



Elevate

Center for the  
New Middle Class

# Limited Borrowing Options: The Nonprime Experience

March 2017



# Introduction

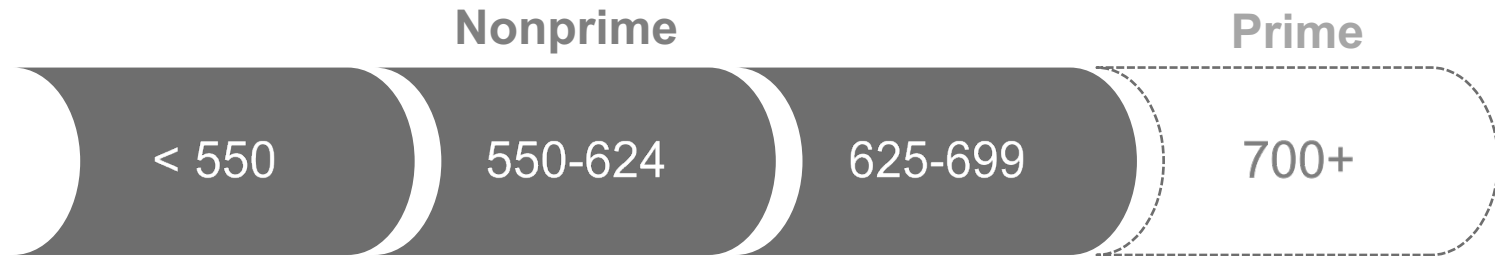
The broad discussion in many circles about the plight of people with nonprime credit scores often uses assumptions about how these Americans think, what matters to them, and even what would be good for them. However, there is limited data that really explains their circumstances.

Elevate's Center for the New Middle Class set out to understand the differences in attitudes, experiences and behavior between Americans with prime credit and those with nonprime credit.

This study represents results from a survey of 600 nonprime Americans conducted in January 2016 and was designed to understand their borrowing behavior.

For more details on the study, [click here](#).

# Nonprime Americans



“Nonprime Americans” represent the New Middle Class. These are Americans with a credit score below 700, meaning that their access to credit is limited or curtailed. It is the Center’s objective to better understand their experiences, attitudes, and behavior.

