



# Consumer Perceptions and Reactions to the CARD Act

Prepared for: Consumer Financial Protection Bureau

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This survey was conducted from February 3 – February 8, 2011 by Synovate. This telephone poll is based on a sample of 800 adults age 18 or older all of whom have at least one general purpose credit card. Interviews were conducted with 709 respondents on landlines and 91 respondents on cellular telephones. The response rate was 16%. Both the landline and cell phone samples were provided by MSG using a random digit dialing methodology. Cell-phone only responses were weighted according to the number of adults in a region living in households without a landline as determined through the most recent National Health Interview Survey. Demographic information was collected from those who were not eligible to participate in the survey (i.e. non-cardholders) to allow for statistical weighting to reflect the U.S. population based on the most recent Census information.

Although the household and cell phone number selection was based a probability sample, since the short field period allowed only limited opportunities to contact hard-to-reach individuals, an at-home respondent selection method was used, oversampling the youngest males to compensate for their underrepresentation in surveys. This respondent selection approach is commonly used in market research and in political and opinion research. For government research, these results are suitable for determining the general direction of consumer practices and attitudes but, due to these methodological limitations, they should not be considered definitive for overall population projections or policy evaluations.

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# **Executive Summary**

# Executive Summary

- Almost half of all credit-card holders are familiar with the CARD Act
  - Among those aware of it, 57% report it has been good for them
  - Younger consumers (age 18-34, 27% familiar with the Act) are among those least aware of it
- Without necessarily attributing changes to the law, 60% of consumers feel that monthly statements have become easier to read and that the terms are clearer
- Most consumers observed changes to their bills such as the amount of interest and fees paid during the year and information on how long it would take to pay off balance when paying the minimum only
- Almost a third (30%) of consumers who observed these changes adjusted their payment or usage patterns
- The benefits of the CARD Act were felt most strongly by debt revolvers, those with lower education levels, and those with lower income levels

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# Research Overview

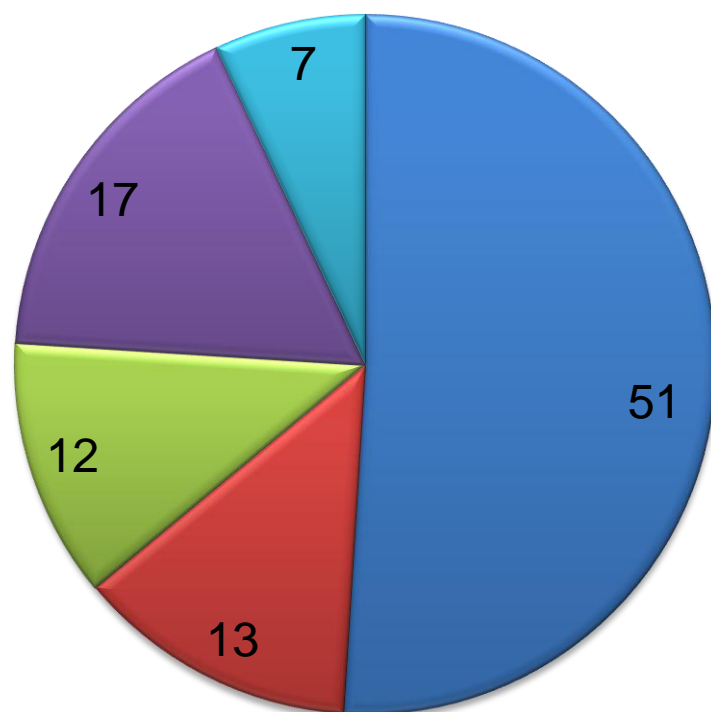
# Research Overview

- Objective: The objective of the research was to assess consumers' awareness of the CARD Act and its effects
- Data collection:
  - Followed a standard methodology for quick-turnaround consumer opinion polling
  - Random-digit-dialing telephone interviewing using a non-overlapping dual frame methodology (land-line households and cellular telephone-only households)
  - 800 (qualified) interviews conducted from February 3<sup>rd</sup>, through February 8<sup>th</sup>, 2011
  - Qualified individuals: Over 18, own a general purpose credit card, use it at least once a month or have a balance on it

Note: complete details of the research design are included in the Appendix.

# Most credit card users say they pay their balance in full each month

55% of consumers surveyed have at least one general purpose credit card, and 86% of those with credit cards use them at least once a month



- Transactors: Always pay credit card balance in full on all cards
- Revolvers (low balance): Sometimes carry a balance; current balance is less than \$1,000
- Revolvers (medium balance): Sometimes carry a balance; current balance is between \$1,000 and \$2,999
- Revolvers (high balance): Sometimes carry a balance; current balance is \$3,000 or more
- Consumer doesn't know or refused to provide balance

Source: Q7 – Which of the following best describes the way you use your general purpose credit cards?  
Q8 – What is the approximate total balance you owe on all of your general purpose credit cards?

