

Bankrate

40% of Credit Card Debtors Don't Know Their Interest Rate

Cash back is Americans' favorite credit card feature

New York – January 10, 2022 – Credit card debt continues to be a significant problem in this country, even though total balances have fallen 13% since Q4 2019, according to the Federal Reserve Bank of New York. Perhaps a contributing factor to the credit card debt issue: 40% of credit card debtors don't even know the interest rate on their primary card with a balance, according to a new consumer survey commissioned by Bankrate. For more information, click [here](https://www.bankrate.com/finance/credit-cards/credit-card-features-survey/).

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A credit card's annual percentage rate is insignificant if the cardholder pays the balance in full each month. However, according to the new Bankrate data, 39% of cardholders carry debt from month to month.

Bankrate measures the average credit card rate at 16.30%. It's even higher (17.13%) among accounts assessed interest, the Federal Reserve reports. At 17.13%, someone making minimum payments toward the average credit card balance (\$5,525, according to Experian) would be in debt for more than 16 years and would owe more than \$6,500 in interest. And the Fed has signaled that interest rates are likely to increase in 2022 and beyond.

When it comes to credit cards, there isn't one card that fits everyone's personal situation. For example, someone with credit card debt should prioritize a 0% balance transfer card over travel rewards to help pay down debt. Additionally, personal finances evolve for everyone over time. Yet, approximately half (49%) of credit cardholders have either never switched their most-used card or it has been at least five years. That includes 26% who have never switched, 12% who last switched between 5 and 10 years ago and 11% who last switched at least a decade ago.

“If you haven't signed up for a new credit card in a while, you're missing out,” said Ted Rossman, senior industry analyst at Bankrate. “In recent months, we've seen some of the best sign-up bonuses ever. And ongoing incentives continue to evolve, too. As long as you're paying in full and avoiding interest, it's important to match your top spending categories with the right rewards cards. Or if you have credit card debt, then signing up for a new card can score you an interest-free balance transfer term for up to 21 months.”

Cash back is Americans' favorite credit card feature: 41% of cardholders said cash back rewards are their favorite benefit of the card they use most frequently. The second-most common answer was “it is accepted most places” (14%), followed by “it has a low interest rate” (9%) and travel rewards (6%).

Even among balance carriers, cash back was the most popular answer (30%), ahead of “it is accepted most places” (18%) and “it has a low interest rate” (13%).

Rossman notes, “It’s a big mistake to chase rewards if you’re carrying credit card debt from month to month. The average credit card charges more than 16%, so the math doesn’t work out in your favor. Even the most generous cash back cards tend to give no more than 5% cash back – and that’s on select categories, not on all of your purchases. It’s hard to top an overall return of about 2% cash back. That’s nice if you’re able to pay in full and avoid interest, but if you have credit card debt, it’s much better to prioritize a debt payoff strategy.”

Possibly taking advantage of new benefits, 21% of credit card users changed their most-used card within the past year. Among them, 53% say they switch frequently. For 47%, it was the first time they had swapped their primary credit card in a while. Banks originated 53.1 million credit card accounts through September 2021 (the most recent data that is available). That’s a record pace, according to Equifax.

The older you are, the more likely you are to have stuck with the same credit card year after year. 25% of boomers with credit cards have never changed their most-used card and 31% switched but it was at least five years ago. But many younger adults are guilty of complacency as well. For instance, 27% of millennial credit cardholders have never switched their primary card and another 16% have switched but it was at least five years ago.

For the complete list of winners in the credit cards category of the 2022 Bankrate Awards, please visit: <https://www.bankrate.com/awards/best-credit-cards-of-2022/>

Methodology

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,764 adults, including 2,049 credit cardholders and 804 who carry credit card debt from month to month. Fieldwork was undertaken December 1-3, 2021. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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