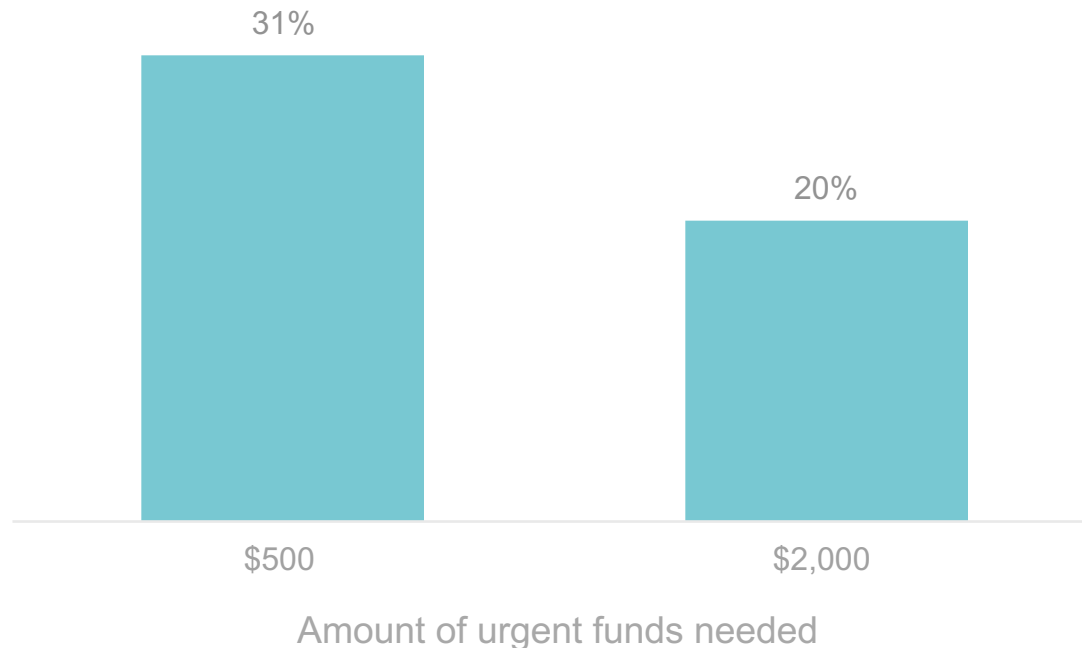
# Executive Summary

- Nonprime Americans have limited personal resources to weather unexpected expenses:
  - 69% could not cover an urgent \$500 expense with their savings
  - 36% could borrow \$500 from a family or friend; a third of those could not borrow \$2000
  - Only 29% could borrow \$2000; and a quarter of them wouldn't borrow \$500 from them
  - Only 1 in 5 have borrowed money from family and friends in the prior 12 months
- Nonprime Americans have limited access to traditional lending products:
  - 72% of nonprime Americans could not be able to put \$500 on a credit card; 80% would not be able to put \$2000 on a card
  - 59% cited “regularly” carrying a credit card balance from month-to-month
  - 7% used overdraft protection strategically, to cover expenses for which they didn't have the money

# Covering urgent expenses with savings

Option to use savings to cover an urgent expense

The best option for covering an urgent, unexpected expense is to cover it with personal savings. Unfortunately, few nonprime Americans have that ability.



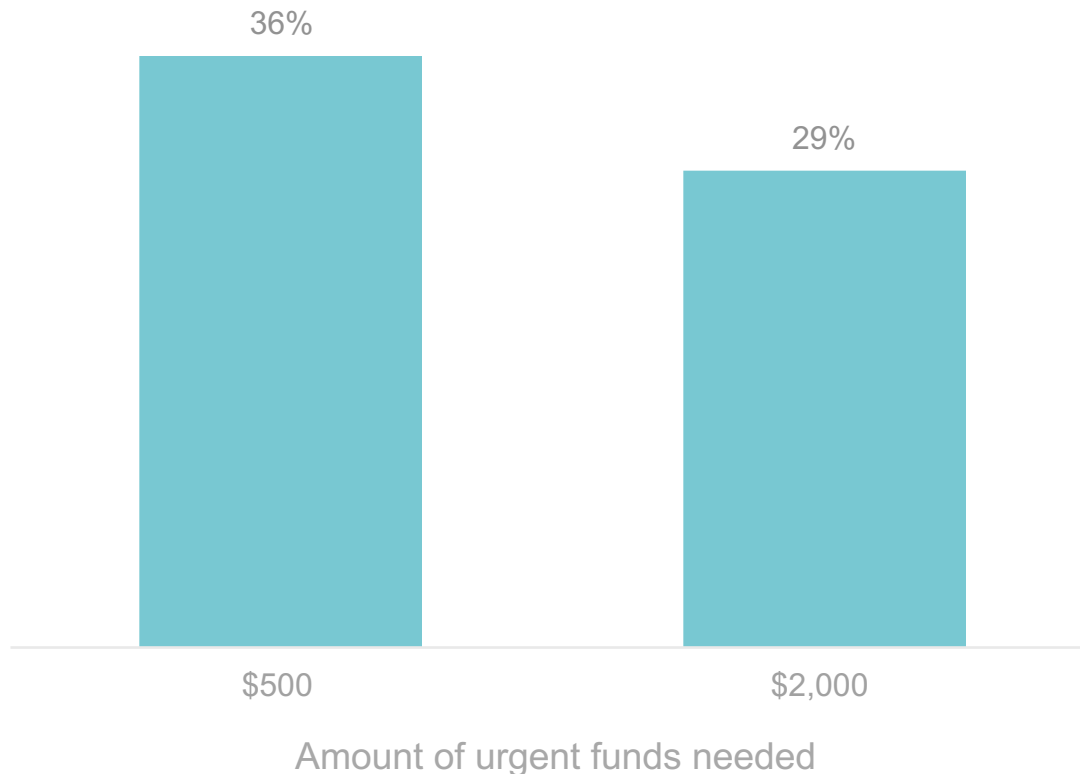
Q.18dd: If you were in a situation where you needed quick access to \$500, which of the following options would be available to you? Select all that apply.

Q.18d: In the event you needed quick access to \$2,000, which of the following options would you be able to choose? Select all that apply.

Source: Sub-prime A&U Jan 2016

# Availability of credit: Family/Friend

“Debt available to you”: Family or friends



Informal, relationship-based options for emergency loans are largely not available to nonprime Americans.