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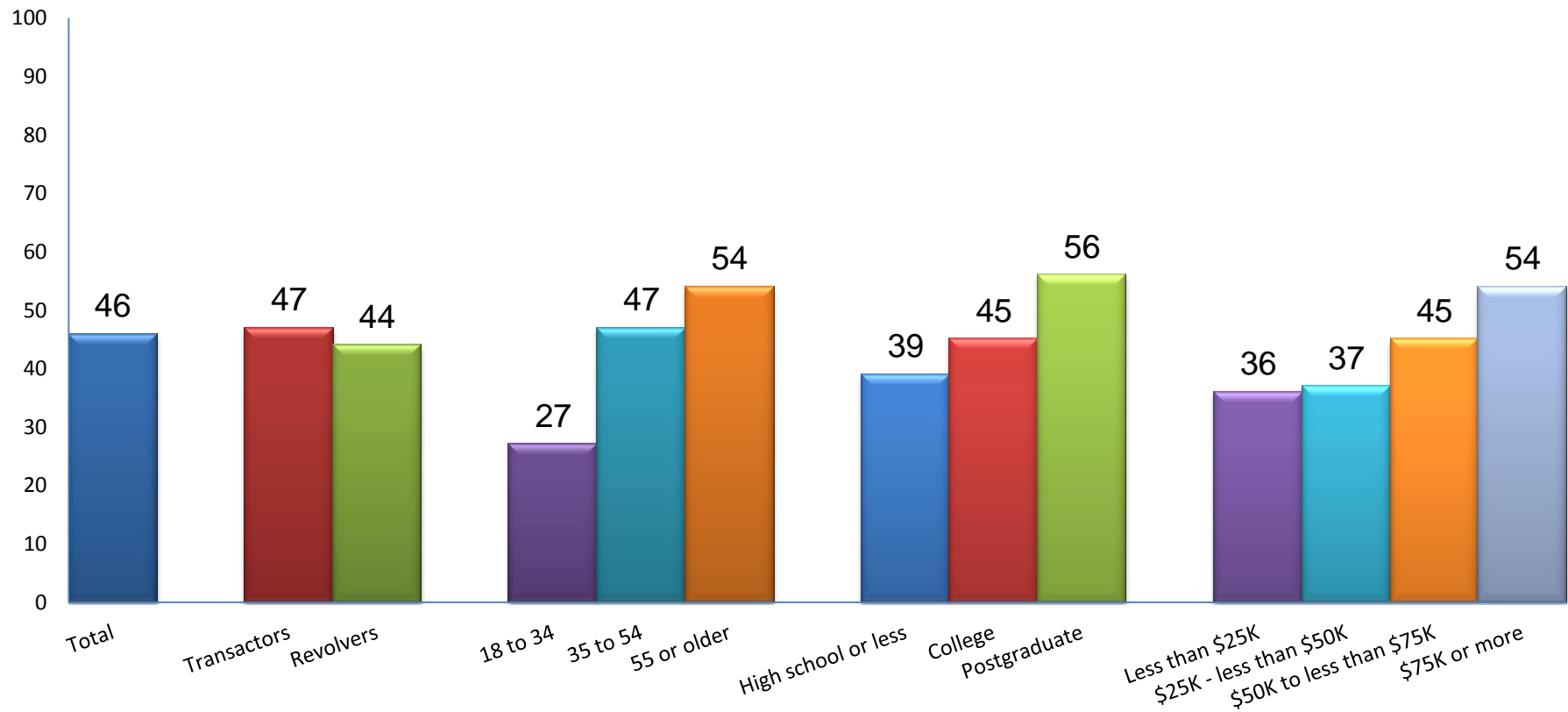
## Key Findings





# Nearly half of all credit card holders are very or somewhat familiar with the CARD Act

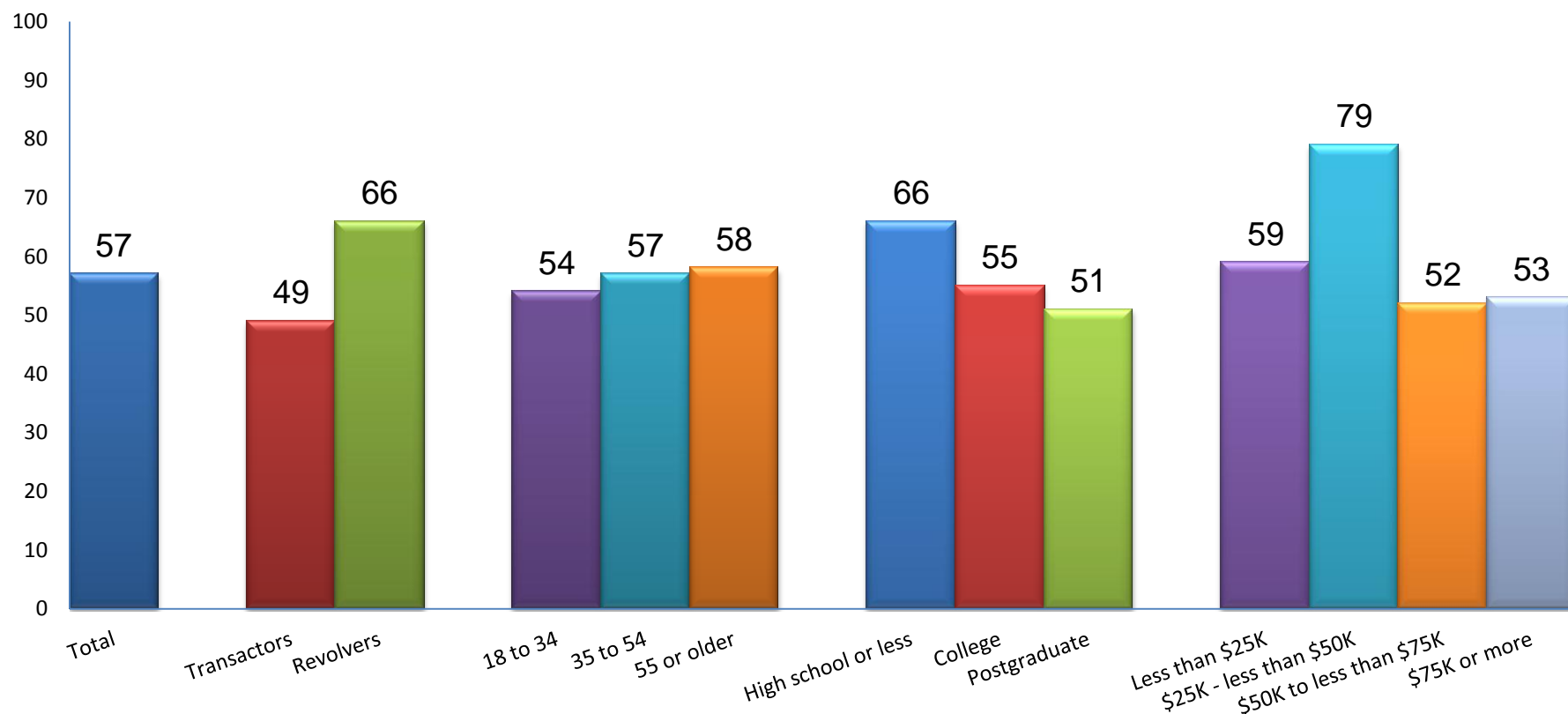
Awareness is highest among those earning \$75,000 or more or those with a postgraduate education. Younger consumers are least aware of the CARD Act



Source: Q31 – One year ago, a new law took effect called the Credit CARD Act, which strengthens consumer protection in the credit card market. How familiar are you with this law?

