

An aerial photograph of a crosswalk on a city street. The crosswalk is marked with white stripes on a grey asphalt surface. A teal-colored overlay covers the bottom-left portion of the image, extending diagonally from the bottom-left corner towards the center. Three people are walking across the crosswalk, their shadows cast long and dark on the pavement. The overall scene is captured from a high angle, looking down at the pedestrians.

MORNING CONSULT[®]

Varo[®]

VARO CONSUMER CREDIT WATCH

Paycheck-to-Paycheck Employed Adults

NOVEMBER 2024



METHODOLOGY

Varo partnered with Morning Consult to conduct a survey among employed adults living paycheck-to-paycheck to examine their views of financial topics related to credit. The survey was conducted online from August 29th to September 11th, 2024 among a national sample of n=1,574 U.S. adults.

To qualify for the survey, respondents had to satisfy the following criteria: 1) Age 18+; 2) Currently employed; 3) have a HHI of \$70 or less, 4) Described their current spending as about equal to income, a little less than income, or a little more than income. Those who described their spending as “much less” or “much more” than income were disqualified; 5) Pay all or nearly all of their bills on time.

KEY FINDINGS

Daily necessities are the new luxury:

- The current #1 use of credit goes toward groceries
- If they had access to more credit, they would be most likely to use this toward groceries and bills/utilities
- Consumers can't holiday: vacation no longer ranks on the need for credit
- 43% of these consumers need *more* credit to help cover their basic needs
- 85% of folks living paycheck-to-paycheck have a credit card
- A majority of consumers are in debt, especially credit card debt
- When denied credit, they resort to cash, debit, and borrowing from others
- Nearly 1-in-5, turn to BNPL companies

The credit system doesn't work for consumers:

- 69% of consumers do not believe that the credit system is wholly fair
- 57% have been denied credit
- 26% don't feel represented at all by their credit score
- 43% believe they should have access to more credit
- This despite 72% paying off credit cards in part or in full each month
- 66% feel like their efforts to improve their credit are effective
- 70% would spend <\$500 additionally per month

Debt is growing:

- 69% have debt
- 73% have more or the same as last year
- \$10,445 is the average
- At 34%, credit card debt is the highest type of debt
- Student loans rank #4 at 18%

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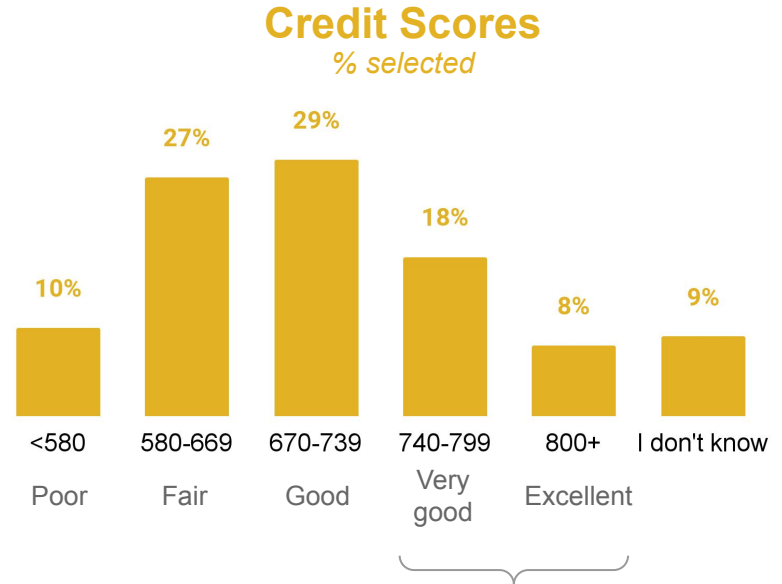
Credit & Challenges



The overwhelming majority of respondents say they understand what a credit score is. Among those living paycheck-to-paycheck, almost 40% report having Fair or Poor credit scores.

86%

of those living paycheck-to-paycheck feel like they understand what a credit score is



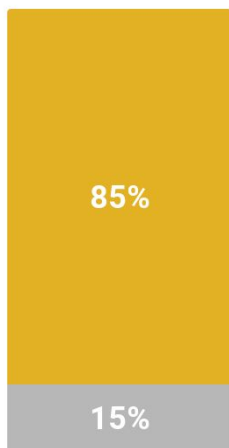
Paycheck-to-paycheck consumers in the Northeastern US are more likely to have very good to excellent credit scores compared to other regions.

The vast majority of those living paycheck-to-paycheck have a credit card. One-third are reliant on them for their fixed monthly expenses. Those in the Southeast are less likely to be reliant on credit for their fixed costs.

Do you currently have a credit card?

