July 2018

PYMNTS.com

FINANCIAL INVISIBLES REPORT

A unifund COLLABORATION

THE FOUR FINANCIAL PERSONAS

No Worries
99%
HAVE BANK ACCOUNTS

Second Chances
96%
HAVE BANK ACCOUNTS

On the Edge
75%
HAVE BANK ACCOUNTS

Shut Outs
79%
HAVE BANK ACCOUNTS

85% of No Worries
HAVE A CREDIT SCORE ABOVE ACCEPTABLE (>620)

71% of Second Chances
FELL BEHIND IN PAYMENTS IN THE PAST YEAR

75% of Shut Outs
LIVE PAYCHECK TO PAYCHECK

86% of Shut Outs
WOULD LIKE TO HAVE A BANK ACCOUNT

FINANCIAL INVISIBLES REPORT

ACKNOWLEDGMENT

The Financial Invisibles Report was done in collaboration with Unifund, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the findings presented, as well as the methodology and data analysis.

INTRODUCTION

Credit as a payment method is more popular than ever. As usage swells in popularity, though, the volume of individual household debt is also rising. United States households collectively owed more than $13 trillion in debt by the end of 2017, including what they owed on their credit cards, student loans, mortgages and other major financial products.[1]

This economic backdrop means it is critical for organizations of all sorts — including private enterprises and government entities — to understand how individual consumers manage their personal finances and why they make the financial decisions they do. Comprehension of the modern consumer's relationship to credit and debt is central to making informed decisions about how to approach them as clients and as individuals.

The Financial Invisibles Report™, in conjunction with Unifund, examines how real consumers handle their finances. It considers the personal financial data of more than 2,000 survey respondents to form a cohesive picture of the modern consumer credit market. Respondents were asked pointed questions about their monthly expenses, and about what role their credit — or lack thereof — plays in their personal finance management.

With this data, we sought to answer several questions pertinent to the modern consumer: Which credit products are they using in their daily lives, and which would they like to use? Do they have access to credit cards, and, if so, how do they use them? Do they have the funds they need to pay their monthly expenses, or are they struggling to get by? Are they confident in their financial stability, or are they fearful of the future?

We collected demographic data on our respondents — including age, gender, education level and geographic distribution — to gain a better, more nuanced understanding of how the modern American credit system affects its consumers.

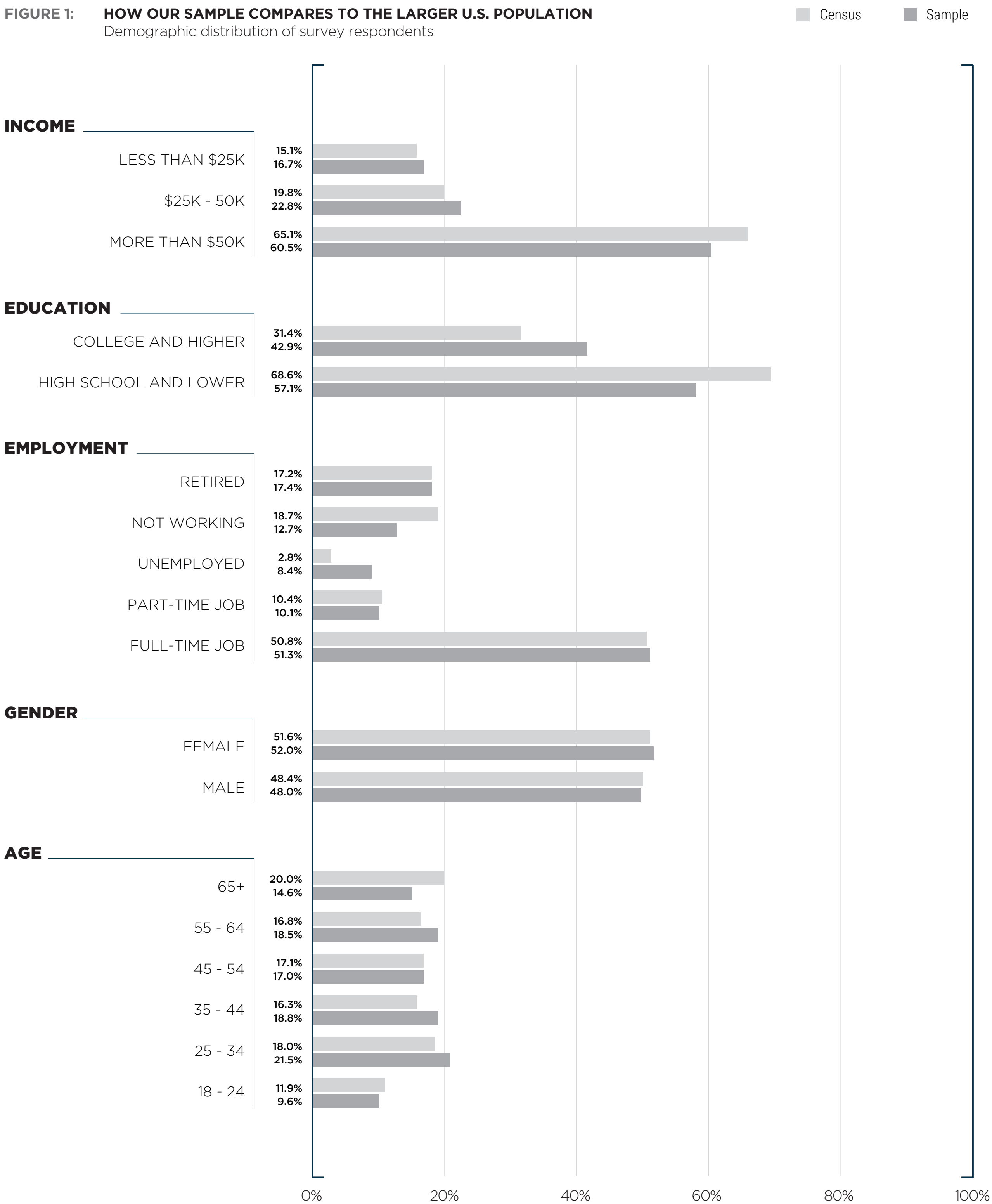
[1] Morath, Eric. U.S. households shoulder record $13.15 trillion debt to end 2017. Wall Street Journal. 2018. https://www.wsj.com/articles/u-s-household-debt-up-193-billion-to-13-15-trillion-to-end-2017-1518537600. Accessed June 2018.

RESPONDENTS AS A MICROCOSM OF THE AMERICAN POPULATION

Before analyzing our findings, we compared the demographic information gathered in our survey to that of the official U.S. census to ensure its distribution resembled that of the wider U.S. The variables that closely mirrored the Census' distribution were considered "well-balanced."

We found that our sample's demographic information was well-balanced for household income, gender, education, age, geographic location and employment. In other words, the percentage of women in our survey was comparable to the percentage of women in the larger U.S. population for each of the aforementioned variables.

FIGURE 1: **HOW OUR SAMPLE COMPARES TO THE LARGER U.S. POPULATION**
Demographic distribution of survey respondents



THE FOUR FINANCIAL PERSONAS OF AMERICAN CONSUMERS

Examining all consumers as a single group can be misleading. Consumers come from all walks of life, and it can be helpful to account for this diversity by categorizing them according to their unique situations. This can provide a deeper understanding of their circumstances and clarify the motives driving their financial decisions.

As in previous surveys, we identified four user personas among our sample, each corresponding to a different approach to personal finances. The four personas are as follows:

No Worries

- No collections or delinquencies in the last several years
- Pay all bills on time, but may have an occasional late bill or missed payment
- Have bank or credit card accounts, or may have chosen not to open them

Second Chances

- Have had one or more collection or delinquency event
- Have bank and credit card accounts, or are not able to obtain them

On the Edge

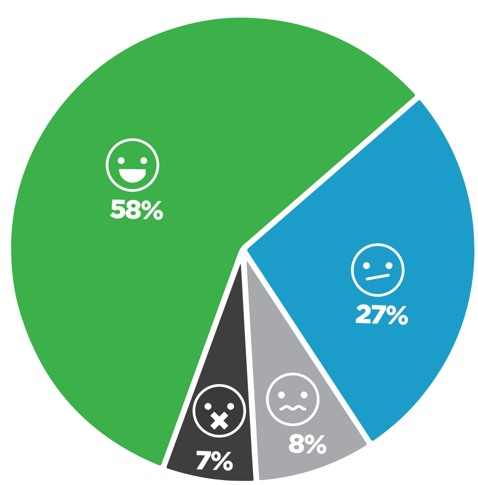
- No collections or delinquencies in the last several years
- May not have credit or debit cards because they have elected not to have them
- Struggle to pay many bills each month, and often live paycheck to paycheck

Shut Outs

- Have had one or more collection or delinquency event
- Are unable to obtain bank or credit card accounts

Some of these archetypes share common traits. For example, neither No Worries nor On The Edge consumers have experienced a delinquency event, but both Shut Outs and Second Chances consumers have. The distribution of our sample's archetypes can be seen in Figure 2.

FIGURE 2: **FINANCIAL PROFILE OF AMERICAN CONSUMERS**
Breakdown of persona types



Before categorizing respondents by persona, we observed the following statistics characterizing the entire sample:

- **Its average credit score was 695.**
- **Its average income was $70,000 per year.**
- **Its average age was 45.**
- **More than 60 percent of our respondents were employed.**

When we categorized respondents by persona, we were then able to examine how the behavioral tendencies of each distinguished it from its peers. Some notable examples include:

No Worries tended to be older and had higher average incomes than other archetypes.

Second Chances and No Worries were more likely to have college degrees.

Very few Shut Outs own their homes.

Likely because of their differing credit scores, our archetypes appear to enjoy varying degrees of access to financial products. Shut Outs' and Second Chances' past delinquencies mean they have lower credit scores at 575 and 640, respectively, than No Worries (733) and On The Edge consumers (706). The former two groups often have no choice but to use relatively expensive, non-traditional alternatives to credit cards to pay their bills.

We sought to answer fundamental questions about how various consumer types managed their personal finances, as well as the forces driving those decisions. Which financial decisions lie behind these disparate credit scores? Why do On The Edge consumers enjoy higher credit scores, on average, than Second Chances? How do these markedly different consumers feel about their financial standings, and how do they plan to improve upon them — if at all? Finally, what can financial services companies do to tailor their offerings and better meet the needs of this diverse bunch?

Answering these questions necessitates the examination of each archetype's financial standing. Our findings on these topics are discussed in the following section, and the answers will help determine the characteristics that define different financial and credit consumer bases.

HOW OUR RECENT SURVEY RESULTS COMPARE TO OUR LAST

Another important component to our analysis was how our respondents reported feeling about their overall financial stability — and how those responses compared to past surveys. The results were surprising: Though most of our sample reported being on more stable financial ground this quarter than in the previous one, they also reported higher delinquency rates.

When asked how they would gauge their financial standing compared to a year ago, more than 83 percent of our respondents reported their personal finances had either stayed the same or improved. Only about 17 percent reported they felt worse off than before.

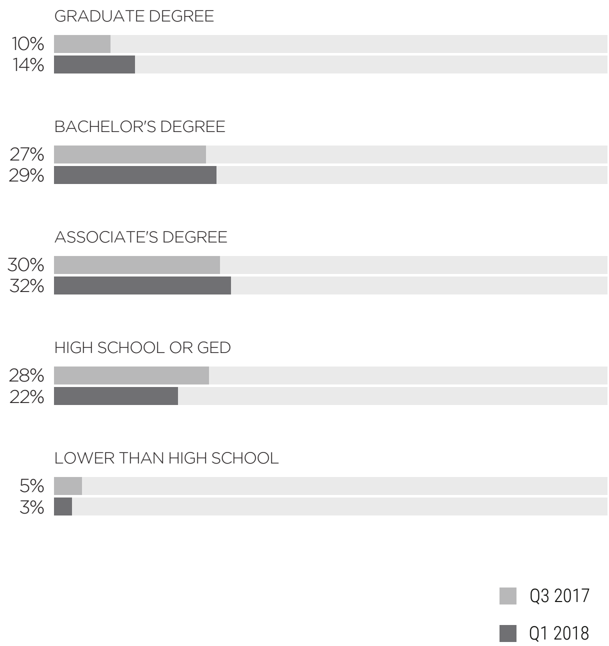
We then asked the more direct question of whether they had fallen behind on bill payments in the past year, and a greater percentage answered in the affirmative than we saw in Q3 2017. Approximately 31 percent of respondents in Q3 2017 said they had fallen behind on payments in the past year, but that ratio had increased to about 33 percent in Q1 2018.

The difference between these two sets of statistics hints at something we will explore later in this report: the connection, or lack thereof, between perception and reality. The question of whether consumers consider themselves to be more financially stable than in the past is inherently subjective. It is possible to measure personal finances in a quantitative manner, but the mere fact of "feeling" more financially stable can also influence a consumer's response.

These apparently contradictory findings mean that determining the difference between feelings and quantitative, measurable circumstances would necessarily factor into our wider analysis.

When we analyzed other indicators of financial well-being, we found them to be relatively stable and even improved from Q3 2017. For example, nearly half of our respondents said their credit scores had not changed in the past year, and almost one-third said they had improved. In addition, the percentage who reported having attended some college, obtained a college degree or completed a graduate degree increased from Q3 2017 to Q1 2018. This can be seen in Figure 3.

FIGURE 3: **CHANGE IN EDUCATION LEVELS OVER TIME**
Respondents' education levels in Q3 2017 vs. Q1 2018



The percentage of our sample hailing from higher income brackets also increased since Q3 2017, as seen in Figure 4. Those earning $50,000 or more annually increased significantly.