# Most of those familiar with the CARD Act thought it was very or somewhat helpful

Those who don't pay off their entire balance every month are particularly likely to find the CARD Act helpful

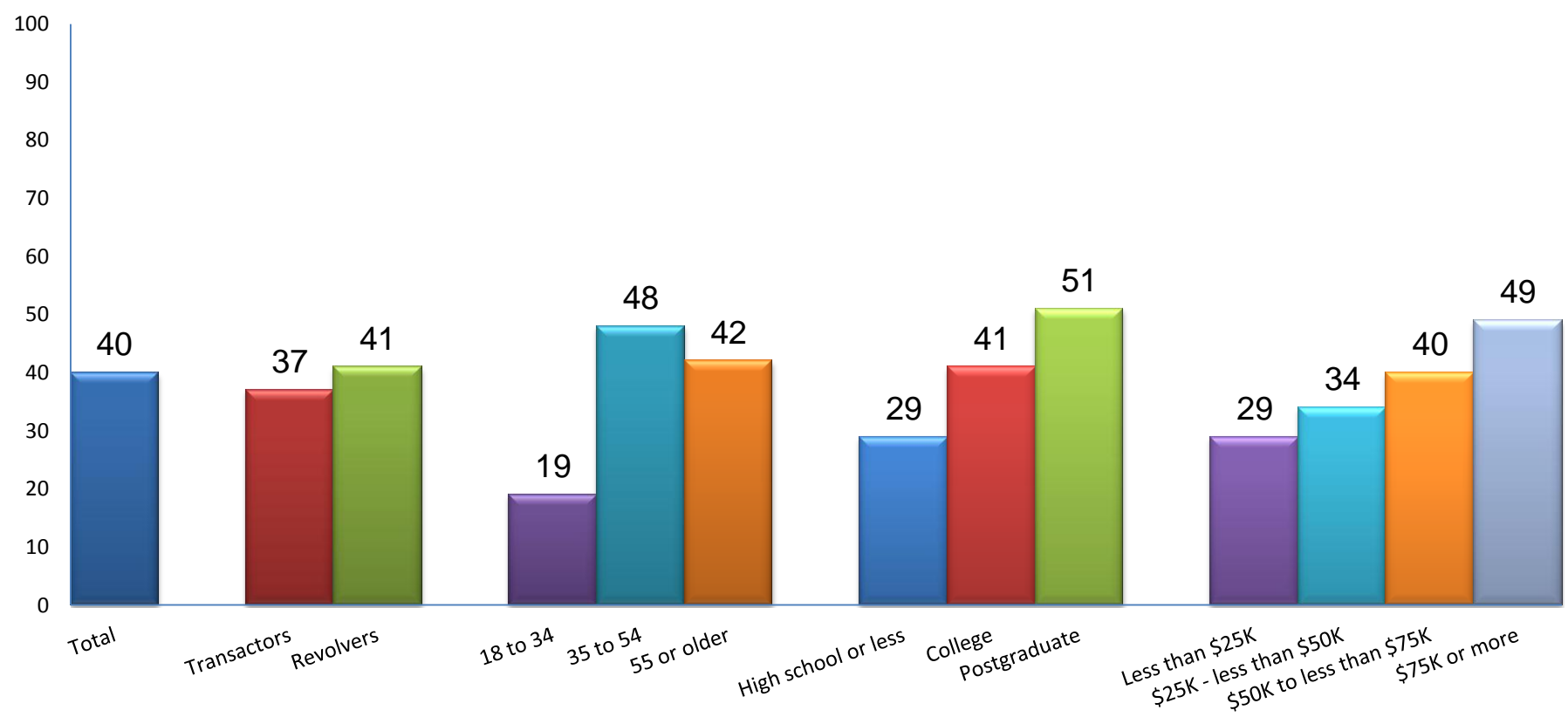


Source: Q32– How helpful do you think this law has been, personally? (Among those who said “very” or “somewhat” familiar)

# Only two in five cardholders noticed any changes in the information on their bills in the last year



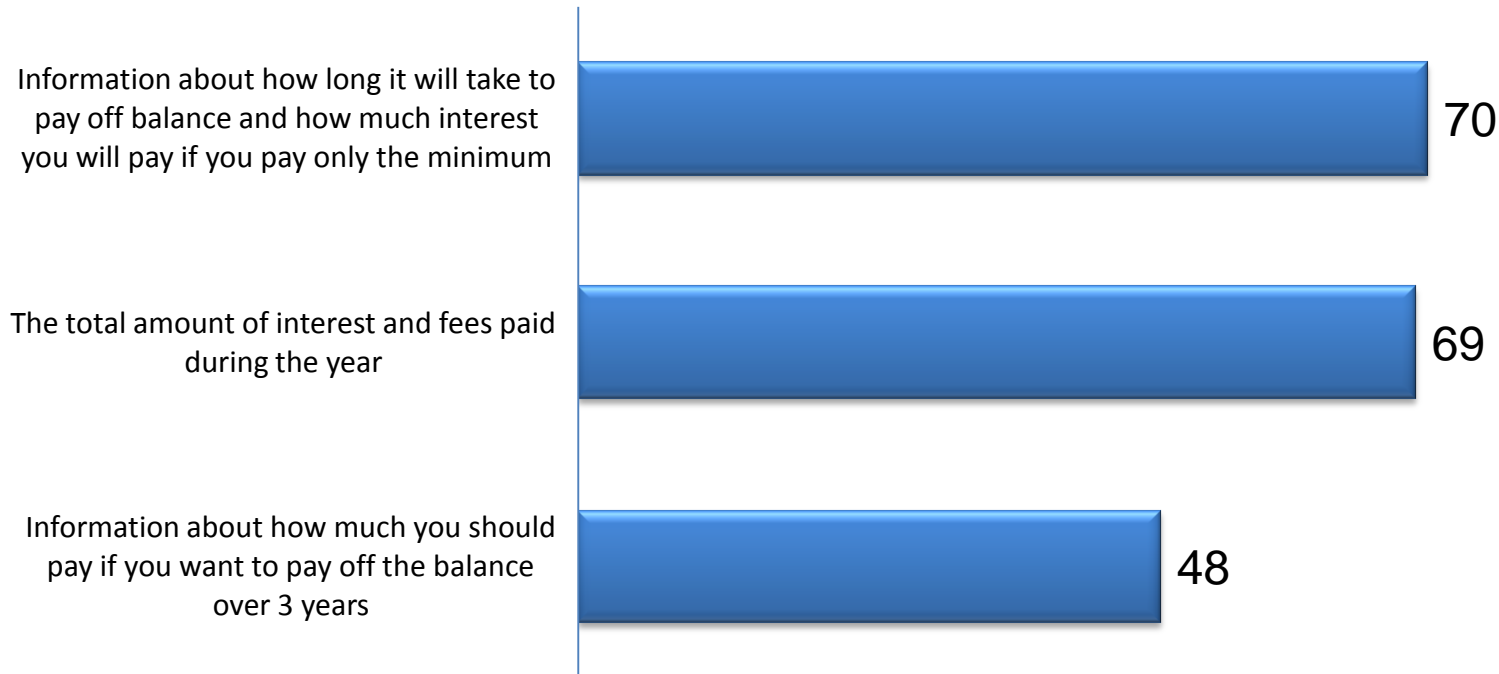
Younger cardholders , those with a high school education or less, or income below \$25,000 were particularly unlikely to have noticed changes