64% of nonprime Americans would not be able to borrow \$500 from family or friends if an urgent need arose.

71% would not be able to borrow \$2,000.

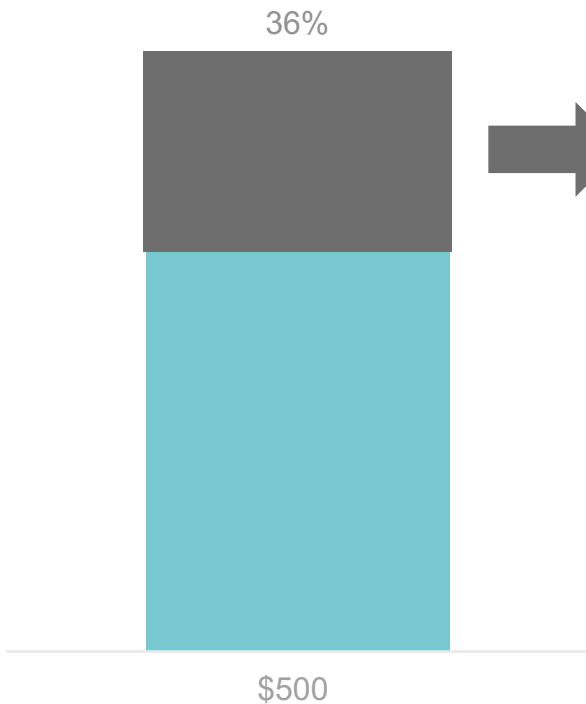
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Source: Sub-prime A&U Jan 2016

# Availability of credit: Family/Friend

Option to borrow from family or friends



A third of those who feel like they could borrow \$500 from family or friends, feel that they would not be able to borrow \$2,000.

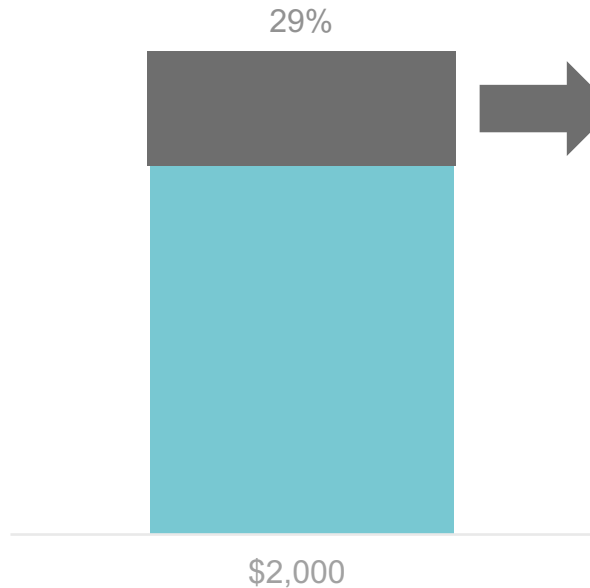
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Source: Sub-prime A&U Jan 2016

# Availability of credit: Family/Friend

Option to borrow from family or friends



25%  
Can get \$2,000, but do not feel that they could/would go to them for \$500

A quarter of those respondents who feel they could go to their family members for \$2,000, simply don't feel that they could (or, possibly, would) go to them for \$500.

Q.18dd: If you were in a situation where you needed quick access to \$500, which of the following options would be available to you? Select all that apply.

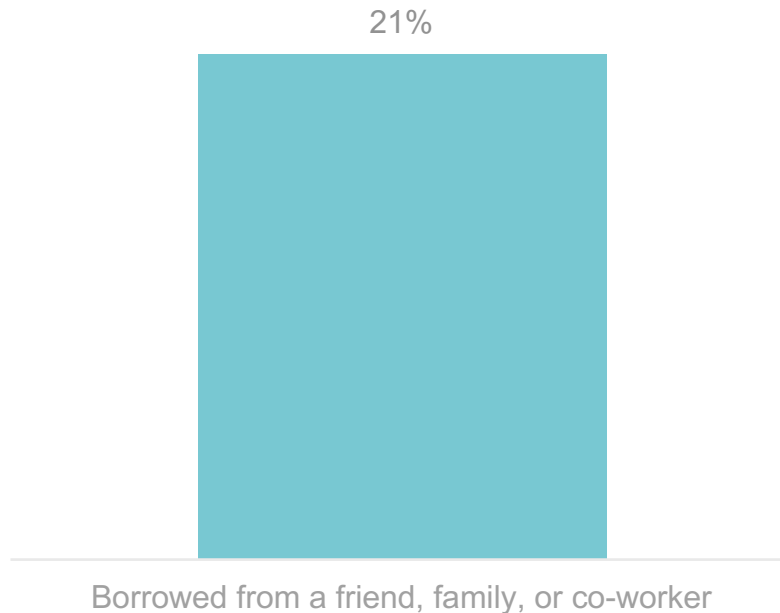
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Source: Sub-prime A&U Jan 2016