% selected

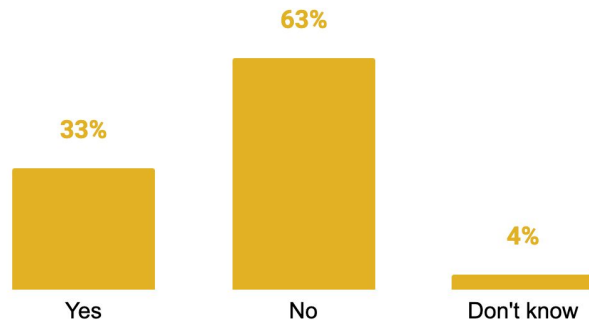
■ Yes ■ No



Adults

Do you rely on your credit to maintain fixed monthly expenses?

% selected



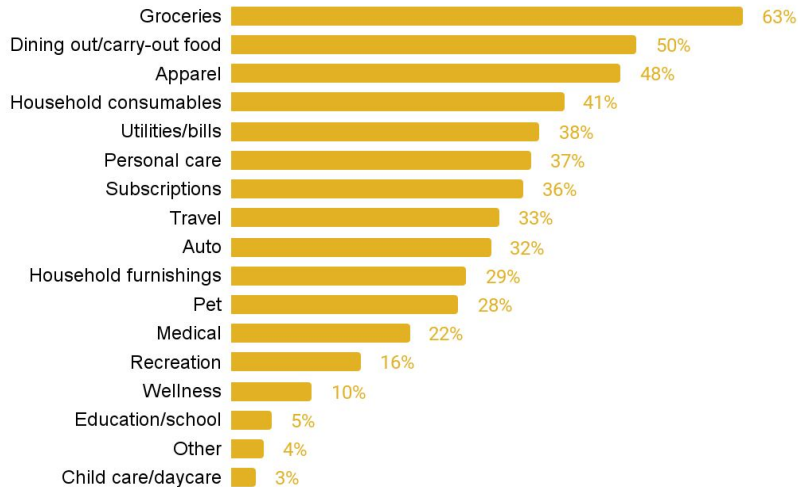
Those in the Southeast living paycheck-to-paycheck are **less likely** to be reliant on credit cards than those across the country.

GenZers living paycheck-to-paycheck are **more likely** to rely on their credit cards for fixed expenses.

Credit cards users' #1 use for credit is groceries. If they had access to more credit, spending would still be focused on necessities like groceries and bills.

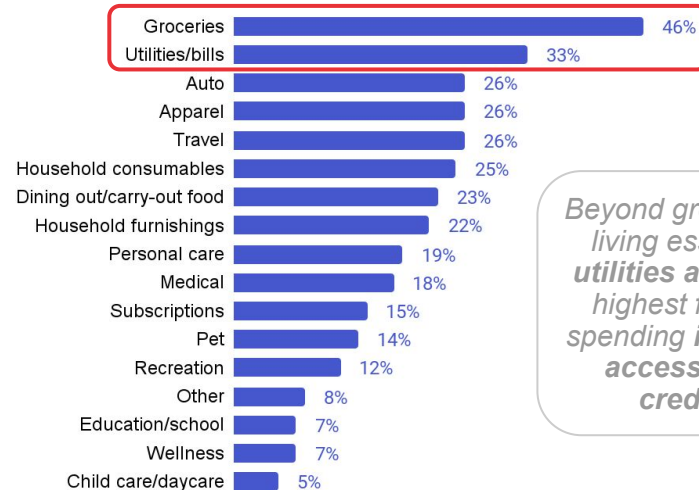
Current Credit Card Purchases

% currently purchase



Purchases If Credit Limit Was Higher

% would purchase

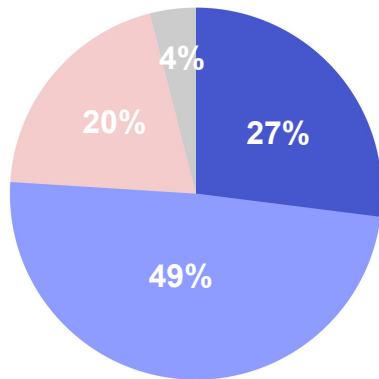


Beyond groceries, other living essentials like **utilities and bills** rank highest for potential spending if people had access to higher credit limits.

Many find the credit system is at least somewhat fair – but over 1-in-4 still don't feel well-represented by their score. Over 40% of paycheck-to-paycheck folks want more credit. If they had more credit, 70% would spend <\$500 additionally per month.

Is the Credit System Fair?