Source: Q11– Have you noticed any changes in the information contained on your credit card bills in the past year?

# When asked about specific changes, more than two thirds of cardholders recall seeing new disclosures about interest paid and paying off balances

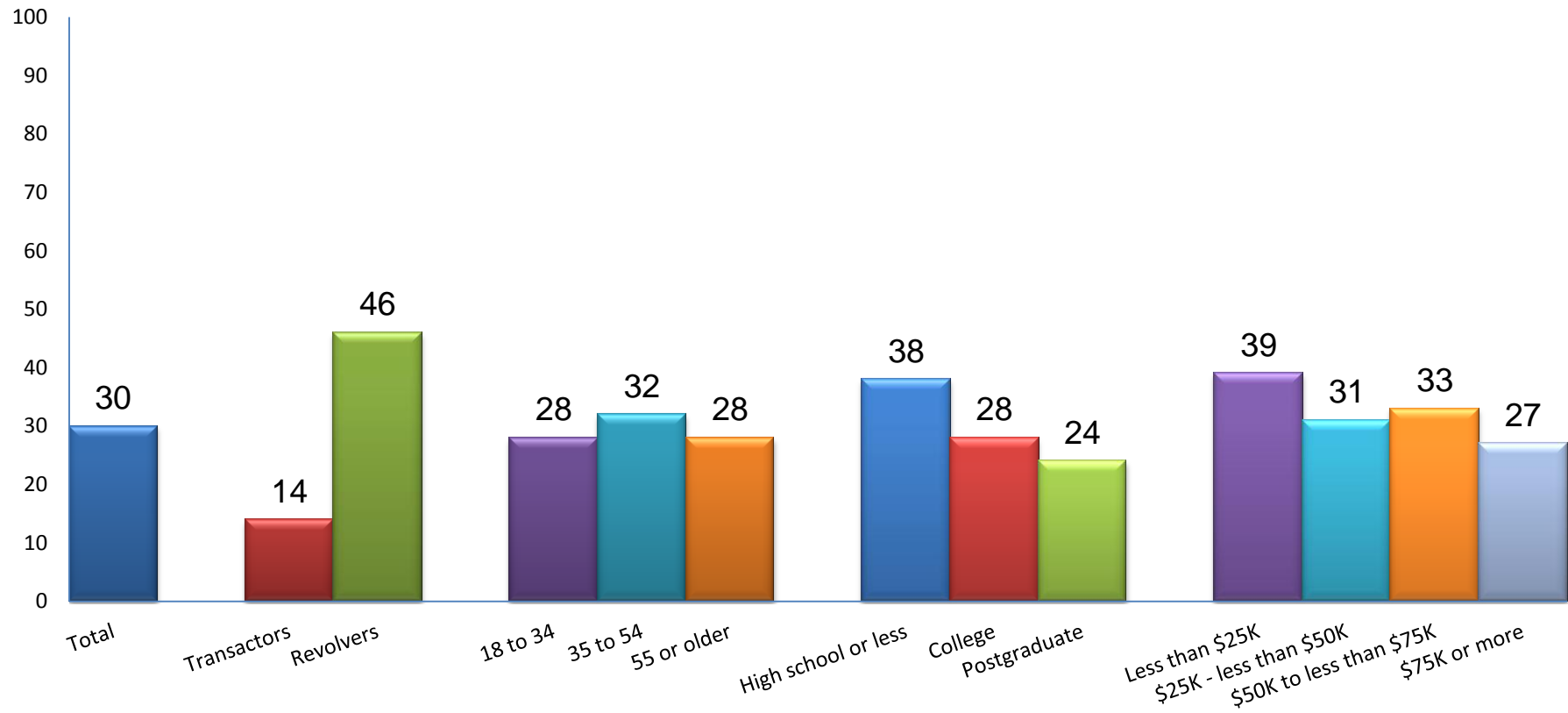
Although fewer consumers were aware that their bills now contain information about how much they need to pay to eliminate their balance in three years, a majority (58%) of Revolvers observed this feature



Source: Q13 – I want to ask you about some specific changes that may have occurred in your credit card bills. Which of the following is true with respect to the credit card bills you receive?

# Of those who noticed changes to their bills, 30% report that they have changed their payment pattern or card usage pattern