# Debt used: Family or friend

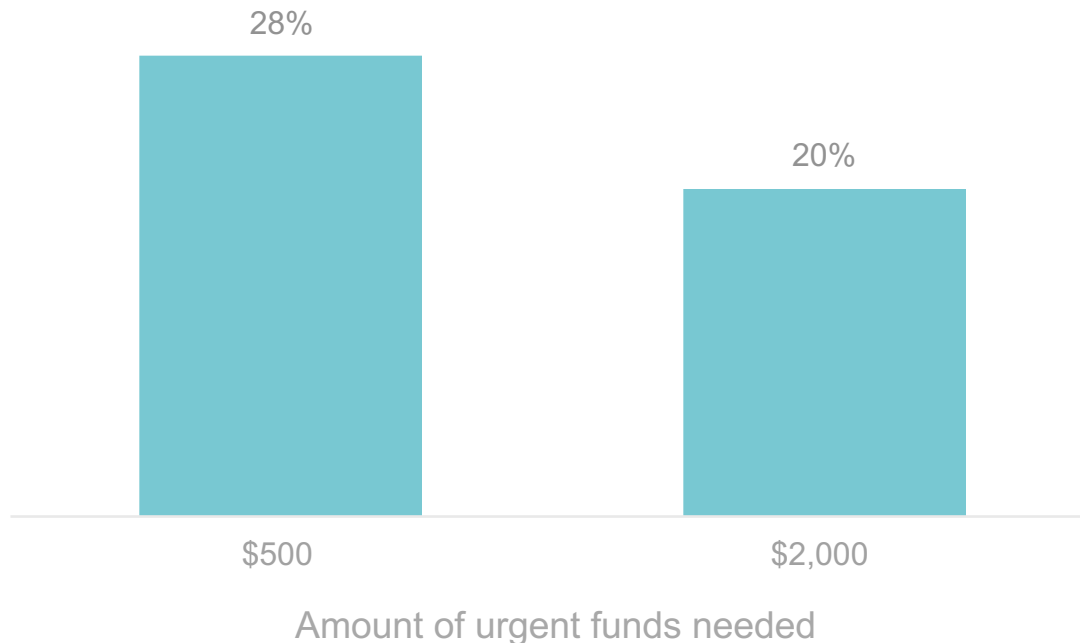
## Loans used by Nonprime Americans



1 in 5 nonprime Americans have borrowed money from a friend or family member in the prior 12 months.

# Availability of credit: Credit Cards

“Debt available to you”: Credit Cards



For most prime Americans, credit cards are the first source of emergency funds. For nonprime Americans, that option isn't as available.

72% of nonprime Americans would not be able to put a \$500 expense on a credit card if an urgent need arose.

A \$2,000 need was even further out of reach: 80% would not be able to borrow.