The portion who reported access to a checking account also increased between Q3 2017 and Q1 2018, suggesting a higher percentage also had access to the financial tools necessary to pay their monthly bills. Specifically, 86 percent reported access to a checking account in Q3 2017, a figure reaching 95 percent by Q1 2018.

All these indicators suggest that our latest sample is more well-to-do than our previous one. So, why did our Q1 2018 group report higher rates of delinquency than that of Q3 2017? To answer this question, we took a closer look at our differing respondent types.

When we broke these responses down by persona type, we found two consumer archetypes reported higher rates of recent delinquency than their peers: Shut Outs and Second Chances. Greater numbers of Second Chances consumers also reported feeling "better" about their overall financial stability in this quarter. This suggests that this group feels more financially volatile than its peers.

Meanwhile, On The Edge consumers reported overall feelings of financial stability, with a great portion of them feeling their financial situation had changed little over the past year.

As seen in Figure 5, Second Chances are an interesting bunch. They are characterized by feelings of instability, despite their high likelihood to have obtained a college degree, but who are the Second Chances? Why do they feel so susceptible to changing financial circumstances?

FIGURE 4: CHANGE IN INCOME LEVELS OVER TIME
Respondents' income levels in Q3 2017 vs. Q1 2018

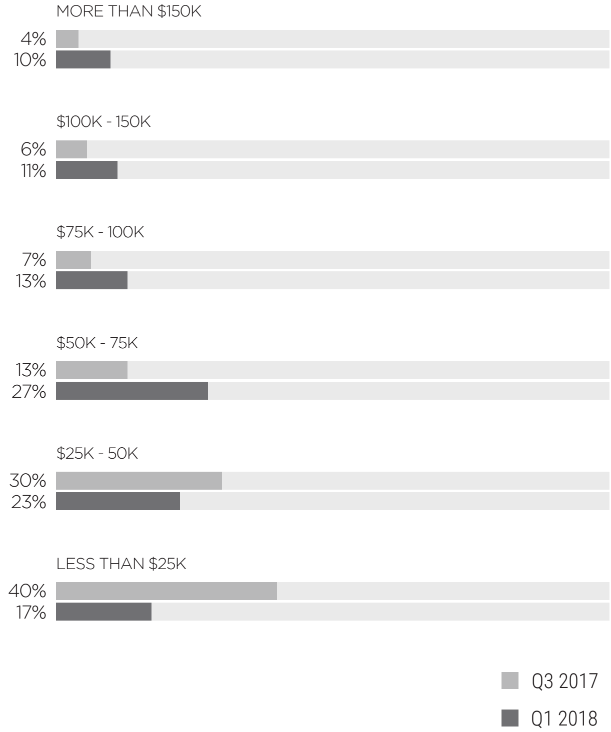
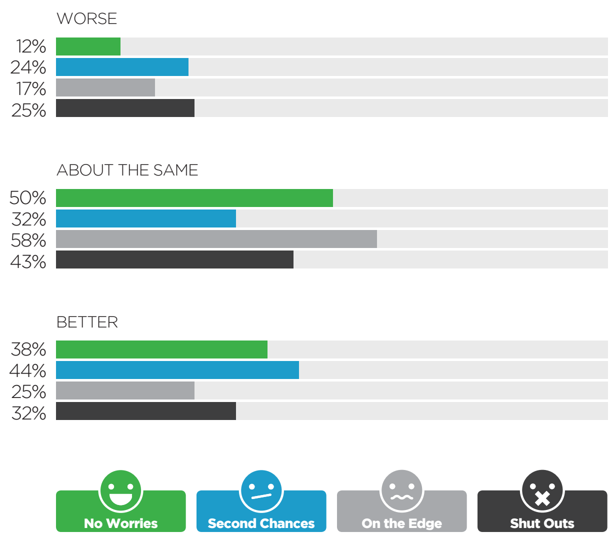


FIGURE 5: HOW FINANCIAL STABILITY CHANGES OVER TIME
Financial stability in Q1 2018 vs. Q3 2017, by persona



MEET THE SECOND CHANCES

Getting to know any consumer type takes a great deal of time, so we decided to hone in on one of our four personas in this report in the hopes of shedding light on its particular circumstances. Meet the Second Chances.

Second Chances is a group seeking redemption. Having incurred past delinquencies, they are currently turning their personal finances around. Our survey revealed apparently contradictory findings when it came to determining how our respondents' incomes related to their personal expenditures and debt management.

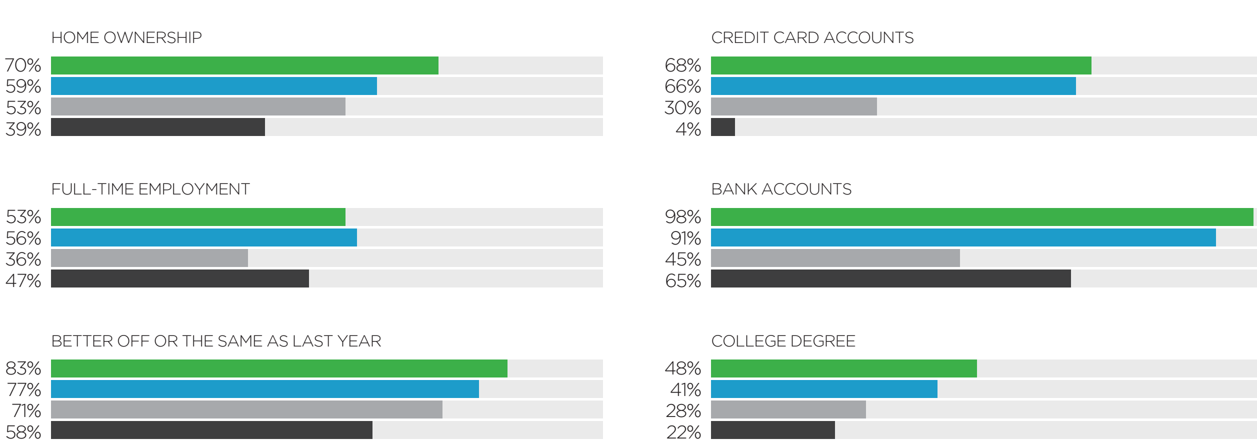
This group shared several characteristics with No Worries, for example, but behaved more like Shut Outs. Second Chances and No Worries both had high education levels and enjoyed high incomes compared to their peers, as demonstrated in Table 1:

TABLE 1: **AVERAGE INCOMES OF PERSONAS**
Personas average incomes, by age

	No Worries	Second Chances	On the Edge	Shut Outs
AVERAGE ANNUAL INCOME (USD)	$76.6K	$63.2K	$64.2K	$50.4K
AVERAGE AGE	49.8	42.4	41.8	40.9

Furthermore, similar portions of Second Chances and No Worries reported both owning their own homes and using credit cards and bank accounts. They also enjoy similarly high employment rates, credit card and bank account usage and home ownership rates. This is seen in Figure 6.

FIGURE 6: **CHARACTERISTICS OF EACH CONSUMER PERSONA TYPE**
Financial situations, by persona



Second Chances were the second-most likely of all personas to be behind on payments.

Because Second Chances and No Worries appear to share similar circumstances, an impartial observer might expect them to make similar financial decisions. Despite sharing many situational similarities with No Worries, Second Chances appeared to behave like Shut Outs. Specifically, they were more likely to report being behind in payments in the past year.

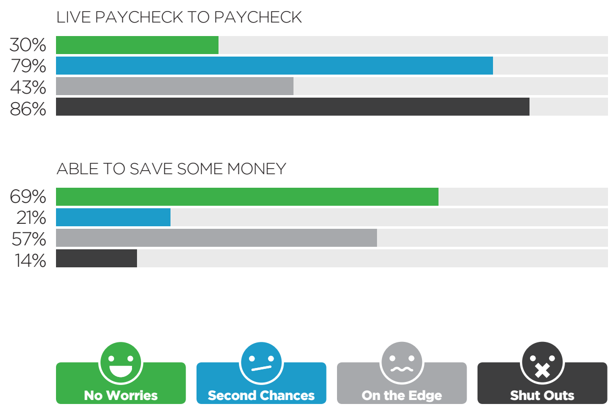
In fact, Second Chances were the second-most likely of all personas to be behind on payments, with 71.2 percent of them admitting they had paid late during the past year. The most likely group to be behind was Shut Outs, with 78.8 percent reporting falling behind.

Further, Second Chances reported relying on nontraditional financial products far more than No Worries. As much as 13 percent of them used personal loans in the past year, as did just 3.6 percent of No Worries. They also reported using payday loans, online lenders, MoneyGram, pawn shops and RushCards more than their more financially stable counterparts. This behavior further distinguishes the two groups, despite their apparent demographic similarities.

Second Chances and Shut Outs share similar feelings about their personal financial situations, however, with both expressing pessimism regarding their present and future statuses. Neither reported feeling financially stable in their present situations, with 86 percent of Shut Outs living paycheck to paycheck, while the percentage was 78.7 for Second Chances.

When respondents were categorized according to whether they felt they could save money, without regard for persona, we found they were evenly split. Approximately 52 percent answered in the affirmative, 48 percent in the negative. This suggests that Second Chances and Shut Outs feel disproportionately pessimistic about their financial standings.

FIGURE 7: **WHICH PERSONAS ARE SAVING AND WHICH ARE NOT**
Financial situations, by persona



Because Second Chances and Shut Outs share behavioral patterns, despite their very different personal circumstances, we used our findings on these two groups to delve deeper into the cause and effect of consumer financial behavior. We examined their behaviors and how they related to their circumstances, exploring why these two apparently dissimilar groups behave so alike when it comes time to pay the bills.

A PERSONA MATTER

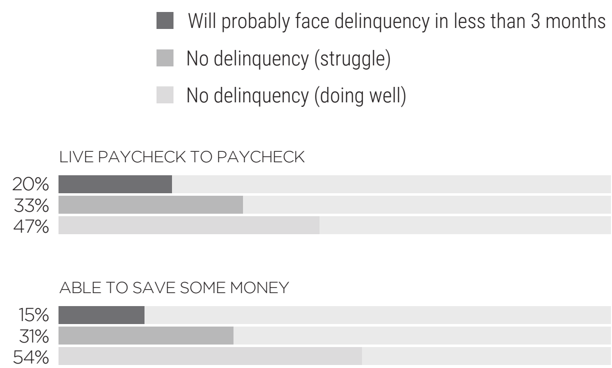
HOW DIFFERENT PERSONAS REACT TO FINANCIAL DISTRESS

Our exploration of credit and consumer financial habits would not be complete without learning how credit product usage altered users' financial situations. To gain perspective into how credit products impact personal finances, we asked respondents whether they felt they would be able to save money after having used credit products of their choosing to improve their financial standing. Figure 8 displays the results of this inquiry.

Savers and spenders anticipated impending delinquencies at similar rates after using their preferred credit products. Savers increased by about 6 percent, meaning approximately 16 percent of those who saved money — and 20 percent of those who did not — said they expected to fall behind on their bill payments. Conversely, 84.6 percent of savers and 80.5 percent of those living paycheck to paycheck believed they could weather the coming months without descending into delinquency.

When analyzed by persona, neither Second Chances nor Shut Outs reported feeling they would be able to save money in the near future. Only 20.7 percent of Second Chances and 14 percent of Shut Outs said they currently felt "able to save money." Both groups were pessimistic about their current financial situations, but how did they feel about their financial futures? Our survey revealed a split between belief and reality.

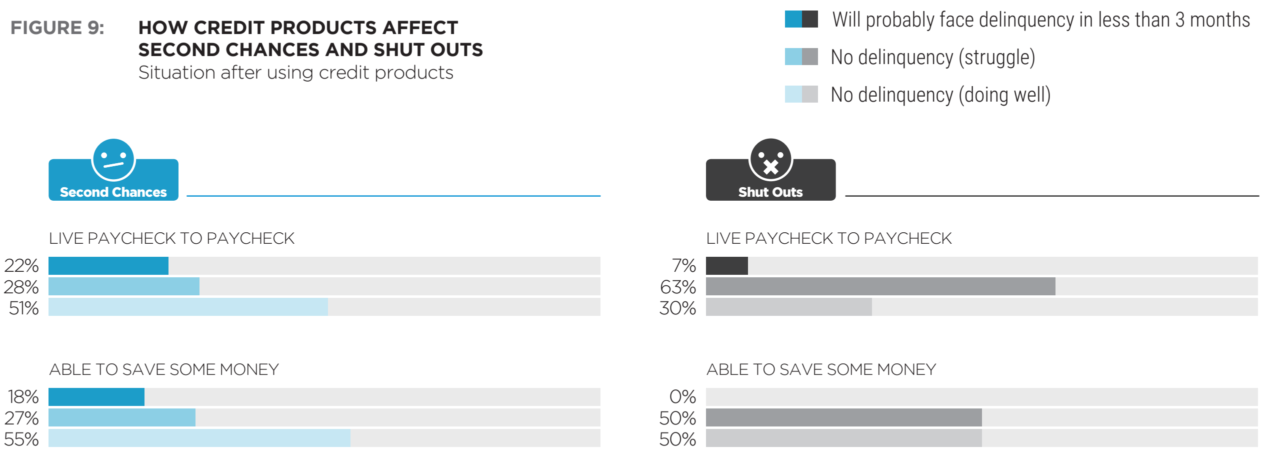
FIGURE 8: **HOW CREDIT PRODUCTS ALTER CONSUMERS' FINANCIAL SITUATIONS**
Consumers' situations after using credit products



Second Chances were more pessimistic than **Shut Outs**

For example, one might expect Shut Out consumers, who reported higher rates of financial delinquencies in the past year, to feel more pessimistic about their personal finances than Second Chances, but our findings suggested the opposite. Second Chances were less optimistic about the future than Shut Outs, despite fewer of them having fallen behind on payments. What might be causing this trend? Which financial stressors affect Second Chances but not Shut Outs?