• Fair • Somewhat fair • Unfair • Don't know / unsure

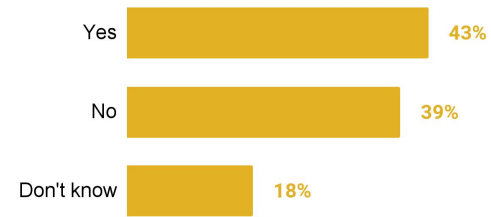


62% feel that their score represents their creditworthiness well

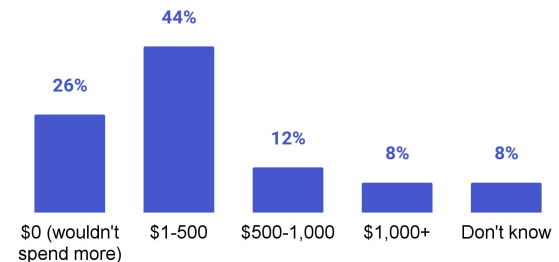
VS.

But 26% still don't feel represented well by their credit score

Should you have access to more credit?



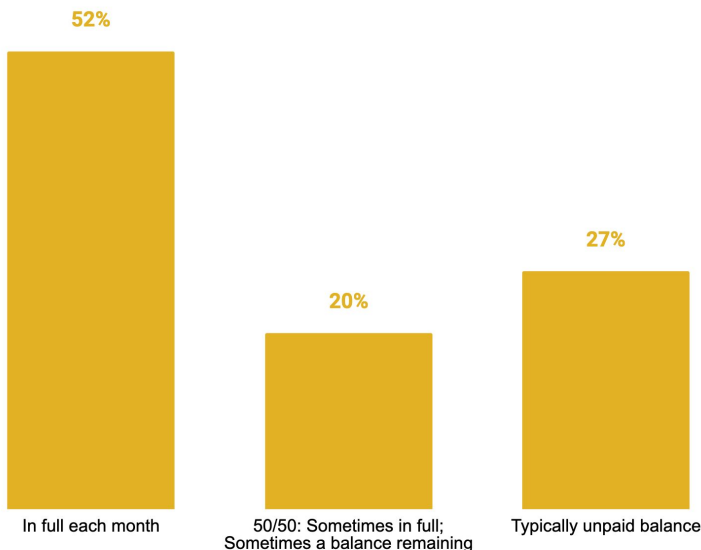
Additional spend if given more credit



The top way folks try to improve their credit is by paying their credit card bill on time. Around half of credit card holders pay their bill off in full each month, while around a quarter tend to have an unpaid balance.

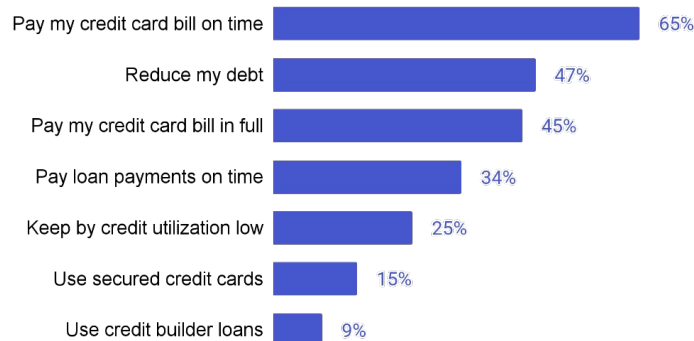
Credit Card Payment Behavior

% selected



Credit Improvement Efforts

% selected



Overall, **66%** of those living paycheck-to-paycheck feel like their efforts to improve their credit are **effective**

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Debt



Most paycheck-to-paycheck consumers have debt, namely credit card debt followed by auto and medical debt.

69% of those living paycheck-to-paycheck **have debt**

Top Current Debt Types

% selected

Avg. Debt

Credit card debt	34%	\$5,493
Auto debt	27%	\$10,787
Medical debt	26%	\$7,143
Mortgage	23%	\$47,095
Educational debt	18%	\$26,430
Personal loans	17%	\$4,758
'Buy now, pay later' loan debt	13%	\$581
Other debt (Payday loan, debt	12%	\$2,851
Home equity line of credit	6%	\$14,757

How to read:

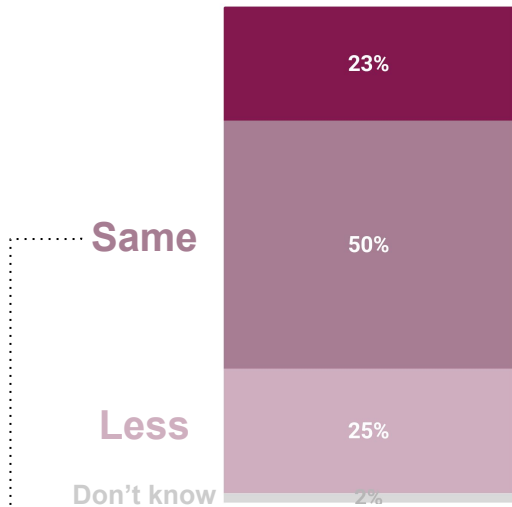
Most common type of debt: credit card debt

Among those with debt, the average amount of credit card debt they have is \$5,493.