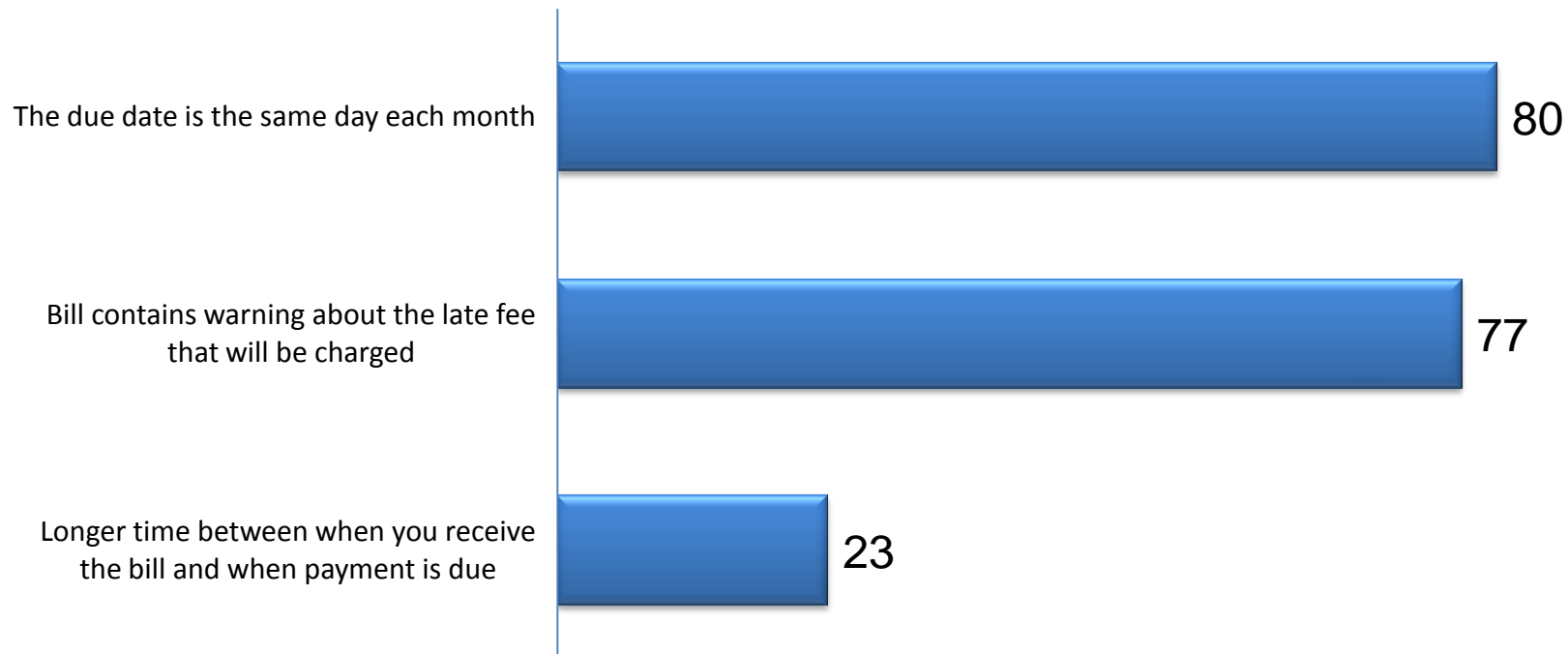
Revolvers were more likely to have made changes such as limiting their credit card usage



Source: Q14 – What impact has this information had on your actions? (Percentage mentioning “It has led you to pay more than the minimum balance each month”, “it has led you to limit your use of credit cards”, or “although you usually paid more than the minimum balance, it has led you to pay even more each month.” Among those who noticed a change)

# A large majority of cardholders are now aware that their payment due date is the same each month

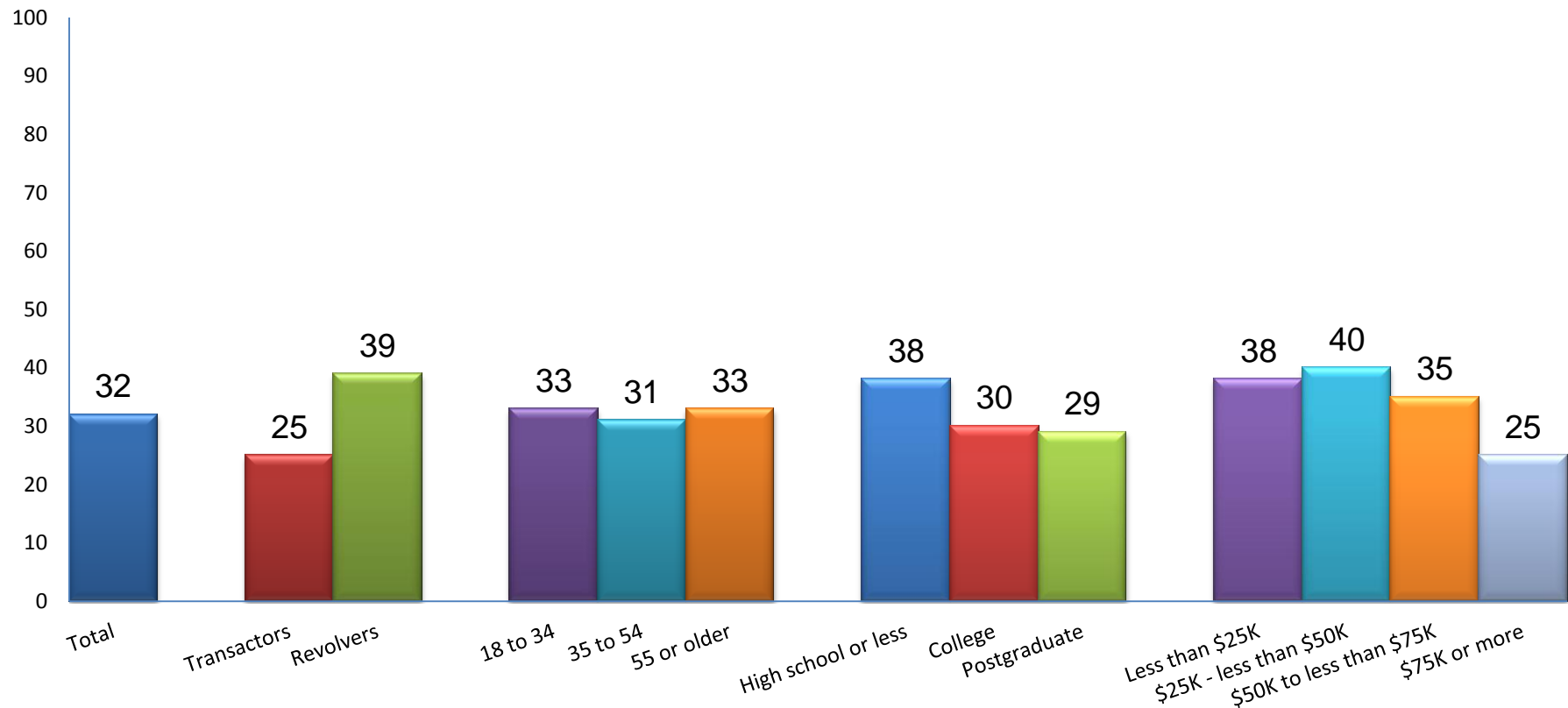
Fewer cardholders have noticed a longer period between when their bill arrives and when payment is due, perhaps because many cardholders' policies already provided for 21 days between bill arrival and due date before the CARD Act went into effect



Source: Q15– I want to ask you about three other changes that may have occurred in your credit card bills. Which of the following is true with respect to the credit card bills you receive?