FIGURE 9: **HOW CREDIT PRODUCTS AFFECT SECOND CHANCES AND SHUT OUTS**
Situation after using credit products



This was not the only counterintuitive trend revealed by our survey data. We also found that Second Chances who could save money at the end of the month tended to be younger than those who could not.

TABLE 2: **HOW OLD ARE SECOND CHANCES?**
Age of Second Chances, by current financial situation

	Second Chances
LIVE PAYCHECK TO PAYCHECK	42.7
ABLE TO SAVE SOME MONEY	41.3

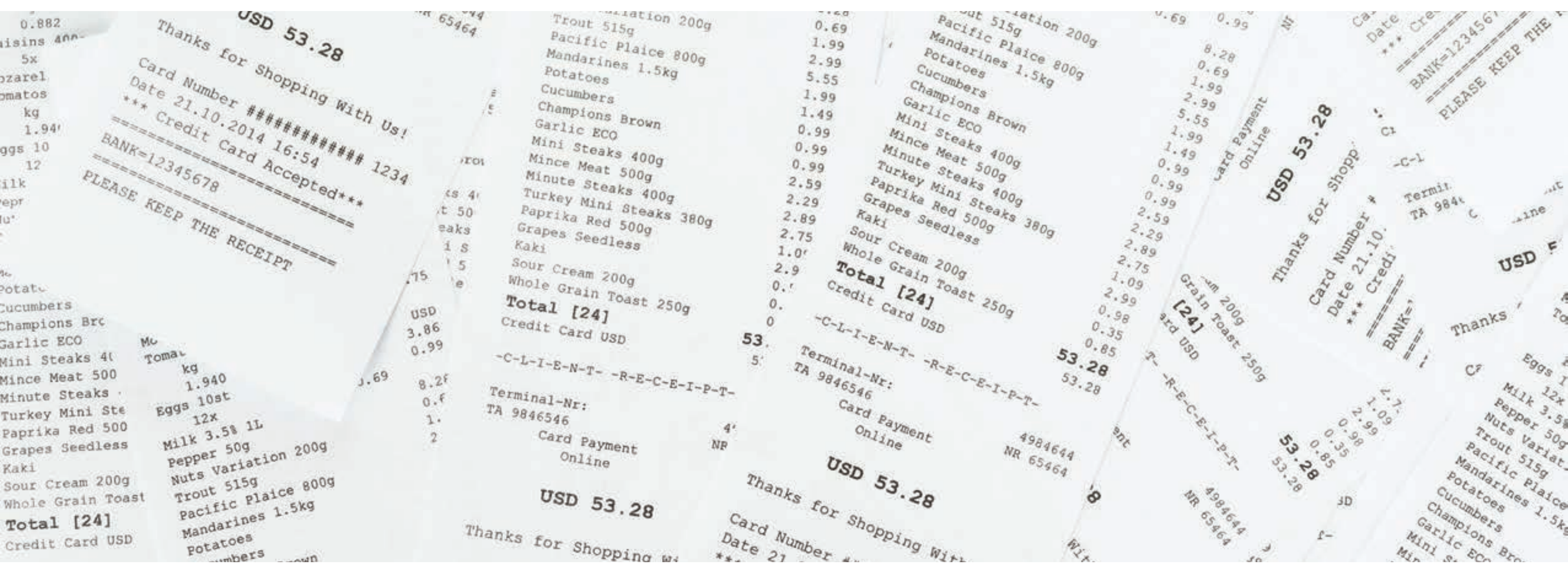
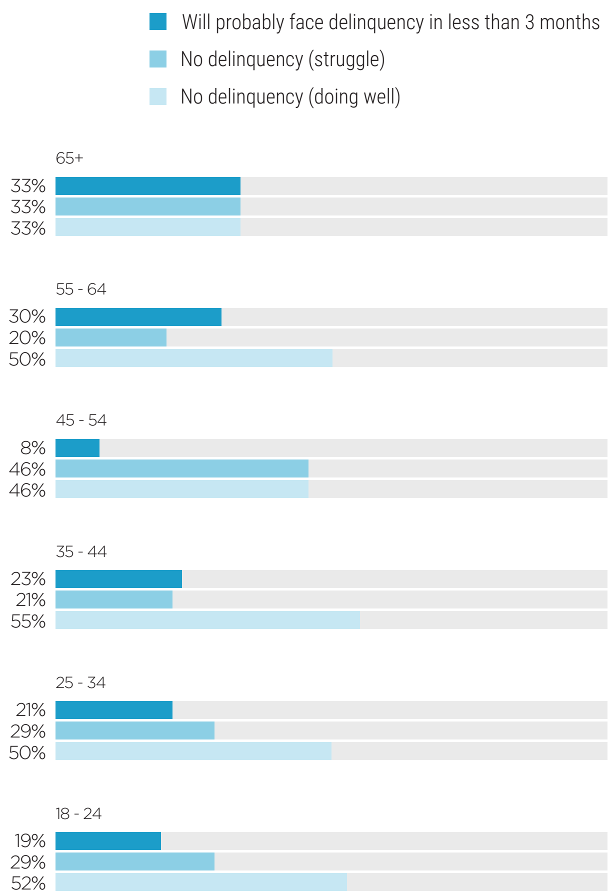


FIGURE 10: **HOW AGE IMPACTS THE RELATIONSHIP BETWEEN SECOND CHANCES AND CREDIT**
Second Chances' situations after using credit, by age



This does not make intuitive sense. Income tends to increase as workers gain professional experience and skills, both of which tend to occur with age. Therefore, we might expect older individuals with presumably higher incomes to more easily be able to pay their bills, but our data refutes this presumption.

This peculiar trend is reflected in our entire sample, not just the Shut Outs and Second Chances. The percentage who believed they would face delinquency in the coming months increased with age: The older the respondent, the more likely he was to anticipate upcoming delinquency.

Even more interesting is that there were no Shut Outs who saved money and also anticipated experiencing delinquency in the next three months. Conversely, 18 percent of Second Chances who could save money expected to fall behind. Again, the data suggests that Shut Outs are more optimistic than Second Chances, despite their unstable circumstances.

It is impossible to make a definitive statement about why our survey revealed these trends, but there are several possible explanations. Income tends to increase with age, but many choose to raise children once they obtain stable incomes, and children tend to place stress on household finances. This would not explain individual cases, but the trend could impact the overall sample.

Regardless of why, Second Chances consumers are clearly a paradoxical group. They have favorable financial circumstances, yet report greater financial hardships than many with less-favorable circumstances. In the following sections, we explore additional potential explanations for Second Chances' pessimism, including at length in this report's Deep Dive.

HOW DIFFERENT PERSONAS REACT TO FINANCIAL DISTRESS

We also sought to understand why some products appealed to consumers more than others. We learned the circumstances that likely encouraged consumers to gravitate toward or avoid certain products by asking our respondents about the financial products they used and why.

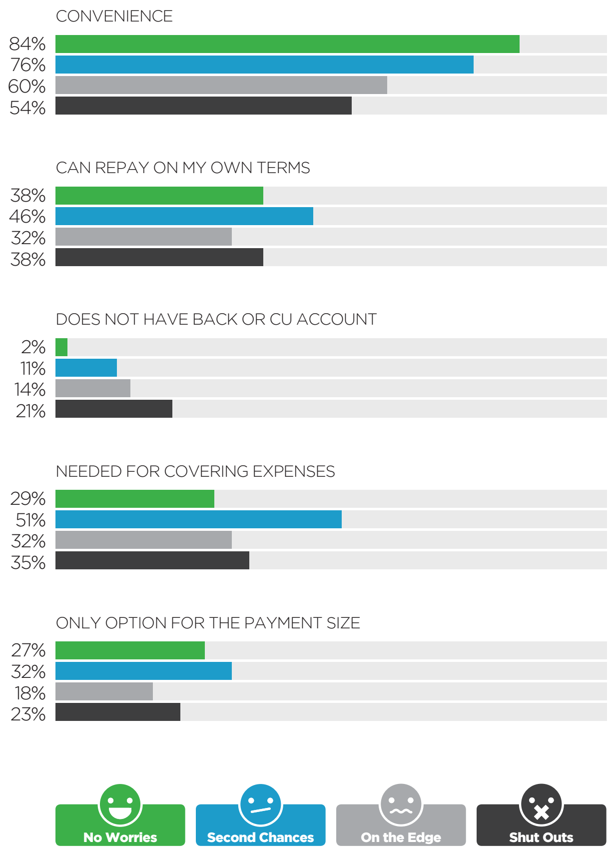
Table 3 shows the percentage of users for each financial product. No Worries represented the majority for traditional payment methods such as credit cards, but appeared to avoid using alternative financial products like MoneyGram and RushCard.

Figure 11 shows consumers' reasons for using their financial products of choice. No Worries typically cited "convenience" in their preference for credit cards, while Second Chances tended to claim they "needed to use to cover [their] expenses." The latter were also more likely to use alternative financial products than other personas.

TABLE 3: **WHICH FINANCIAL PRODUCTS ARE FAVORED BY WHICH PERSONAS?**
Financial product usage, by persona

	No Worries	Second Chances	On the Edge	Shut Outs
CREDIT CARD	66.9%	26.1%	6.5%	0.2%
PAYPAL	61.0%	25.7%	6.8%	5.8%
STORE CARD	67.1%	24.8%	5.9%	2.1%
AUTO LOAN	60.8%	30.4%	4.0%	3.9%
MORTGAGE	67.3%	25.7%	3.8%	2.8%
PREPAID CARD	43.7%	35.3%	10.8%	9.6%
STUDENT LOAN	49.2%	40.9%	5.4%	4.2%
HOME EQUITY LOAN	56.3%	32.6%	4.9%	4.9%
LOAN FROM FAMILY OR FRIEND	28.9%	46.5%	7.0%	16.9%
PERSONAL LOAN OR CREDIT LINE	31.2%	52.5%	4.3%	12.1%
ONLINE LENDERS	27.8%	64.8%	3.7%	3.7%
MONEYGRAM	32.1%	52.8%	1.9%	13.2%
PAWNSHOP LOAN	15.2%	60.9%	2.2%	21.7%

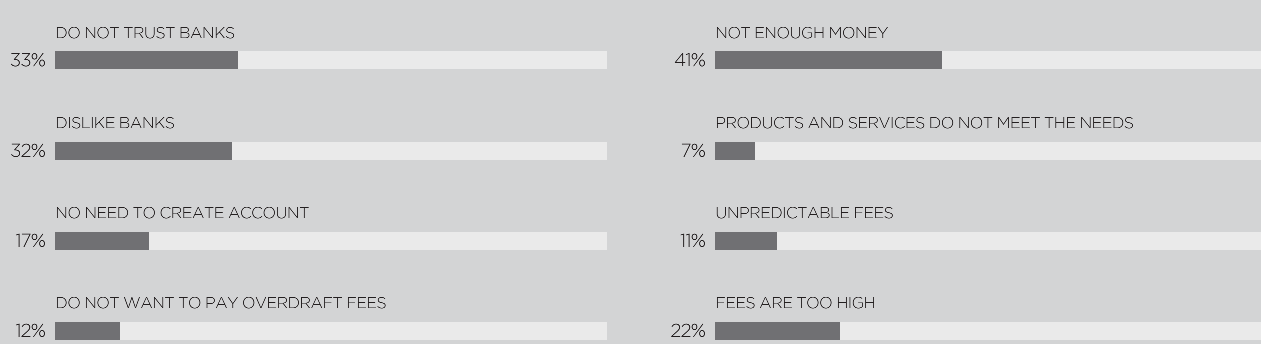
FIGURE 11: WHICH FINANCIAL PRODUCTS ARE FAVORED BY WHICH PERSONAS?
Reasons for using financial products, by persona



We then examined how respondents' demographic information correlated with their financial products usage. When we removed personas from our analysis, we found 95 percent of our respondents had a checking or savings account, and that those with higher education and income levels were more likely to have them than younger respondents.

The 5 percent who did not have a bank account cited three major reasons for not having one: insufficient funds to do so, high bank fees or a general distrust or dislike for banks. Mistrust of banks is most common among respondents with lower education levels, as almost all postgraduate degree holders had a bank account, but only slightly more than 25 percent of those without high school diplomas reported having one. That said, more than 62 percent of respondents who did not have bank accounts said they would open one if they could.