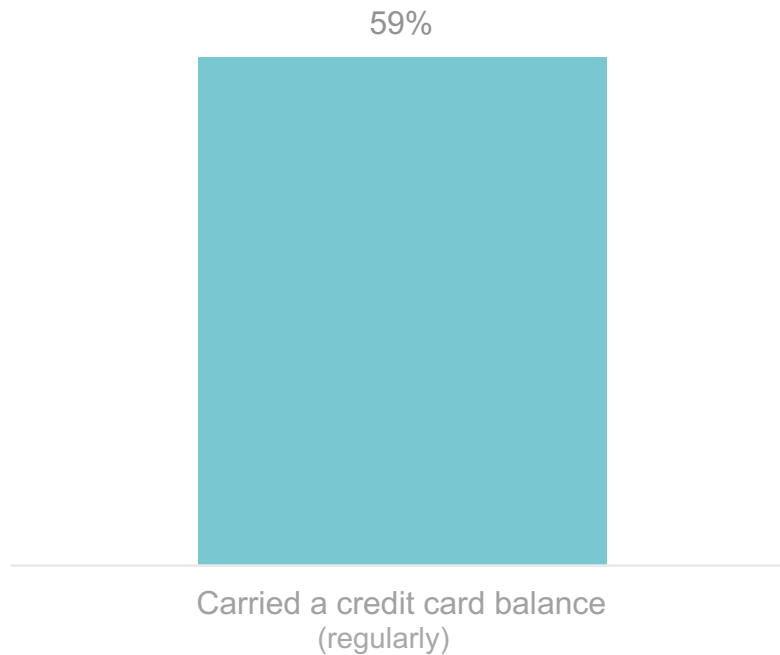
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# Carrying a credit card balance

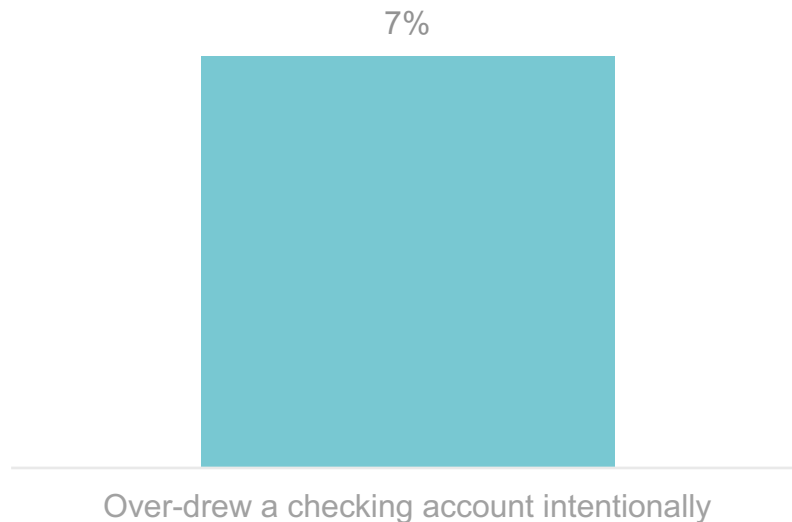
## Loans used by Nonprime Americans



59% of nonprime Americans reportedly carried a credit card balance regularly in the prior 12 months.

# Intentionally over-drawing a checking account

Debt used in the prior 12 months



More than 1 in 20 nonprime Americans used their bank's overdraft as strategically, as a form of credit when they needed money.

# Sub-prime A&U Methodology

The primary purpose of this study was to explore how nonprime Americans borrowed money.

**Interview Dates:** December 18-January 12, 2016

## **Sample Specs:**

- Total Respondents = 600
- Sample Source: Research Now

## **Qualification Criteria:**

- Ages 18-64
- Personal income < \$150K
- Geography – live in a Rise/Elastic state
- Have checking account or debit card
- Self-reported FICO score < 700
- or, Sometimes or always struggle to pay bills
- or, Used subprime lender in past 12 months

**Survey Instrument:** 18 minute online questionnaire conducted by Research Now

# Financial Life Methodology

The primary purpose of this study was to determine how nonprime Americans were similar or different from those with prime credit on a range of behaviors and attitudes.

**Interview Dates:** December 6-14, 2016

## **Sample Specs:**

- Total Respondents = 1,217
- Sample Source: Research Now Consumer Panel

## **Qualification Criteria:**

- Ages 18-64
- Personal income: Any
- Geography – U.S. Rep
- Has primary or shared responsibility managing HH finances
- Employment: No students or unemployed
- Has a checking or savings account

**Survey Instrument:** 15 minute online questionnaire

↑ Arrows indicate statistical significance at 90%, over prime/unprimed cohort

# About

## About Elevate's Center for the New Middle Class

Elevate's Center for the New Middle Class conducts research, engages in dialogue, and builds cooperation to generate understanding of the behaviors, attitudes, and challenges of America's growing "New Middle Class."

For more information, visit: [www.NewMiddleClass.org](http://www.NewMiddleClass.org)

## Contact



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