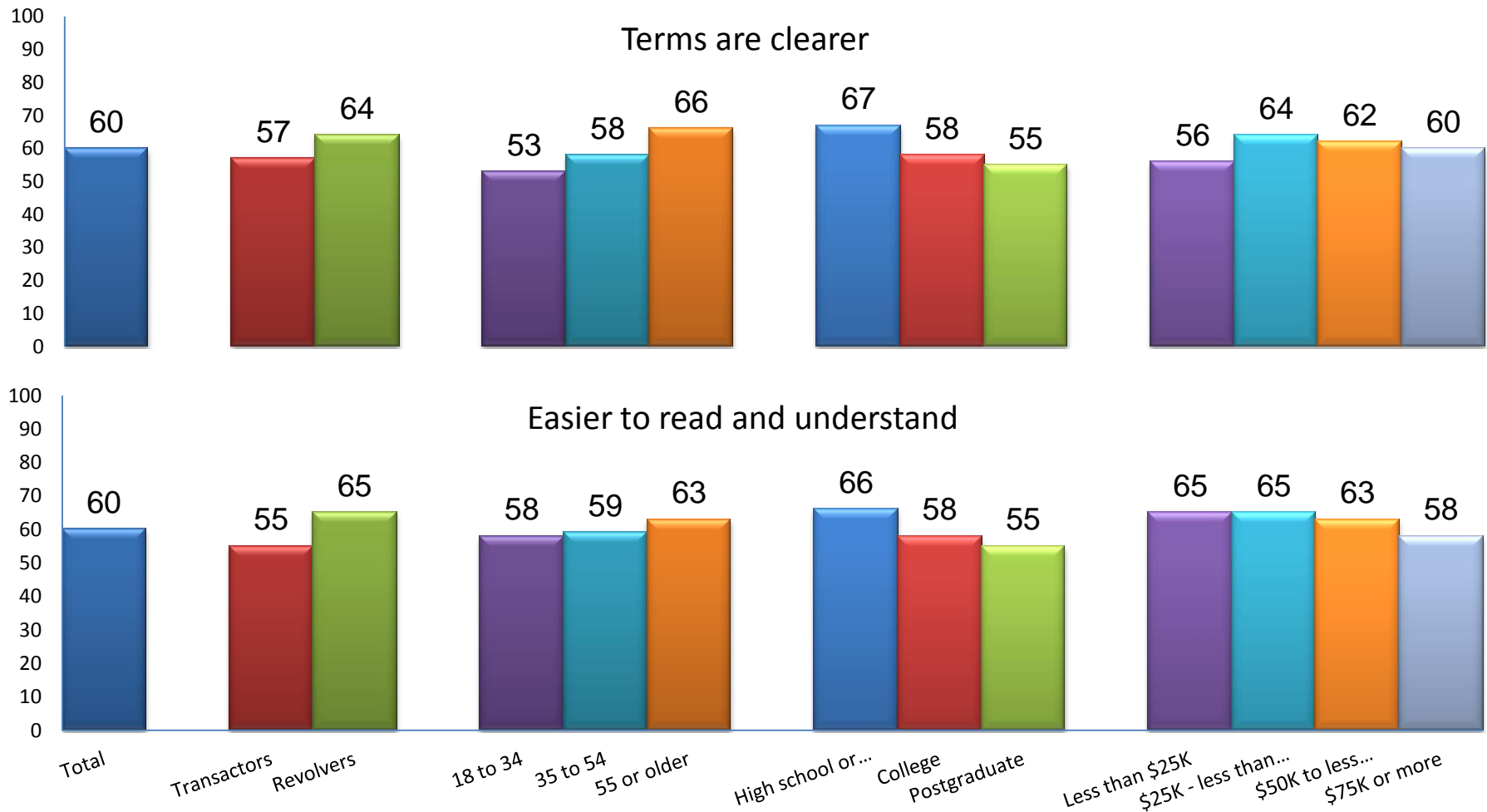
# Of those who noticed changes to their bills, approximately a third report a positive impact on their ability to make timely payments

Revolvers were more likely to have made changes like paying more than their minimum balance



Source: Q16 – What impact has this information had on your actions? (Percentage mentioning “You have been more careful to make sure your payment is received on time” or “They have made it easier for you to avoid being late.” Among those who noticed a change)