FIGURE 12: WHY DON'T YOU HAVE A CHECKING/SAVINGS ACCOUNT?
Respondents' reasons for not having an account

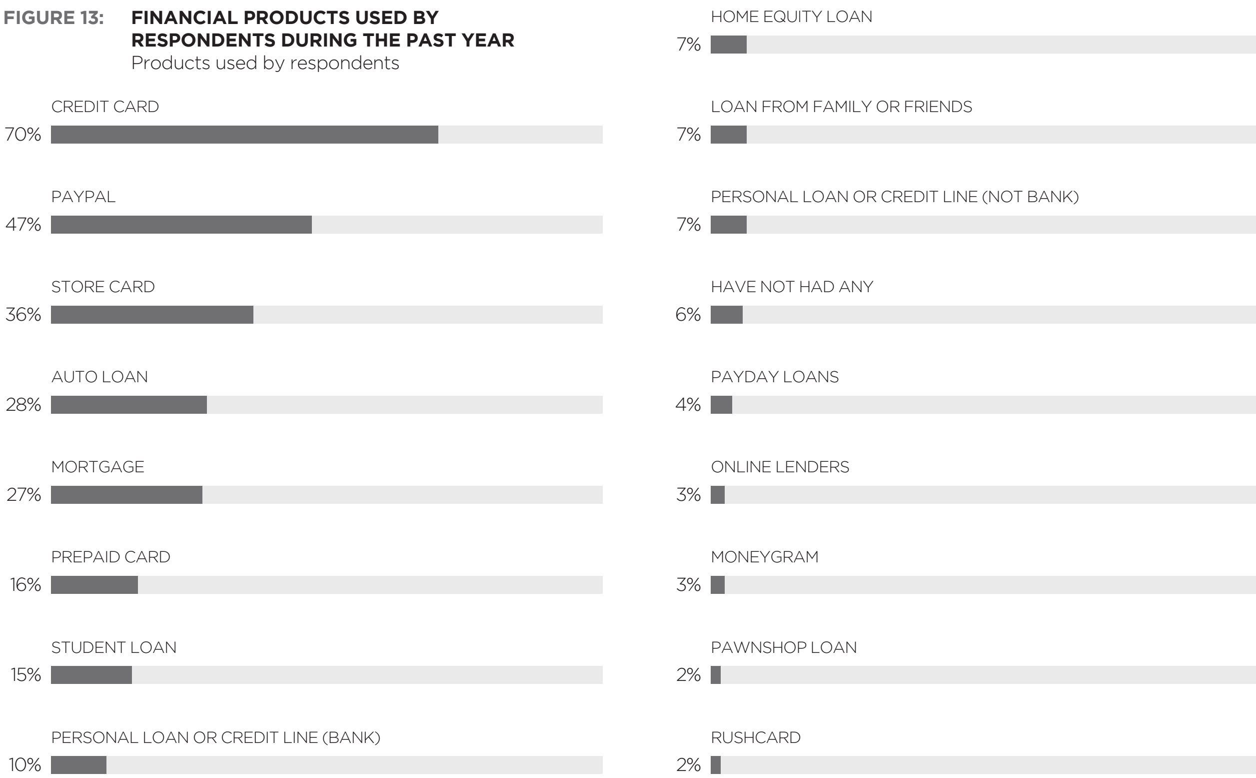


The next factor we examined was respondents' credit scores, which could potentially influence their choice of financial products. High credit scores can provide access to financial products, but low credit scores can restrict it. Our findings challenge the common belief that low credit scores are the reason credit card access remains elusive to much of the American population. In fact, 71 percent of respondents had an "acceptable" credit score, higher than 620, and almost half reported their credit scores had not changed during the past year.

Meanwhile, 69.8 percent of our respondents had credit cards and 46.9 percent had PayPal accounts. We found 35.6 percent reported having store-issued credit cards, making them the third-most popular payment method behind cards issued by financial institutions and PayPal accounts. In fact, most consumers — including Second Chances — probably have access to traditional credit products, but some simply choose not to use them. The question is why?

There are very real benefits to be had from using credit cards, not the least of which is convenience. This benefit was not lost on most of our respondents, as there appeared to be a correlation between a product's popularity and its usage frequency. As expected, credit cards and PayPal were among the most frequently used, with 22 percent of respondents using credit cards and 10 percent used their PayPal accounts daily.

FIGURE 13: **FINANCIAL PRODUCTS USED BY RESPONDENTS DURING THE PAST YEAR**
Products used by respondents



It is not clear whether our sample's preference for credit cards causes or results from the fact that most merchants accept them. The data does suggest that convenience plays a large part in driving consumers to pay with credit cards, however. When asked why they chose the financial products they did, our sample overwhelmingly cited convenience as their primary motivator for using PayPal, credit cards and store cards, in that order.

TABLE 4: **HOW FREQUENTLY AND WHY DO USERS USE THEIR CHOSEN FINANCIAL PRODUCTS?**
Financial products usage frequency and reasons, by percentage

PRODUCTS	PayPal (983)	Mortgage (572)	Auto loan (596)	Store card (747)	Credit card (1464)
FINANCIAL PRODUCTS USAGE FREQUENCY					
Once or twice last year	13.4%	26.2%	50.3%	27.4%	4.4%
Several times last year	24.3%	3.7%	4.5%	31.1%	8.5%
Once a month	29.8%	54.5%	31.2%	22.2%	20.4%
Once a week	15.9%	3.1%	3.4%	10.3%	34.6%
Several times a week	6.8%	1.0%	1.5%	2.4%	10.6%
Daily	9.8%	11.4%	9.1%	6.6%	21.6%
REASONS CITED FOR USING CHOSEN FINANCIAL PRODUCTS					
Convenience	85.4%	28.7%	32.9%	62.4%	75.7%
Can repay on my own terms	10.6%	22.2%	23.0%	27.6%	29.2%
Does not have bank or CU account	3.9%	2.3%	2.2%	1.5%	1.4%
Needed for covering expenses	9.2%	15.0%	14.6%	12.7%	24.0%
Only option for the payment size	4.1%	32.7%	32.7%	10.0%	11.3%
Other	9.0%	15.2%	12.1%	24.1%	9.6%

Credit cards, PayPal and store cards may have been popular for daily use, but our sample reported very different methods for paying their bills. The most popular were electronic bank account transfers, debit cards and personal checks, with 45.7 percent, 44.8 percent and 37.6 percent of respondents using them, respectively. Only 32.3 percent reported paying their bills with credit cards, and just 20.4 percent reported paying with cash.

With so many consumers in such a wide variety of debt, there was bound to be diversity in the methods they choose for debt resolution. The question was how each respondent's situation impacted the strategies they employed.

Our data revealed that higher-income individuals were more likely to rely on credit to handle outstanding debts. As our respondents' incomes increased, so, too, did their likelihood of using credit to tackle debt. Fewer than 80 percent with annual incomes surpassing $150,000 used some form of credit, as did less than 20 percent of those with sub-$25,000 annual incomes.

This makes sense. We would expect higher incomes to lead to greater access to credit lines. We also found that credit card debt was the most common delinquency in our sample, with 43 percent reporting they had been contacted about it during the past year. The next most common was past-due medical bills, about which 28 percent had been contacted. This suggests that many of those who use credit to pay for their expenses cannot afford to do so.

There also appeared to be a negative correlation between age and the use of credit to resolve debt issues. Younger respondents tended to rely more on credit in this way than older respondents. Approximately 20 percent of those older than 65 reported using credit to resolve personal debt, as did just under 60 percent of those aged 18 to 24.

FIGURE 14: **CREDIT USAGE TO PAY DEBT**
Percentage of respondents who used credit cards to pay debt, by age

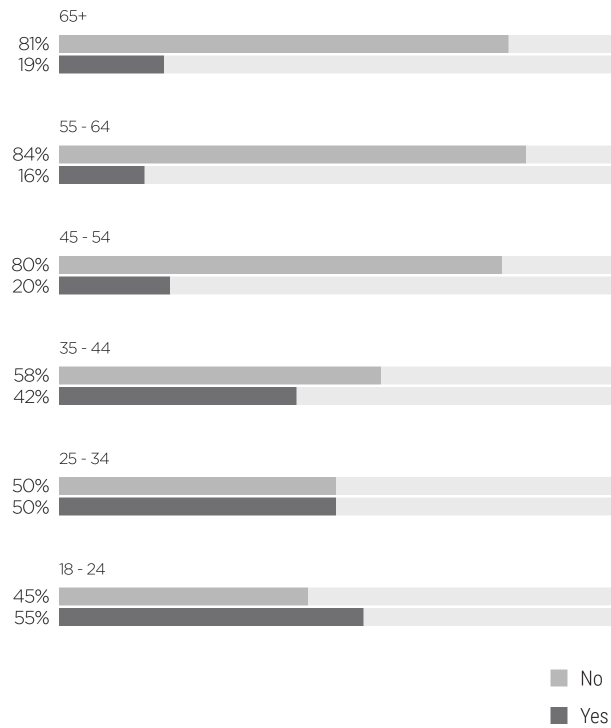


FIGURE 15: **CREDIT USAGE TO PAY DEBT**
Percentage of respondents who used credit cards to pay debt, by income

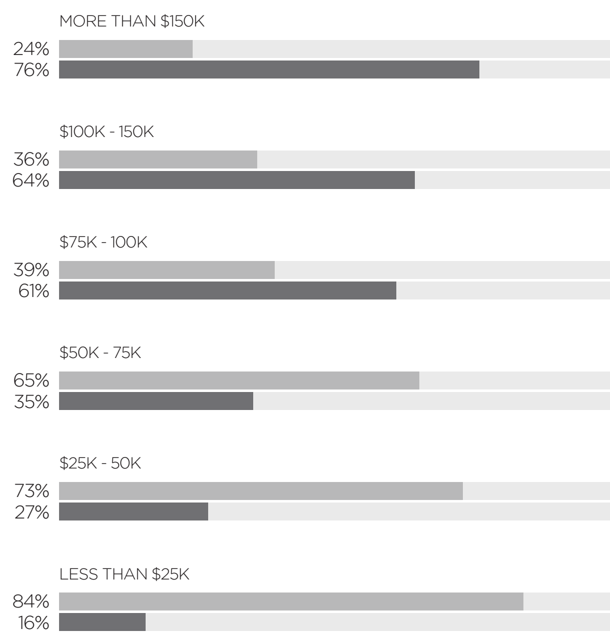


TABLE 5: **FINANCING METHODS**
Percentage of respondents who used select financial products, by education

EDUCATION LEVEL	Graduate degree	Bachelor's degree	Associate's degree	High school or GED	Less than high school
Credit cards	53.7%	52.5%	48.9%	41.2%	45.5%
Home equity loan	1.9%	1.6%	2.2%	0.0%	0.0%
Loan from family or friends	3.7%	1.6%	0.0%	5.9%	9.1%
Pawnshop loan	0.0%	0.0%	2.2%	0.0%	0.0%
Collectors loan	14.8%	9.8%	4.4%	14.7%	18.2%
Creditor loan	20.4%	26.2%	26.7%	20.6%	18.2%
Online lenders	0.0%	0.0%	2.2%	2.9%	0.0%
Payday loan	0.0%	1.6%	0.0%	5.9%	0.0%
Personal loan/credit line (bank)	0.0%	0.0%	2.2%	0.0%	9.1%
Personal loan/credit line (not bank)	5.6%	4.9%	4.4%	5.9%	0.0%
Student loan	0.0%	1.6%	6.7%	2.9%	0.0%

People with higher education levels were more likely to have used

CREDIT CARDS.

There is an obvious reason why so many consumers of all educational backgrounds feel compelled to use credit to pay down debt. Credit can serve as a beacon of hope for many who are unable to save money, providing funds they would otherwise not have and allowing them to stay afloat when they otherwise could not.

Even for consumers who can save money — and who likely expect to more easily pay off their debts — credit debt can be a rather innocuous cost to incur. This might lead higher-income personas to gravitate toward credit, however, so as to avoid depleting their bank accounts.

The successful management of credit lines is yet another benefit to using credit, keeping the funds in a consumer's bank account high and allowing him to establish a history of successful, timely bill payments. This boosts his credit score and allows him to accumulate more funds.

That said, it seems many credit users cannot afford their credit debts. There are reasons why some consumers may choose to pay debts with something other than personal credit. Consider the older consumer, who might tend to avoid credit cards to pay debts because she is approaching the end of her career, and thus does not anticipate being able to collect the income needed to pay for future outstanding debts.

Another group inclined to avoid using credit includes lower income consumers. They likely avoid using credit because they do not anticipate earning enough to pay for the costs they incur, or do not have access to sufficient credit in the first place. In either case, lower income persons often avoid using traditional credit products because they have little choice.

Neither of these explanations is likely to apply to Second Chances, who tend to be younger and have higher incomes. Their age means they can expect their incomes to increase with time, and they begin with higher incomes. This also means Second Chances might expect to more easily pay off credit card bills, and that their aversion to traditional financial products likely lies elsewhere.

This brings up another important point: Younger consumers are making decisions today that affect their lives not only at the end of the month, but also for many years into the future.

THE LONG RUN

TRADITIONAL VS. ALTERNATIVE FINANCIAL PRODUCTS

A basic rule of personal financial management is understanding short- and long-term planning. Short-term decisions can impact long-term circumstances, so we asked respondents about how they managed both recent and long-standing debts. In this way, we hoped to understand how short-term decisions may have affected their long-term financial standing.

How long had our consumers been using credit to pay off their debts? What about their recent debts, or their older debts? Did they modify their approaches when tackling debts grandfathered in from previous years? The short answer is "no." Credit was used about as frequently to resolve older debts as it was to resolve those which arose during the past year.

The ways respondents that modified their debt-resolution behaviors for older debts appeared to track along the same demographic lines. For example, individuals with higher incomes were still more likely to resolve older debt issues — those which arose between February 2013 and February 2017 — with credit than those with lower incomes. Just under 80 percent of those earning $150,000 or more per year tackled their debts with credit, while just over 20 percent of those earning less than $25,000 per year did the same.

