percent of adults ages 18-34 planning on a new loan within the next six months, compared to just 9 percent of adults aged 55 or older.
- The most common reason for those who are planning to take out a loan was vehicle purchase (37 percent), followed by education expenses (32 percent) and home purchase(s)/ refinancing (22 percent).

Recession

The effects of the recession are clear, with most adults reporting sacrifices and changes in their spending habits as a result of the economic downturn. Nearly one-third reported a negative impact on their primary relationship.

- 64 percent of adults said they or their families have had to sacrifice something because of the recession.
 - Of these adults, the most common sacrifices were eating out (69 percent), vacation (66 percent) and entertainment (63 percent).
- Of adults who are married/in a relationship, 30 percent said the recession had negatively affected it.

In light of these survey results, Jennifer Openshaw has this advice for consumers who want to be smarter when it comes to credit.

Negotiate Your Rate – If you aren't aware of your card rates, find out. And once you do, take the initiative to ask for a lower rate. Some 68 percent of those who ask, receive – and build confidence in their financial savvy too. Start with a target rate in mind, be assertive, and ask for the supervisor if necessary.

Know what affects your credit score – Many people believe that closing credit card accounts will help improve their credit score. It usually won't. In fact, closing older accounts reduces your balance-to-credit card limit ratio, which may actually lower your score. If you have trouble controlling your credit card spending, it may be better to take the temporary hit to your score, so you have fewer sources of temptation.

Cut Your Costs – If you're looking to cut costs on current debt, consider paying off all your debts with one lower interest rate loan, but don't do it on a credit card.

Credit cards use low introductory APRs to reel you in and then up the APR once they have you and that high balance hooked. You can find a lower, fixed rate personal loan from a bank or peer lending company like Lending Club. Lending Club offers personal unsecured loans for paying off high interest debt at rates starting at 7.93 percent APR; which is 53 percent lower than the overall national credit card APR of 16.81 percent* and can translate into thousands in savings over the life of a loan. For example, a three-year loan of \$25,000 at the current average credit card APR would cost approximately \$3,800 more in interest than a three-year unsecured personal loan from Lending Club with a 7.93 percent APR**.

Call in a Favor – Instead of paying on a credit report website, you may be able to learn your credit score at any time and at no cost when you're dealing with a lender, simply by asking.

Take a Team Approach – Credit scores can be impacted by your spouse through joint accounts and loans, so be sure that your partner is making any payments you've both agreed to. Taking the financial reins on your next family financing is a way for women to get smarter about their credit.

Implement Small Steps for Teens – As a result of the 2009 Credit Card Act, young people cannot get credit until age 21 without a parent's permission. So, if you have kids heading off to college you may want to help them establish credit now as a co-signer on a small-limit credit card. Once the account is opened, involve your teen in reviewing and paying the monthly credit card bill.

Cut a Deal with Creditors – For the millions of Americans out of work, now is a good time to work with creditors to restructure debt, lower costs and get on solid financial footing. You can avoid using third-party debt settlement organizations if you know the rules of the game and learn about "forbearance" and "hardship" programs offered by many lenders.

Openshaw is available to discuss the findings of Lending Club's survey and provide advice to consumers. Infographics are available on request.

By taking banks out of the picture, Lending Club is able to offer better rates to credit worthy borrowers.

Sixty percent of the loans issued by Lending Club are for paying off high interest loans. Rates start as low as 7.93 percent APR for qualified borrowers, well below the 16.81 percent national credit card average.

This survey was conducted online within the United States by Harris Interactive on behalf of Lending Club from May 20-24, 2010 among 2,401 adults ages 18 and older. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Katherine Madariaga at Atomic PR, Katherine(at)Atomicpr.com.

Additional Sources:

* Source for overall national average credit card rates: <http://tinyurl.com/2cv5vhz>

** A borrower who receives \$25,000 would pay approximately \$783/mo for 36 months with Lending Club based on a 7.93 percent APR (assumes highest loan grade: 6.39% interest rate and 2.25 percent fee) versus approximately \$888/mo for 36 months based on a 16.81 percent APR (assumes no fees).

About Lending Club

Lending Club is a peer lending network bringing together investors and creditworthy borrowers. Lending Club eliminates the high cost and complexity of traditional bank lending to offer borrowers better rates and investors better returns. Lending Club won the Webby Award in 2008 for the "Best Banking Website" and has been nominated for "Top 100 Innovators" by The Industry Standard. It was recently recognized as one of the 20 "Breakthrough Ideas for 2009" by Harvard Business Review. Founded in 2006, Lending Club is headquartered in Redwood City, CA. More information is available at: <http://www.lendingclub.com>.

Loans are not issued in IA, ID, IN, KS, ME, MS, NC, ND, NE, or TN. Loans are issued by WebBank, an FDIC insured Utah chartered industrial bank located in Salt Lake City, Utah. Borrowers must be US citizens or permanent residents and at least 18 years old. Valid bank account and social security numbers are required. All loans are subject to credit approval.

Additional information about Lending Club is available in the prospectus for Lending Club's notes, which can be obtained on Lending Club's website at <https://www.lendingclub.com/info/prospectus.action>.

About Harris Interactive

Harris Interactive is one of the world's leading custom market research firms, leveraging research, technology, and business acumen to transform relevant insight into actionable foresight. Known widely for the Harris Poll and for pioneering innovative research methodologies, Harris offers expertise in a wide range of industries including healthcare, technology, public affairs, energy, telecommunications, financial services, insurance, media, retail, restaurant, and consumer package goods. Serving clients in over 215 countries and territories through our North American, European, and Asian offices and a network of independent market research firms, Harris specializes in delivering research solutions that help us – and our clients – stay ahead of what's next. For more information, please visit www.harrisinteractive.com.

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