Those in the Southeast are more likely to have an outstanding BNPL debt compared to those across the country

Debt amounts are likely to have remained the same or increased since last year. Most folks have been denied a loan before and of those denied credit, nearly 1-in-5 resorted to BNPL to make payments.

Debt Compared to Last Year



Those in the Southeast are more likely to have the **same amount** of debt as last year compared to those across the country.

57% of those living paycheck-to-paycheck have been denied a loan before

Avg. Amount of Loans Denied (Cumulatively)

\$10,455

Methods Resorted to When Denied Credit

- 1 Cash (54%)
- 2 Debit (48%)
- 3 Borrowed money from a friend or family member (35%)

19% resorted to using a BNPL company

Those in the Southeast, GenZers, & Millennials are more likely to use a BNPL company than those across the country

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Appendix



While the overwhelming majority of Black Americans are impacted by inflation, they do report more continuity in their finances vs. Gen Pop. However, they are less likely to be approved for credit/loans and to have applied in the first place. That said, they do report wanting access to more credit.

Impacted by Inflation?

% selected

	Gen Pop	Black
Yes	76%	68%
No	19%	29%
DK/Unsure	5%	3%

Fixed Monthly Expenses

% selected

	Gen Pop	Black
Increased	53%	46%
Stayed the same	42%	48%
Decreased	3%	5%
DK/Unsure	2%	1%

Loan / Credit App History

% selected

	Gen Pop	Black
Yes, always approved	35%	25%
Yes, approved for some but denied others	40%	43%
Yes, always denied	9%	10%
No, never applied	16%	22%

Want Access to More Credit?

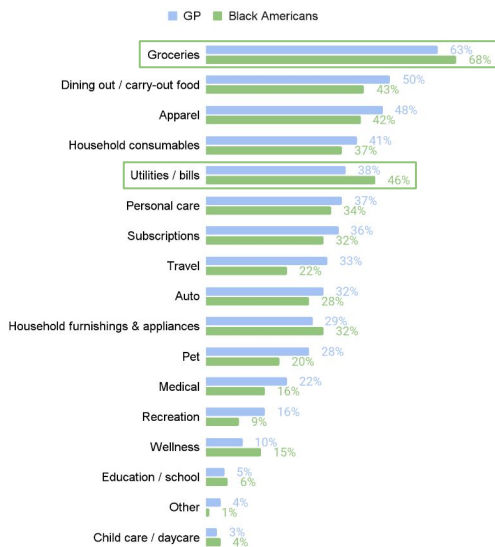
% selected

	Gen Pop	Black
Yes	43%	60%
No	39%	26%
DK/Unsure	18%	14%

Whether with current credit limits or potential higher credit limits, Black Americans are more likely to use this toward groceries and bills vs GP. They're a lot more likely to feel in control of their life and healthier than the GP if they had higher credit limits.

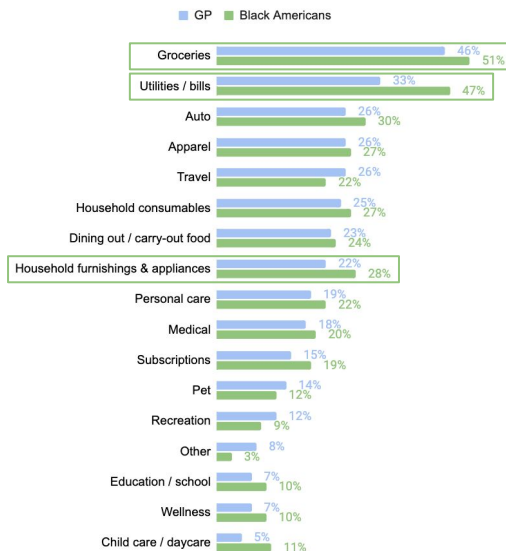
Current Credit Card Purchases

% selected



What They'd Purchase More If They Had More Credit

% selected



How They Would Feel If They Had More Credit

% selected

Category	GP	Black Americans	Gap
More secure	41%	45%	4%
Like I have more opportunities	32%	38%	6%
In control of my life	29%	39%	10%
More independent	28%	36%	8%
Optimistic about my future	26%	29%	3%
Empowered to make decisions	24%	26%	2%
More likely to invest in my future	19%	28%	9%
Healthier	14%	25%	11%
Nervous (e.g., not sure how to navigate)	11%	6%	-5%
Other	5%	2%	-3%



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