No
Yes

FIGURE 16: **USE OF CREDIT TO PAY RECENT VS. OLD DEBTS**
How respondents' ages affect spending habits

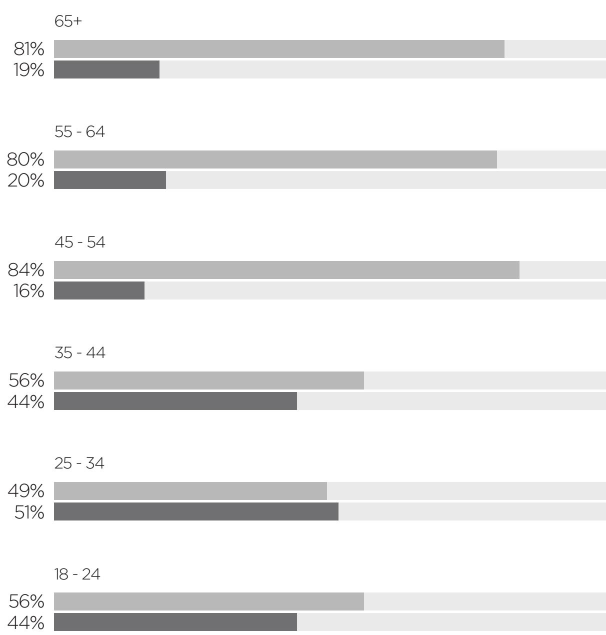


FIGURE 17: **USE OF CREDIT TO PAY RECENT VS. OLD DEBTS**
How respondents' incomes affect spending habits

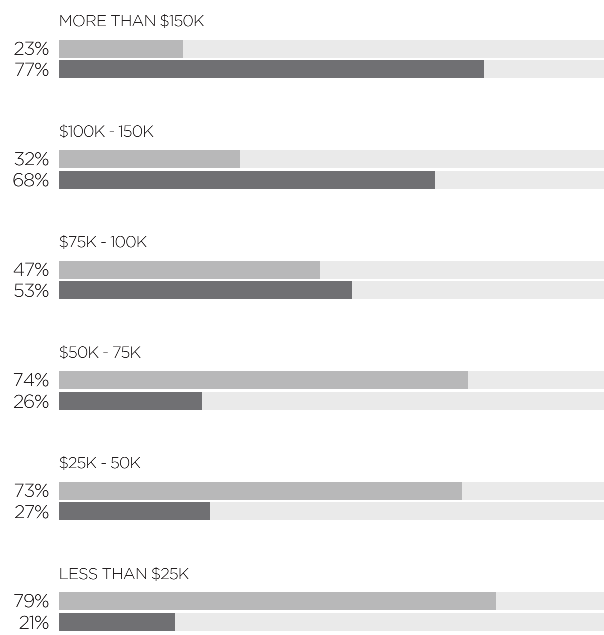


TABLE 6: **USE OF CREDIT TO PAY DEBTS OLDER THAN ONE YEAR**
How respondents' education level influences their use of debt repayment methods

EDUCATION LEVEL	Graduate degree	Bachelor's degree	Associate's degree	High school or GED	Less than high school
Credit cards	52.0%	56.1%	40.5%	42.9%	40.0%
Home equity loan	4.0%	0.0%	0.0%	10.7%	0.0%
Loan from family or friends	0.0%	3.5%	5.4%	0.0%	0.0%
Pawnshop loan	0.0%	0.0%	2.7%	0.0%	0.0%
Collectors' loan	6.0%	8.8%	10.8%	14.3%	0.0%
Creditor loan	28.0%	24.6%	29.7%	14.3%	20.0%
Online lenders	0.0%	0.0%	0.0%	3.6%	0.0%
Payday loan	0.0%	0.0%	2.7%	0.0%	0.0%
Personal loan/credit line (bank)	0.0%	0.0%	0.0%	7.1%	20.0%
Personal loan/credit line (not bank)	10.0%	5.3%	5.4%	7.1%	20.0%
Student loan	0.0%	1.8%	2.7%	0.0%	0.0%

Consumers with lower education levels were more likely to have used

COLLECTORS' LOANS.

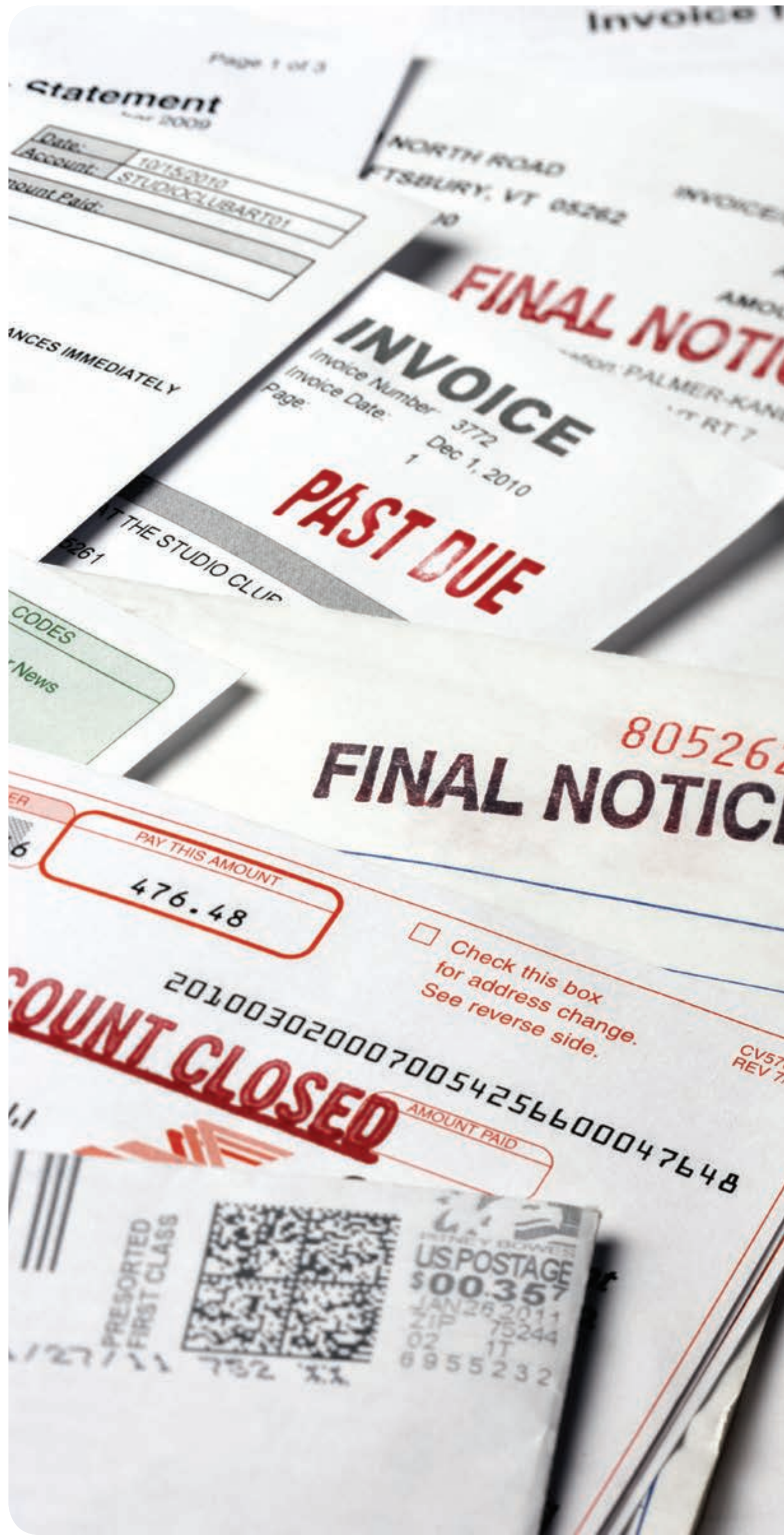
The percentage of respondents who reported using credit to resolve older debts was like that for those who did so to resolve newer debts — those arising since February 2017. The former accounted for 63.4 percent of the sample, and the latter for 62.7 percent. Consumers do not appear to behave differently for recent debts than they do toward longstanding ones.

Our Second Chances group is more likely than others to rely on non-credit based products, which can hinder a consumer's ability to establish a solid credit history. Those who use them are required to pay fees, but these fees do not necessarily translate to improved credit scores in the way that using a credit card would.

With a less-established credit history, a consumer can find himself unable to procure the funds he needs to pay bills or purchase more expensive items, like houses and cars. This may explain why a relatively low percentage of Second Chances own their own homes: They may not have access to enough credit for a down payment or to be approved for a mortgage.

In short, using credit to ensure regular bill payment can help consumers build a solid credit history, make big life purchases more manageable and ensure future financial stability. Those who have been using nontraditional financial products to pay bills for a long time tend to have less-established credit histories than those who rely on traditional credit products, though, and there appears to be little indication that the strategy is changing.

Our data suggests that the strategy one employs early on is likely to persist. It is important to determine consumers' reasons for falling behind if we want to better understand why they choose to manage their finances as they do.



WHY DO SOME CONSUMERS FALL BEHIND?

The ideal of regular bill payments appears elusive to many. A sizable portion (26.2 percent) of our sample reported having recently been contacted due to an outstanding delinquency. In addition, 41.5 percent of their reported debts occurred during the past three months and 70 percent of them had occurred in the past half year.

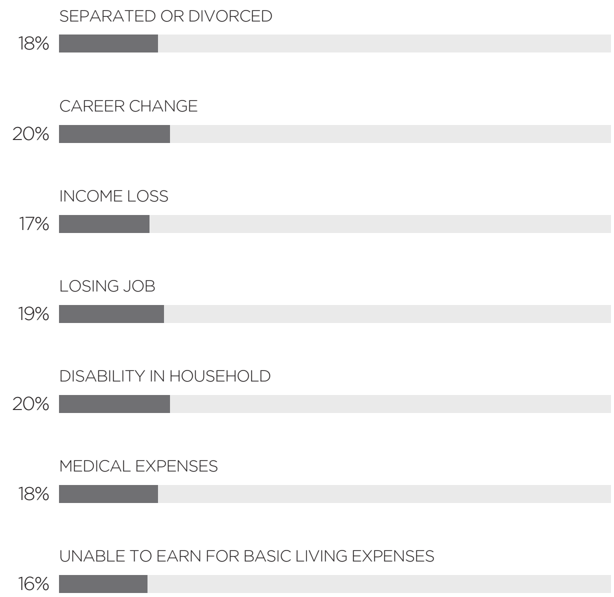
Credit card debt was the most common type burdening respondents who had been contacted about a past-due payment, cited by 43.1 percent of our sample. The second-most common was that resulting from past-due medical bills, cited by 28.2 of these respondents.

A variety of payment statuses were among this sample's most recent debts. Approximately 27 percent reported being on a debt repayment plan, 22 percent reported simply being unable to pay and 21.1 percent reported having paid in part. Only 14.5 percent said their debt had been paid in full, but what caused our respondents to fall into debt in the first place?

The most frequently cited reasons for falling behind in bill payments included "disability in household," "change in job" and "loss of job for his/her partner." Each of these impacted similar proportions of respondents, as 20.4 percent cited disability, 20 percent cited job change and 19 percent cited a partner's loss of a job as the primary cause of financial stress.

Disability appears to afflict individuals in the lower income brackets more frequently than those with higher incomes. Our data revealed that 70 percent of respondents with a disability in their households earned less than $50,000 per year.

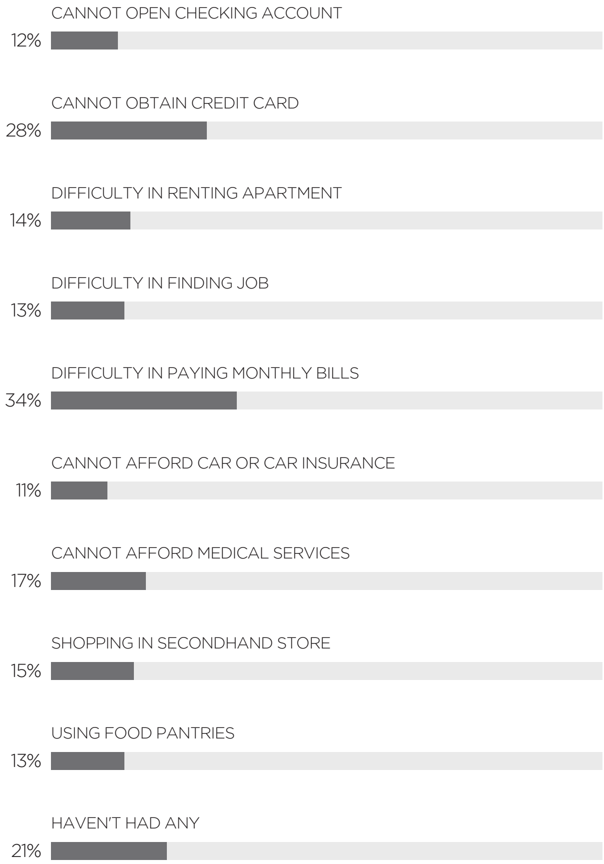
FIGURE 18: **FACTORS LEADING TO PERSONAL FINANCIAL CRISES**
Life events respondents cited as financial crisis triggers



20%

cited a career change as a source of financial stress.