# Three in five consumers thought their bills were easier to read and understand

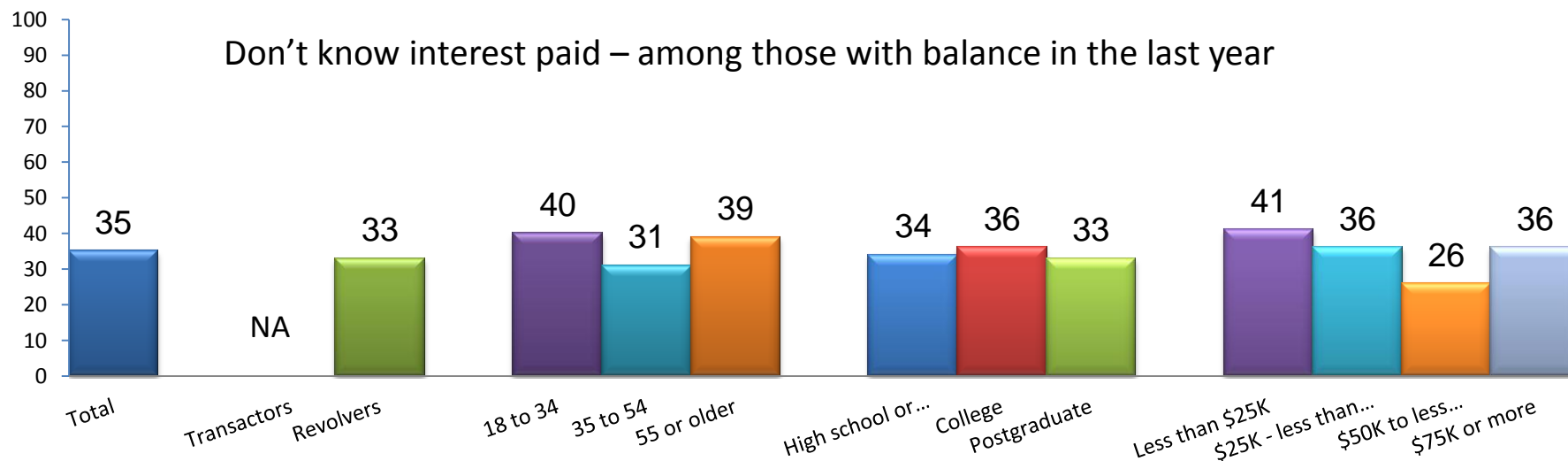
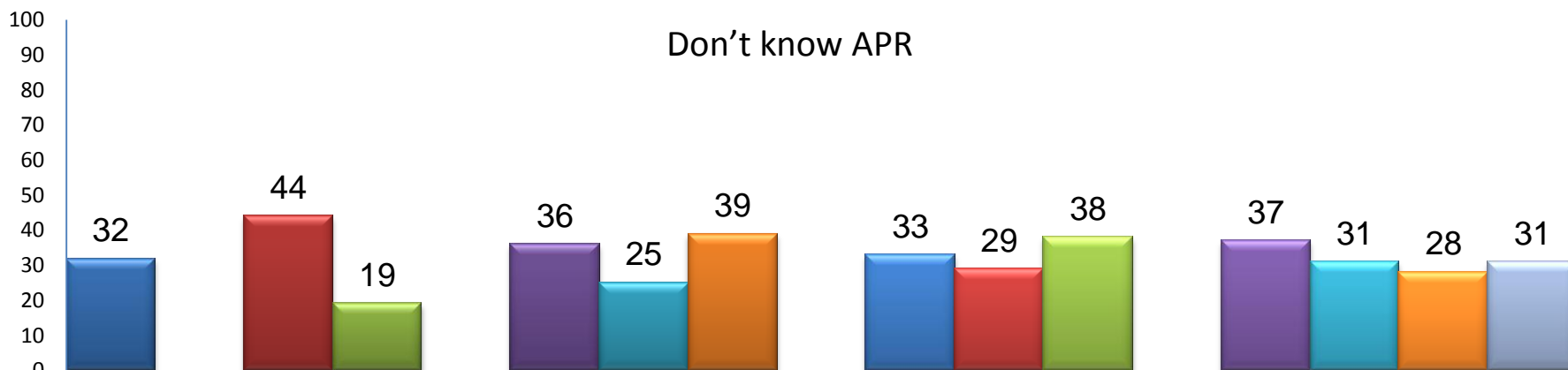


Source: Q17 – Is your credit card bill easier to read and understand now than it used to be?  
Q18 – Are the terms for using the card clearer now than they used to be?



# Despite thinking their bills are easier to read, many cardholders don't know their APR or interest paid.

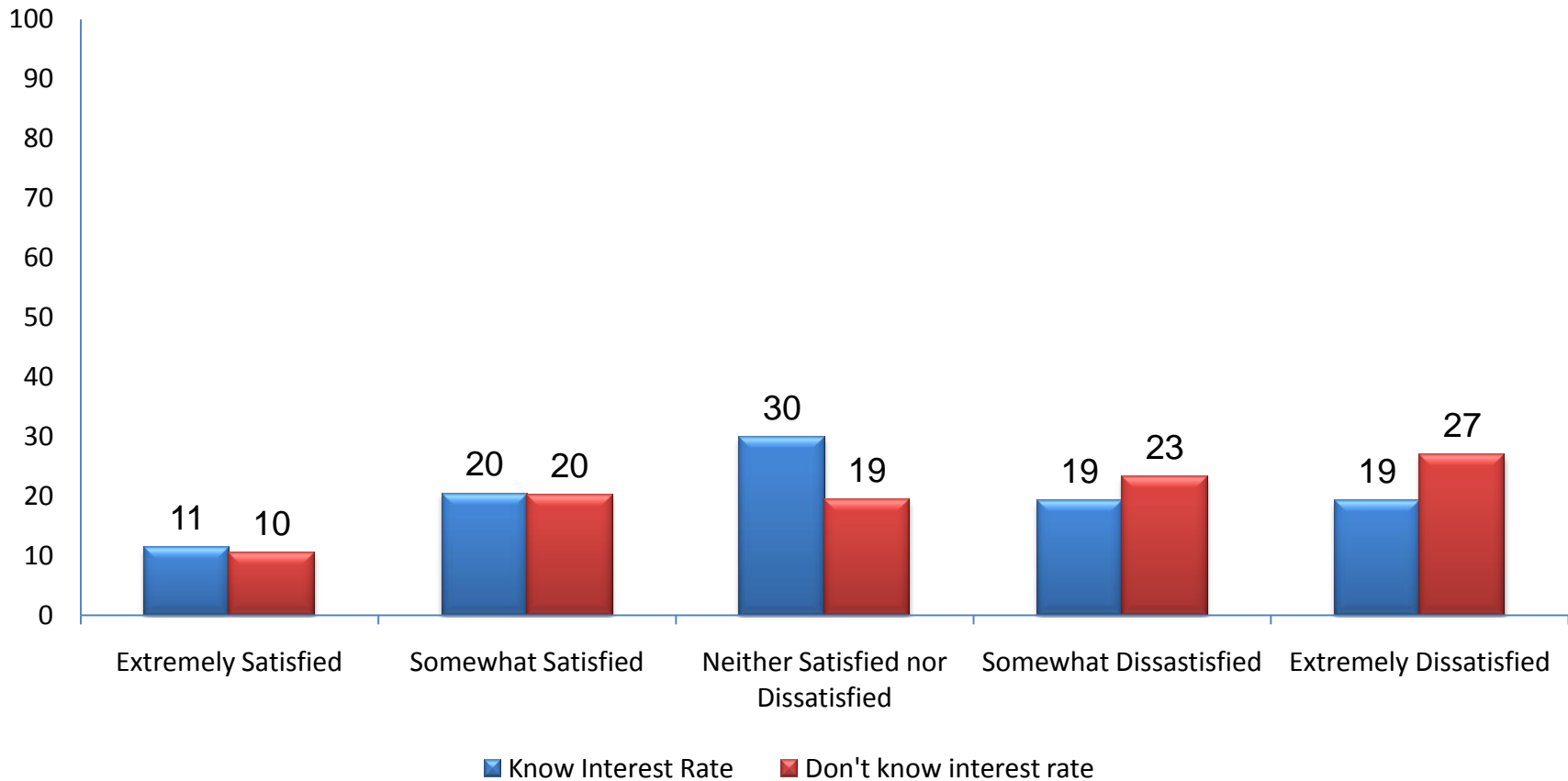
Although many transactors do not know their APR, a large majority of revolvers say they do