FIGURE 19: HOW FINANCIAL DISTRESS IMPACTED RESPONDENTS
Percentage of respondents affected by select financial repercussions



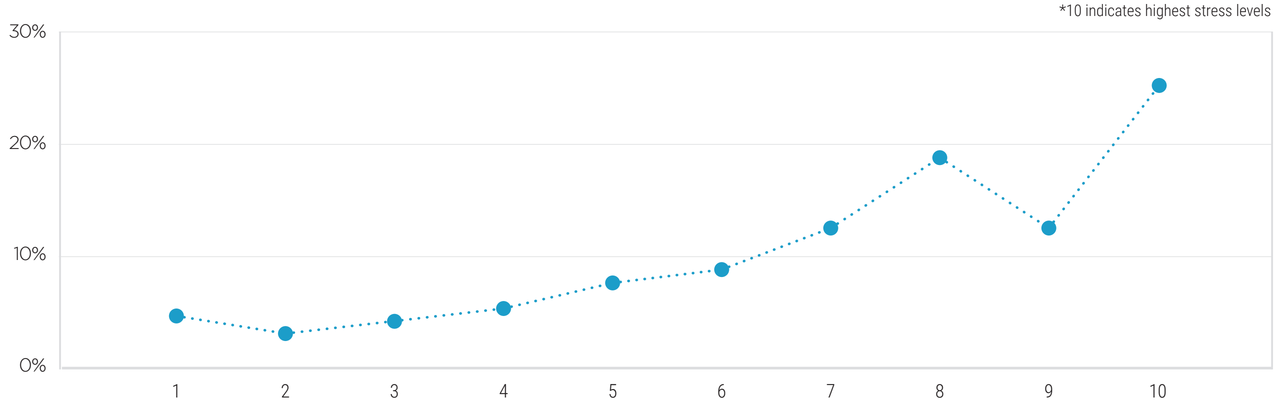
So, how do these respondents experience this stress? Our data suggests the largest stressors pressuring our respondents were difficulty obtaining a credit card and paying monthly bills, cited by 28.2 percent and 33.9 percent, respectively.

Financial stress also appears to be a matter of degree, with consumers of different demographics experiencing varying stress levels in the face of financial hardship. Twenty-five percent of our sample reported feeling a "great deal of stress" in their current financial situations. In fact, when asked to assign a nominative value to their stress level on a scale from one to 10, more than half said they would rate their stress as an eight.

Closer inspection reveals that individuals of different age groups tended to report different degrees of financial stress. Those between 35 and 44 years of age seemed more affected by the weight of financial stressors than those of other age groups. Approximately 30 percent rated the intensity of their financial stress as 10 out of 10, and slightly more than 10 percent of those between 18 and 24 who reported similar stress levels.

FIGURE 20: RATING OF FINANCIAL STRESS ON A SCALE OF 1 TO 10
Percentage of respondents who cited various financial stress levels

*10 indicates highest stress levels



It makes sense that this age bracket would feel most affected by stress, as this was the same group reporting the highest rate of delinquencies in the past year. It is natural to feel burdened when behind on bills, and one might expect those with more debt would feel more stress.

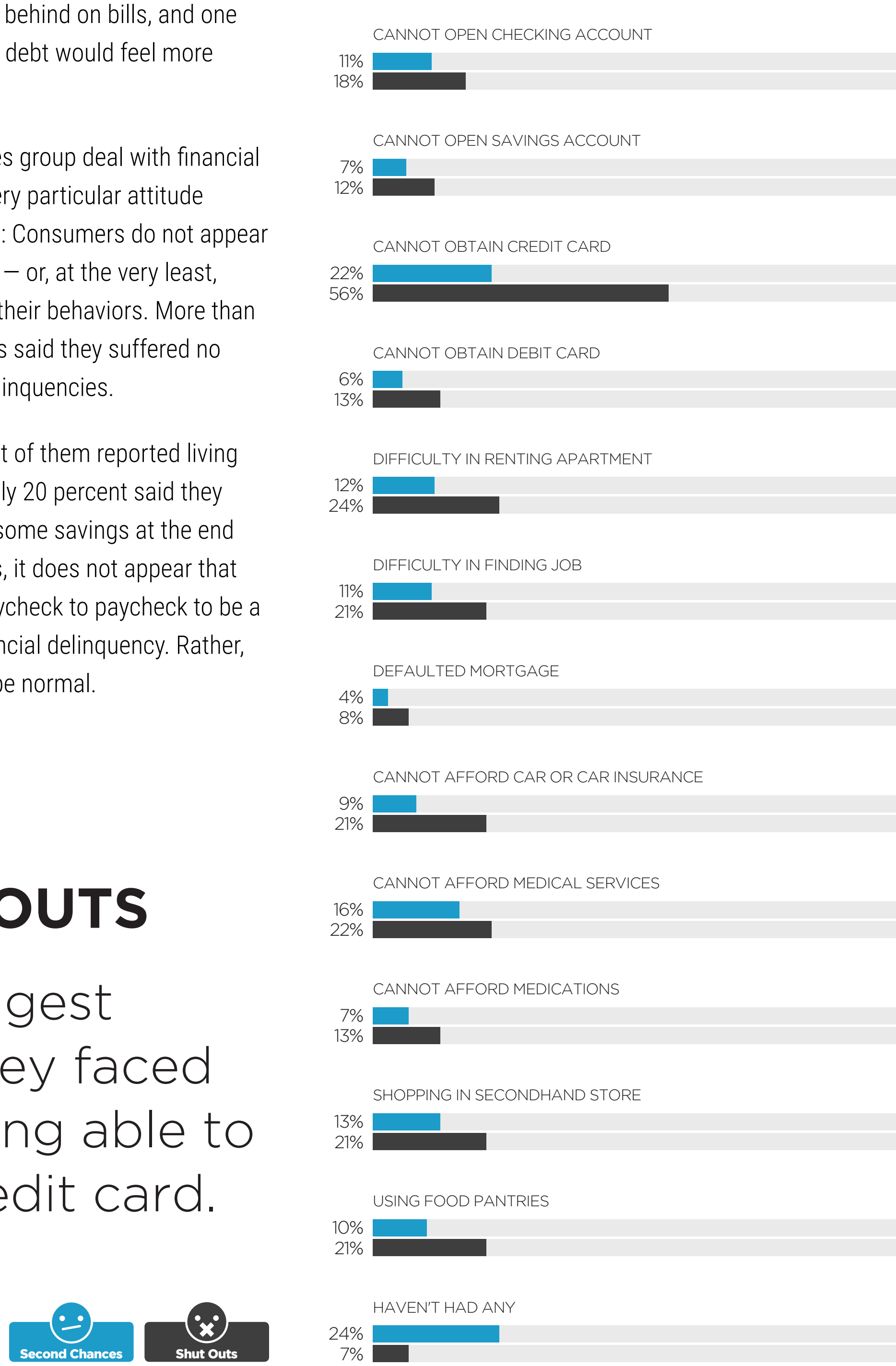
How does our Second Chances group deal with financial distress? It demonstrates a very particular attitude toward its financial difficulties: Consumers do not appear emotionally burdened by debt — or, at the very least, debt does not appear to alter their behaviors. More than 25 percent of Second Chances said they suffered no consequences due to their delinquencies.

At the same time, 78.7 percent of them reported living paycheck to paycheck, and only 20 percent said they had managed to accumulate some savings at the end of each month. In other words, it does not appear that this group considers living paycheck to paycheck to be a negative consequence of financial delinquency. Rather, they perceive this lifestyle to be normal.

56%
OF SHUT OUTS

said the biggest difficulty they faced was not being able to obtain a credit card.

FIGURE 21: **HOW CONSEQUENCES OF FINANCIAL DISTRESS IMPACT DIFFERENT PERSONAS**
Portions of Shut Outs and Second Chances that reported select financial hardships



It is tempting to accuse these Second Chances of "abusing" credit systems to get to the end of the month, but it may be more accurate to say that their expectations are such that they accept financial instability as a reality. When we compare their attitudes toward personal finances to that of Shut Outs, we see that Shut Outs tend to draw a connection between delinquency and negative financial outcomes in a way that Second Chances simply do not.

Consider Figure 22, which shows that Second Chances perceive fewer negative consequences than Shut Outs as a result of financial distress. For example, 55.9 percent of Shut Outs say they consider the inability to obtain a credit card a result of financial distress, but only 21.6 percent of Second Chances do. Meanwhile, 22.1 percent of Shut Outs consider the inability to pay for medical services a result of financial distress, as do only 16.2 percent of Second Chances.

Second Chances appear to consider themselves less impacted by the consequences of delinquency than Shut Outs, though they feel more pessimistic about the future. This is yet another apparently contradictory finding about this sometimes-paradoxical consumer persona.

The next obvious question is this: If they are pessimistic about their financial futures, do Second Chances take measure to try and improve their prospects?

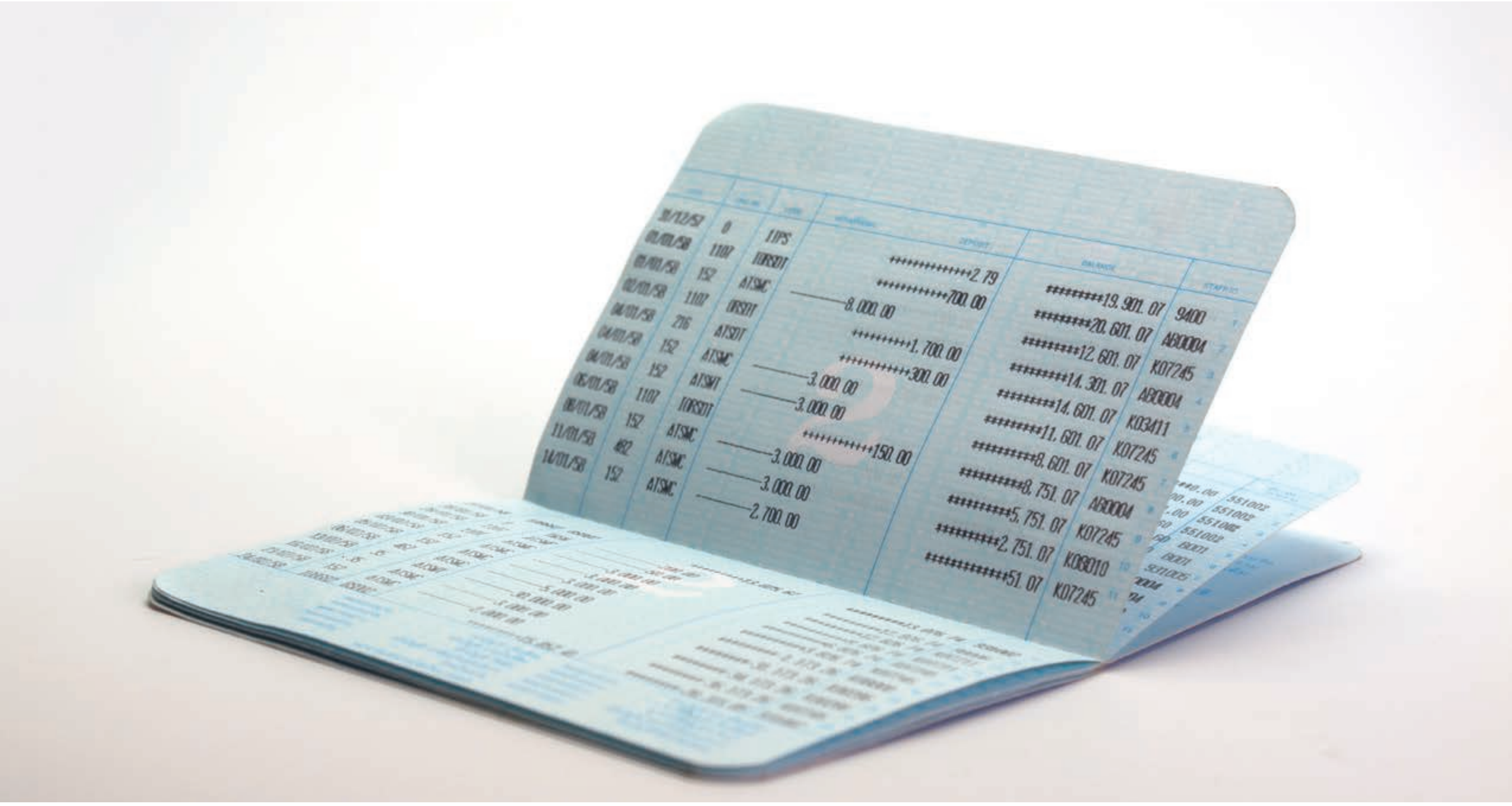


FIGURE 22: **HOW INTERESTED ARE CONSUMERS IN PERSONAL FINANCIAL EDUCATION?**
Consumers' interest in financial education, by level

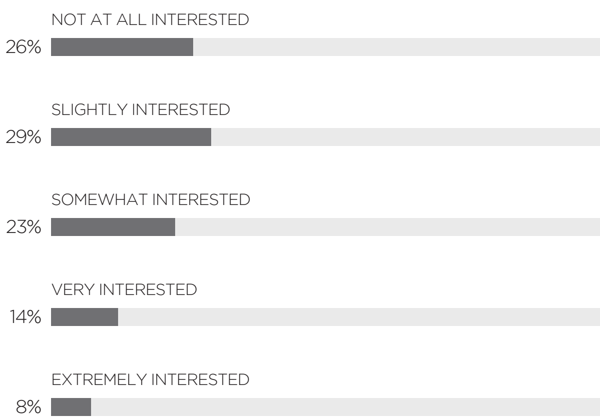
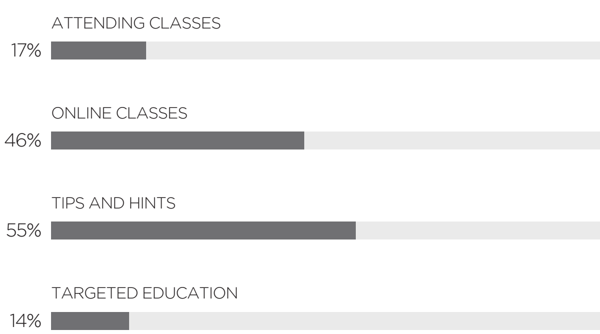


FIGURE 23: **HOW INTERESTED ARE CONSUMERS IN PERSONAL FINANCIAL EDUCATION?**
Consumers' interest in financial education, by education form



HOW PERSONAS SEEK TO BOOST THEIR FINANCIAL KNOW-HOW

Some demographics appear more affected by debt than others, but even the most punctual bill payers have slipped once or twice. One of the behaviors distinguishing the financially stable from those who aren't is how they handle falling behind on a payment, as not everyone knows how to tackle the issue.

We asked respondents if they might be interested in tools and opportunities to increase their knowledge of how to handle stressful financial situations. Few appeared particularly keen on the idea, with half of all respondents saying they were either "slightly" or "somewhat interested," and 26 percent reporting they were "not interested."

Some hypothetical educational tools aroused more interest than others. For example, 54.7 percent of respondents said tips and hints would appeal to them if made available, and 45.7 percent said they would be interested in online classes.

Attending classes was a particularly popular hypothetical among college-educated respondents, with 20.2 percent of postgraduate degree holders and 30 percent with undergraduate degrees reporting interest in learning about financial tools in a formal educational setting. The same group showed less interest than others in targeted education and tips and hints.

Conversely, the less formally educated expressed more interest in targeted education and tips and hints. Those with a high school degree or less represented 31.7 percent of all respondents who were interested in the former and 25.2 percent of those interested in the latter.

TABLE 7: **HOW INTERESTED ARE CONSUMERS IN PERSONAL FINANCIAL EDUCATION?**
Consumers' interest in financial education, by education level

EDUCATION LEVEL	Graduate degree	Bachelor's degree	Associate's degree	High school or GED	Less than high school
Attending classes	20.2%	30.0%	30.5%	16.4%	2.9%
Online classes	15.0%	33.6%	32.1%	17.0%	1.9%
Tips and hints	12.8%	29.1%	32.5%	22.7%	2.5%
Targeted education	11.0%	25.1%	31.4%	28.4%	3.3%

Despite its apparently scant interest in financial education tools and opportunities, our sample also expressed a widespread desire to better manage their finances, improve their confidence and boost their credit scores. We saw clear correlations between increasing one's personal knowledge of financial issues and age in these areas, too, as younger respondents reported higher rates of interest in financial self-improvement.

For example, just 9 percent of those between 18 and 24 years of age expressed no interest in improving their confidence in managing their personal finances. Meanwhile, our older, more experienced respondents aged 65-plus expressed little collective inclination to improve their confidence in these matters, with 40 percent of them saying they were not interested.

Younger respondents also reported more interest in improving their credit scores. Approximately 30 percent of those aged 18 to 24 said they were "extremely interested" in boosting their scores, while less than 10 percent of those aged 65-plus expressed the same. This makes sense, as younger individuals generally have shorter credit histories — meaning their scores are likely to be more affected by financial turbulence. Older, more established individuals generally stand on more stable financial footing.

The portion of respondents saying future credit opportunities are an important reason why they might take financial classes decreased with age. In other words, younger respondents tended to be more interested in future credit opportunities than older respondents. More than 20 percent between 18 and 44 said they would want to increase their future access to credit, while almost no respondents over 65 said the same. This also makes sense: Older consumers are more likely to have an established history of credit management.

We also noticed that Second Chances consumers displayed a greater love for formalized education, and reported high rates of interest in formalized financial education compared to other groups. When we asked our personas why they were interested in financial education, we discovered they were driven by largely dissimilar motivators. For example, more Second Chances wanted to improve their credit scores than either Shut Outs or On The Edges. This coincided with their reported interest in obtaining easier access to consumer credit.

It appears Second Chances are, in fact, aware of how low credit scores can affect their financial futures, and are interested in doing something to improve them — even more so than most other groups. At this point, we have a solid idea of both who the Second Chances are and how they see themselves. All that is left is to interpret this information.

TABLE 8: **SECOND CHANCES AND THEIR LOVE OF EDUCATION**
Interest level in select financial education methods, by persona

INTEREST LEVEL	Extremely interested	Very interested	Somewhat interested	Slightly interested	Not at all interested
LEVEL OF INTEREST IN FINANCIAL EDUCATION					
No Worries	41.6%	49.8%	53.3%	61.5%	66.6%
Second Chances	42.8%	35.2%	32.0%	23.8%	16.7%
On the Edge	8.1%	6.6%	6.5%	7.6%	11.9%
Shut Outs	6.9%	8.3%	7.2%	6.8%	4.4%
EDUCATION TO IMPROVE CREDIT SCORES					
No Worries	43.0%	49.1%	58.5%	71.3%	74.3%
Second Chances	40.3%	35.9%	26.0%	17.1%	9.5%
On the Edge	7.1%	6.9%	7.7%	6.6%	13.3%
Shut Outs	9.1%	7.5%	7.5%	4.9%	2.3%
EDUCATION FOR EASIER ACCESS TO CREDIT					
No Worries	40.7%	46.5%	57.8%	67.6%	73.9%
Second Chances	43.0%	38.3%	26.1%	18.0%	11.3%
On the Edge	5.9%	7.5%	7.6%	8.8%	11.7%
Shut Outs	9.8%	7.5%	7.6%	6.6%	2.5%

DEEP DIVE

SECOND CHANCES IN PERSPECTIVE:

WHY EDUCATION DOES NOT ABSOLVE THEM FROM FINANCIAL INSTABILITY

We compiled what we learned from our latest survey to construct a cohesive response to a very important question: Why are supposedly intelligent people spending their money on less-than-intelligent investments, like alternative financial products? Such is the case for the American Second Chances consumer.

Many associate education and skill level with financial stability, and some believe those who mishandle their finances are less intelligent than those who maintain stability. Our data suggests that the relationship between brainpower and personal finances is more complicated, however.

This was particularly evident upon examining Second Chances and No Worries. Both groups have similar educational backgrounds, with many consumers enjoying the privilege of a college education, but Second Chances tended to be younger. Their financial situations often more closely resemble Shut Outs, but they are more like No Worries, demographically. Despite having relatively high incomes, Second Chances also report struggling to accumulate savings and often report trouble paying monthly bills. This data can be seen in Table 9.

TABLE 9: **HOW DEMOGRAPHIC DATA CORRESPONDS TO PERSONA TYPES**
Age, income and financial situation, by persona

PERSONA TYPE	No Worries	Second Chances	Shut Outs
INCOME			
Less than $25K	11.7%	20.2%	31.6%
$25K - 50K	20.5%	25.5%	34.6%
$50K - 75K	29.2%	23.4%	17.6%
$75K - 100K	13.0%	14.6%	5.9%
$100K - 150K	12.0%	10.4%	5.1%
More than $150K	13.3%	5.4%	5.1%
SITUATION REGARDING INCOME AND BILLS			
Income larger than bills	73.1%	23.4%	1.9%
Income slightly larger than bills	72.4%	21.1%	4.9%
Income not always larger than bills	42.4%	42.9%	11.5%
Bills larger than income	24.7%	50.6%	18.0%
CURRENT FINANCIAL SITUATION			
Able to save some money	69.4%	20.7%	14.0%
Live paycheck to paycheck	30.3%	78.7%	86.0%

Second Chances' inability to achieve financial stability is not from a lack of trying or a lack of access to credit lines. Most can obtain credit cards, and 67.1 percent even use them. They have a propensity to use more expensive, non-traditional financial products than other archetypes, however, including personal loans, payday loans and loans from family members.

FIGURE 24: WHICH FINANCIAL PRODUCTS DO SHUT OUTS AND SECOND CHANCES USE?
Use of financial products, by persona

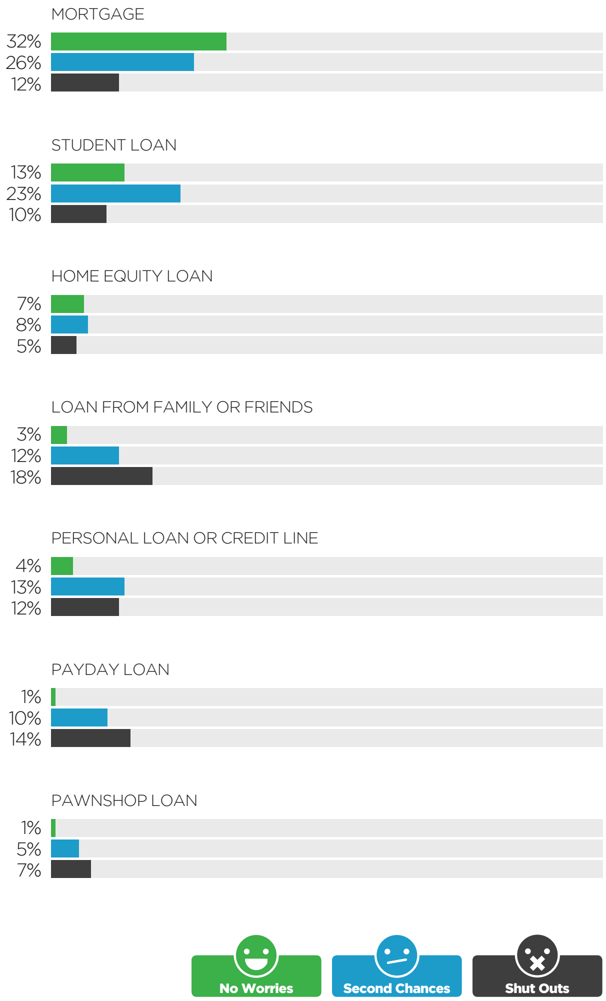
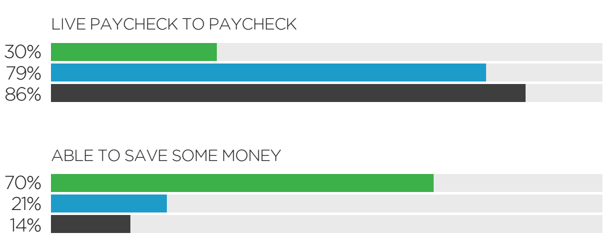


FIGURE 25: PERCENTAGE OF CONSUMERS ABLE TO SAVE MONEY, BY PERSONA
Ability to accumulate savings, Shut Outs vs. Second Chances



This suggests that Second Chances' financial troubles stem from something more fundamental than an inability to access financial products. If they enjoy relatively high incomes but still struggle to pay bills, it is possible that their expenses simply exceed their personal revenues.

Therefore, they may need to supplement their income with additional credit. This hypothesis is supported by our survey data, which confirms that a significant portion of Second Chances hold student loans and mortgages: They have more monthly expenses. As such, a higher portion of them live paycheck to paycheck than No Worries.

There is also the fact that Second Chances see fewer consequences from their financial decisions than Shut Outs, though they tend to be more pessimistic about their financial futures. What is the reason for this contradiction? The answer may be a simple matter of perception.

We know there is a difference between perception and reality, but the fact that Shut Outs perceive more consequences to financial delinquency than Second Chances may be rooted in fact. That Second Chances believe they are experiencing fewer consequences does not mean they are. It is possible they simply do not see a connection between their actions and the consequences.

This is not to say that Second Chances are "imagining" their financial difficulties — not at all. Rather, we suggest this group is very much experiencing financial hardships, but may perceive these hardships to be "normal" or even "unavoidable" as opposed to a circumstance born from their personal financial decisions. They have higher monthly expenses, and thus have no choice but to pay what they must to get by. Second Chances consumers may not perceive themselves to be contributing to their situations to the same degree that others might.

If this is true, it would suggest that Second Chances simply have lower financial expectations than Shut Outs. If one expects to be financially unstable, then that instability likely does not seem out of the ordinary. Alternatively, it is possible that Second Chances are indeed facing fewer consequences than Shut Outs due to their delinquencies. In this case, the idea that they are "abusing" the credit system makes more sense.

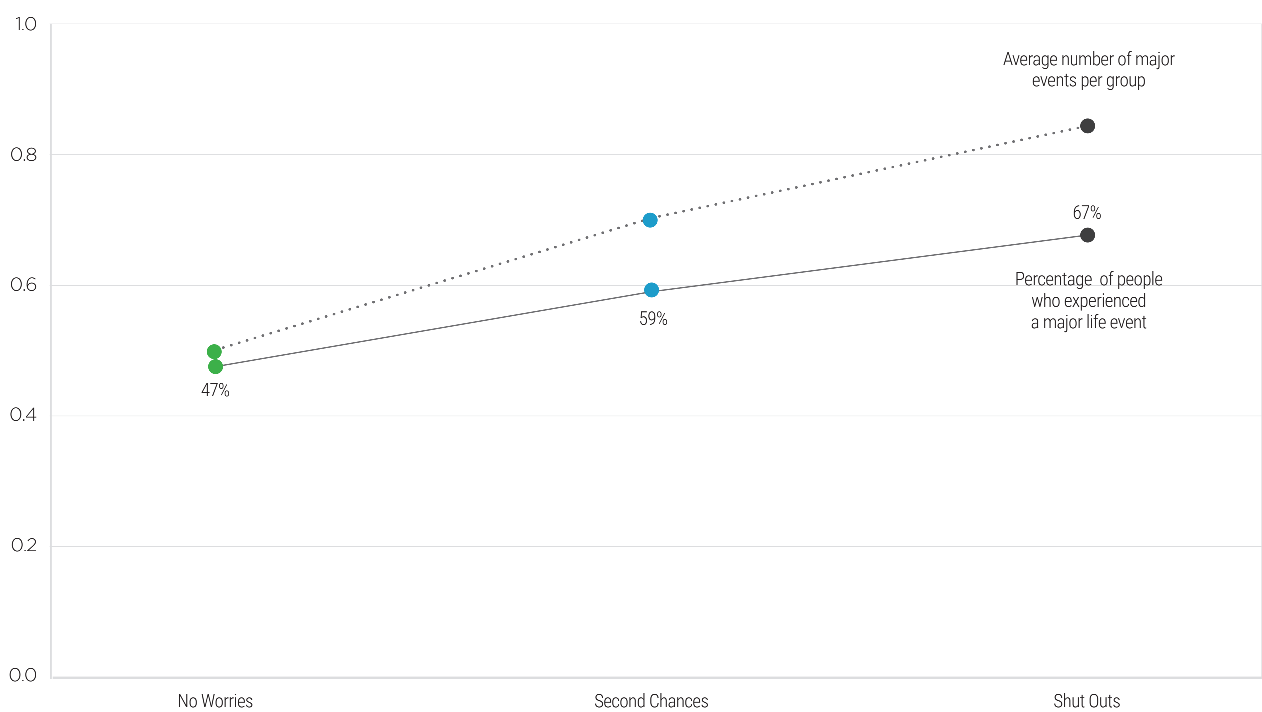
Further inspection revealed even more similarities between these groups, as we saw a correlation between negative life events and financial delinquency for both. Specifically, groups with higher delinquency rates tended to have experienced difficult life events at greater rates.