Source: Q10a– Is your credit card bill easier to read and understand now than it used to be?

Q9 – Are the terms for using the card clearer now than they used to be?

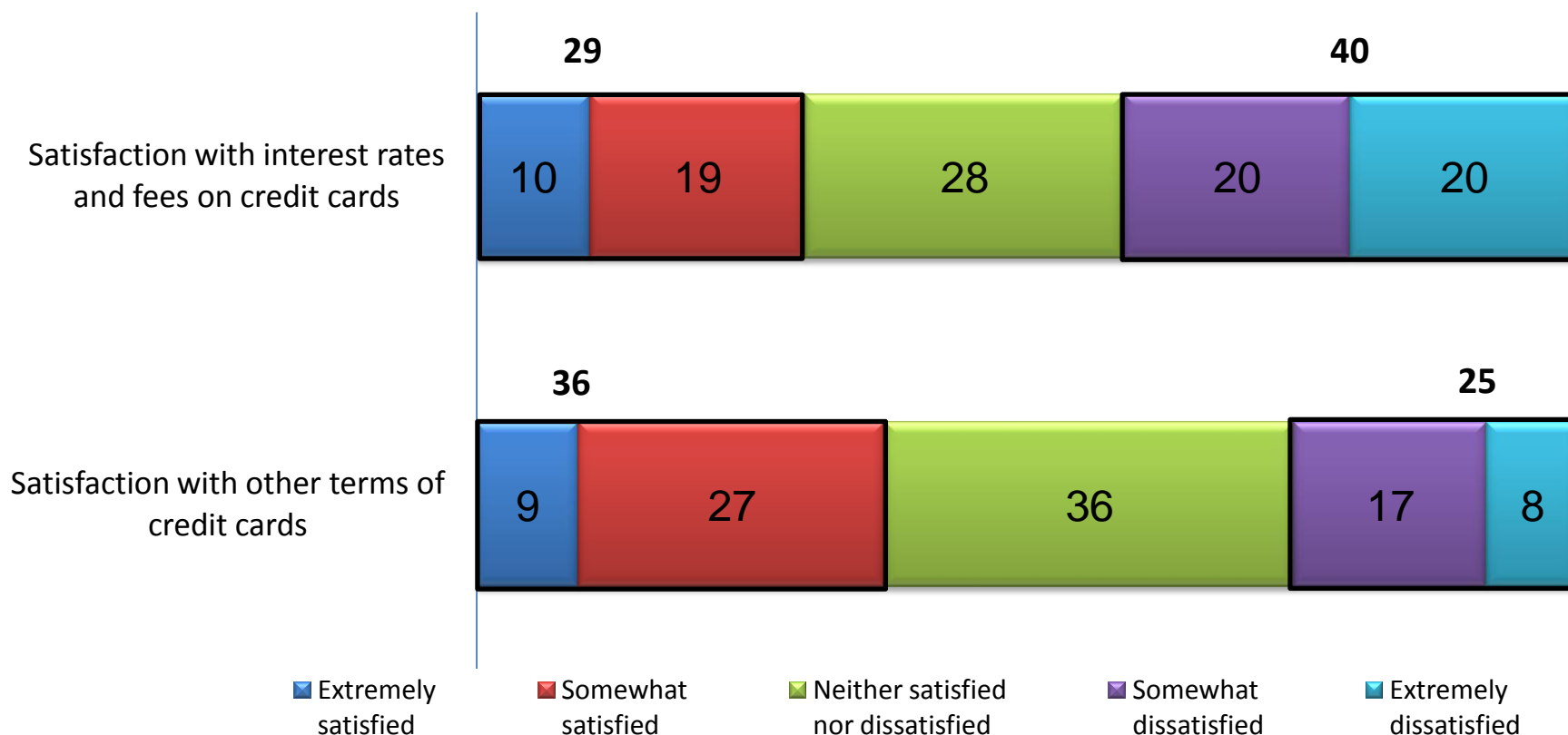
# Customers who know their interest rates are more satisfied with their interest rates and fees charged than those who do not



Source: Q21– What is your level of satisfaction or dissatisfaction with the interest rates and fees charged on credit cards?  
Q10a – What is the interest rate or APR you are charged on your outstanding balance on that [the general purpose credit card you use most often] card?

# Four in ten consumers are dissatisfied with the interest rates and fees charged on credit cards

69% of cardholders say they have been treated fairly by their credit card companies in the last year



Source: Q21– What is your level of satisfaction with the interest rates and fees charged on credit cards?  
Q22 – And what is your level of satisfaction or dissatisfaction with the other terms of credit cards?



# Appendix

- Research Design

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- Sampling:
  - Random-digit-dialing sample provided by Marketing Systems Groups
  - Non-overlapping dual frame methodology with land-line households and cellular telephone-only households
- Data Collection
  - Interviewing conducted in English from February 3<sup>rd</sup>, through February 8<sup>th</sup>, 2011
  - Qualified individuals: Over 18, own a credit card (55% of screened interviews), use it at least once a month or have a balance on it
  - 1398 screened interviews, 800 qualified interviews; Response rate: 16%
- Weighting
  - Initial stage: Adjusted number of landlines per household and applied design weights to balance landline and cell phone samples by region following the National Health Interview Survey (CDC) results
  - Second stage: Used rim weighting (or raking) technique to adjust balance to Current Population Survey (Census Bureau) demographics for age, race, gender, education