Fifty-nine percent of Second Chances had experienced a major life event, and the average number of such events experienced as a group was 0.7. Among the types of life events leading to their financial struggles were disability, the most commonly-cited, followed by medical expenses. When it came to household disability, 18.8 percent of Second Chances were impacted, and 18.5 percent said they had been afflicted by heavy medical bills.

Shut Outs also reported dealing with similarly trying circumstances. In fact, a greater portion (27.2 percent) said they were handling household disability than Second Chances. In other words, both had been afflicted by similarly taxing circumstances.

It is an unfortunate reality that we tend to see a correlation between having experienced major life events — like major injuries requiring hefty medical expenses —

FIGURE 26: HOW MAJOR LIFE EVENTS IMPACT FINANCIAL STANDINGS
Percentage of respondents who reported major life events, by persona



and financial distress. Regardless of how one chooses to interpret this data, it is undeniable that those faced with trying life circumstances are more likely to suffer financial setbacks than those who are not.

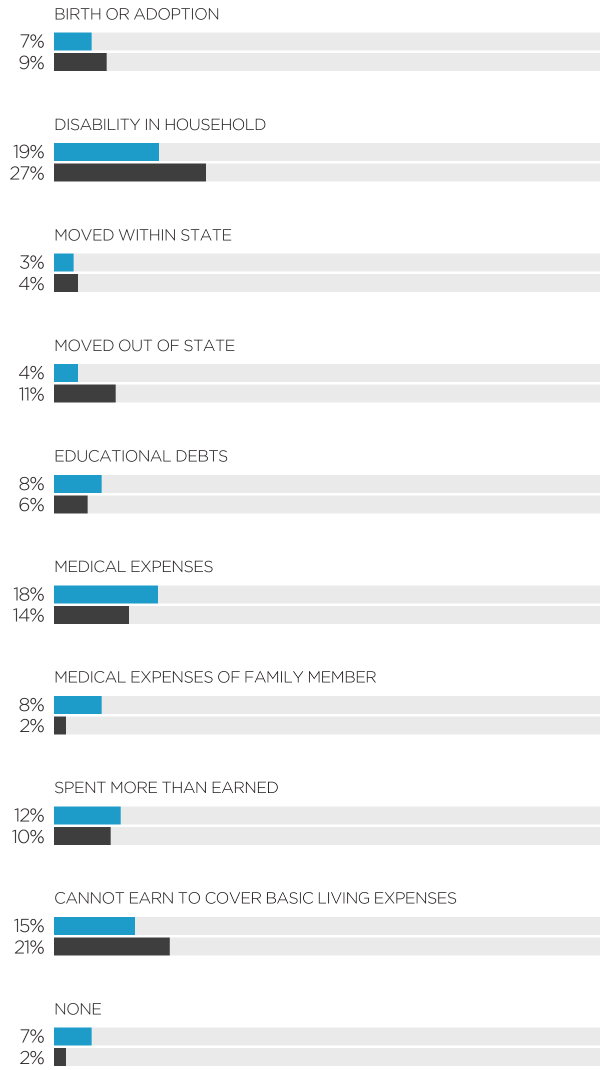
With additional, unexpected costs and likely reduced income from major life events burdening Second Chances and Shut Outs, it is not surprising that both necessarily seek to alleviate their financial stress by obtaining supplementary financial services. These costs have long-term effects on their financial lives, as evidenced by our survey. Figure 27 shows how both Shut Outs and Second Chances were impacted by their financial stress.

There was one notable distinction between Second Chances and Shut Outs: attitude toward education. Second Chances enjoyed a higher collective education level and were more interested in financial education than Shut Outs. This is significant for several reasons.

First, it suggests that Second Chances are more burdened by student loans than Shut Outs, which may contribute to their financial instability. A group gifted with high skill levels and higher incomes is nevertheless burdened by the very education that gave them those professional assets. Second Chances may have a harder time managing their expenses because their student loan payments are higher than those of Shut Outs.

It is no secret that college tuition in the U.S. has skyrocketed in the past few decades, growing even faster than the cost of living and inflation rates. The average consumer price index has increased 115 percent since 1985, but the average college tuition has increased nearly 500 percent.[2] This suggests that people who graduated more recently would have to devote a larger portion of their personal incomes to paying off their student loans.

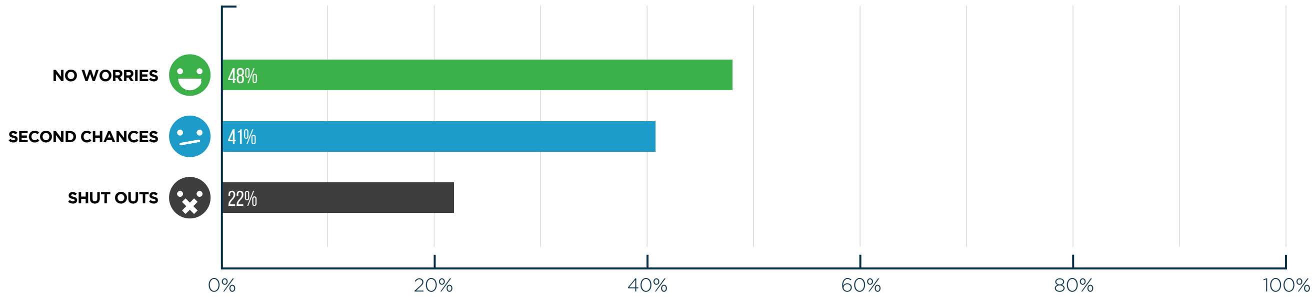
FIGURE 27: CAUSES OF FINANCIAL STRESS
Portion of Shut Outs and Second Chances citing select life events as a source of financial stress



[2] Odland, Steve. College costs out of control. Forbes. 2012. https://www.forbes.com/sites/steveodland/2012/03/24/college-costs-are-soaring/#2c16516f1f86. Accessed June 2018.

This hypothesis is supported by the fact that Second Chances are significantly more educated than Shut Outs, with only 22 percent of them having obtained a college degree. They are, therefore, also significantly more likely to have incurred college debt during their years studying at a college or university.

FIGURE 28: WHICH PERSONAS HAVE COLLEGE DEGREES?
Percentage of respondents with a college education, by persona

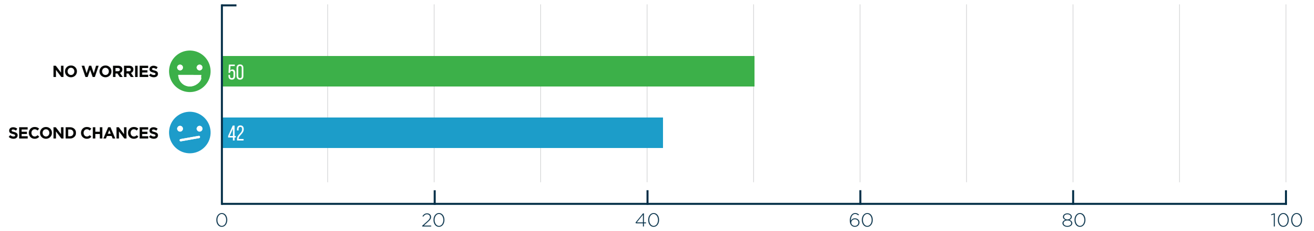


Why, then, are No Worries, who are more educated than Second Chances, in less financial trouble? Age may be the answer.

Second Chances are younger than No Worries. They would thus have attended college more recently, with an increased price of tuition. It follows that their student loan payments would be much larger, and therefore present a larger financial burden. This could make them more susceptible to falling behind on bill payments, which may be why so many Second Chances report doing so and living paycheck to paycheck.

This group is only eight years younger than No Worries, on average. This may not seem like much, but there are a great many Second Chances that are significantly younger than their No Worries peers. With college tuition skyrocketing at its current rate, eight years makes a huge difference — just ask a parent paying for tuition.

FIGURE 29: AVERAGE AGE
Average age of Second Chances vs. Shut Outs



If it is true that tuition payments are disproportionally burdening Second Chances, then it makes sense that they would seek additional financial assistance via nontraditional financial products.

Younger people tend to have less faith in the traditional financial system, a fact that is supported by our data as well as outside research confirming the millennial generation has been shaped by growing up and finding work in the aftermath of the 2008 financial crisis. In fact, many believe the recent proliferation of financial startups results from distrustful, cynical millennial consumers' demand for alternative financial services.[3]

This may explain why many Second Chances are migrating to alternative financial services. Burdened by more debt than their elders, they have less trust in traditional financial institutions and grew up or entered their professional careers during the most recent American financial crisis. Therefore, they have lower expectations for their financial standings and are wary of turning to the same institutions they perceive as having played a part in the problem.

So, because of their personal feelings toward the traditional financial system and their simultaneous need for financial assistance, Second Chances turn to less-traditional, more experimental methods to try and cope with financial hardships.

It is difficult to verify this hypothesis without specific details about our respondents' bank accounts, but, logically, the explanation makes sense and fits with the data collected in our latest survey. If true, this "Second Chances method" may not be an effective strategy for tackling financial delinquency, but it certainly is an understandable one.

There is a harsher way to interpret these statistical trends, though: Second Chances' partiality toward formal education could indicate that they are "book smart" but not "street smart." Having devoted much of their lives to collegiate education, and exhibiting more interest in receiving financial instruction in a formal setting compared to other groups, Second Chances could have an emotional attachment to the idea of formalized training that extends to their financial lives.

Second Chances don't just want instruction, though — they need instruction. Without instruction, they have no financial know-how. As a result, they try to fix their less-than-fortunate financial circumstances with products and services that further deteriorate their financial stability.

It is also possible that both explanations help account for the curious case of the Second Chances consumer, each to varying degrees.

When dealing with Second Chances, as with other personas, it is pertinent to consider not only their financial situations, but also their personal outlooks and expectations. These consumers have different goals for their personal finance plans than Shut Outs and No Worries. Identifying those goals and helping Second Chances achieve them will likely play a key role in turning their financial instability around.

[3] Hartmans, Avery. Millennials' distrust of banks is spawning a new breed of startups. Business Insider. 2016. http://www.businessinsider.com/millennials-distrust-banks-new-startups. Accessed June 2018.

CONCLUSION

Credit products are assuming larger roles in American citizens' personal finances, and debt management is becoming increasingly critical for individuals from all walks of life. Proper deployment of credit can help consumers like Second Chances who seek redemption from past financial delinquencies. As our survey suggests, though, its mismanagement can prove to be a burden instead of working to alleviate financial stress.

Everyone tries to make the best of his or her financial circumstances, but there are only so many avenues to reduce debt once a consumer has fallen behind. Those who have no access to credit lines or who mistrust traditional financial institutions often seek help from alternative sources. As alluring and exciting as these products may sound, those who rely on traditional credit products still tend to find themselves on better financial footing.

As tempting as it may be to label those who use alternative credit products as "naïve" or "misinformed," it is important to recognize that many do so out of necessity. Skyrocketing college prices, rising costs of living and unavoidable personal circumstances — including unforeseen medical expenses, temporary disability and the lack of a credit history — can have lasting impacts on an individual's financial stability. In fact, consumers in such circumstances are part of the reason alternative credit products exist at all.

Merchants, financial service institutions and analysts are thus faced with a choice: Chalk up alternative credit products' existence to consumer fallibility, or acknowledge the growing market demand and seek new, innovative ways to meet it.

ABOUT

The PYMNTS Financial Invisibles Index™, a Unifund collaboration, is designed to examine how the general population uses its credit and deals with paying bills. It also aims to shed light on financial invisibles by diving into a variety of issues, including how individuals handle bill payments and use credit products, as well as the impact of traumatic events on an individual's financial stability.

To compile the report, PYMNTS surveyed more than 2,000 Americans and asked them about their financial habits and circumstances. Overall, our sample demographically mirrors the U.S. population with one important exception: We sought relatively low-income Americans to help deepen our insights into the use of credit by those who are financially challenged.

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We are interested in your feedback on this report. Please send us your thoughts, comments, suggestions or questions to financialinvisibles@pymnts.com.

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