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LendingClub

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

THE CREDIT EDITION



New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration, seeks to provide a full and accurate picture of consumer finances in the U.S. today. The report is part of a monthly series based on a census-balanced survey of 2,326 complete responses from U.S. consumers that was conducted from March 9 to March 11 as well as an analysis of other economic data.

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INTRODUCTION

Mounting inflationary pressures continue to weigh on U.S. consumers' economic prospects, even as pandemic restrictions continued to lift in March. The U.S. government reported that inflation climbed to 8.5% over the past 12 months, with energy and food prices experiencing the largest increases.¹ With inflation still on the rise, consumers of all income brackets are feeling the financial crunch, increasing the share of consumers living paycheck to paycheck.

Living paycheck to paycheck means devoting all of one's salary to expenses, with little to nothing left over at the end of the month, yet these consumers remain credit worthy, actively managing their cash flows in real time. In fact, close to one-quarter of consumers living paycheck to paycheck report credit scores higher than the FICO average of 750.

PYMNTS' research finds that 64% of consumers were living paycheck to paycheck in March, a 2 percentage point increase from February. Additionally, 49% of Americans earning more than \$100,000 per year were living paycheck to paycheck in March, a slight decrease from 50% in the prior month. The share of consumers living paycheck to paycheck is returning to levels reminiscent of the early days of the pandemic. In

March 2020, 66% of consumers were living paycheck to paycheck.

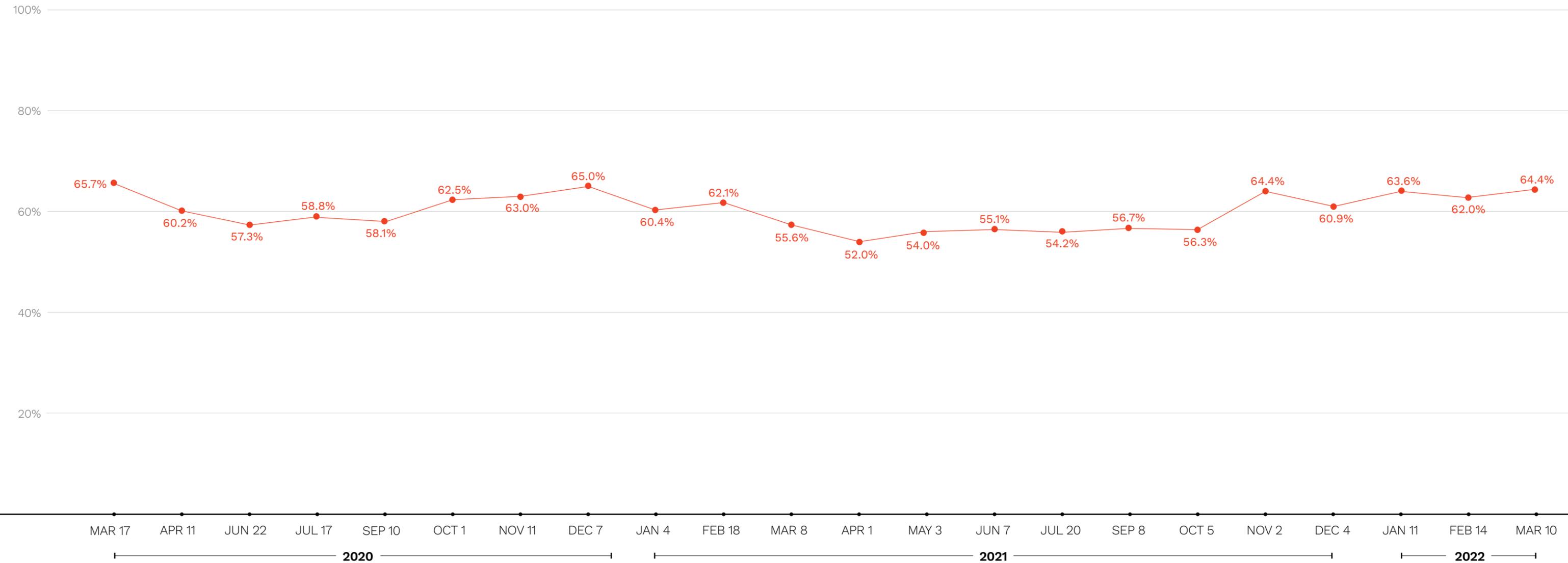
These are just some of the findings to emerge from New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration. The Credit Edition examines the growing shares of U.S. consumers in all economic brackets living paycheck to paycheck, and the impact on their ability to access credit and other expense management tools. The series draws on insights from a survey of 2,326 U.S. consumers that was conducted from March 9 to March 11 as well as analysis of other economic data.

Here is what we learned.

¹ Author unknown. Consumer Price Index. U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/cpi/>. Accessed April 2022.

FIGURE 1:
Consumers living paycheck to paycheck
 Share of U.S. consumers living paycheck to paycheck, over time

N = 2,326. Complete responses
 Source: PYMNTS | LendingClub
 New Reality Check: The Paycheck-To-Paycheck Report



PART I:
THE PAYCHECK-TO-PAYCHECK LANDSCAPE

Living paycheck to paycheck has become the typical way consumers manage their cash flows in the United States, with close to two-thirds of the U.S. population, or about 166 million adults, doing so in March. Close to one-quarter of consumers, or an estimated 62 million adults, are living paycheck to paycheck with issues paying their bills.

Following a slight decrease in the number of consumers living paycheck to paycheck in early 2022, the portion of consumers living paycheck to paycheck increased from 62% in February to 64% in March. Despite this rise, higher-income consumers were less likely to live paycheck to paycheck in March, while increasing numbers of those in the lowest income brackets have joined the ranks of those living paycheck to paycheck.

Our research finds that 49% of consumers earning more than \$100,000 per year reported living paycheck to paycheck in March — a slight decrease from 50% in February. The share of those earning between \$50,000 and \$100,000 who reported living paycheck

to paycheck also decreased to 63% in March from 65% in February. Meanwhile, the share of those earning less than \$50,000 who live paycheck to paycheck rose to 82% from 80% over that same time frame.

Paycheck-to-paycheck consumers fall into two categories: those who can pay their bills easily and those who cannot. PYMNTS’ research finds that an estimated 104 million U.S. adults or 40% of consumers were living paycheck to paycheck without difficulties paying monthly bills in March, down from 41% in February. Twenty-four percent of consumers, or approximately 62 million U.S. adults, were living paycheck to paycheck with difficulties paying their monthly bills in March, up

from 21% in February. Meanwhile, 36% of consumers were not living paycheck to paycheck in March, down from 38% in February.

Growing numbers of consumers of all income brackets are currently living paycheck to paycheck. In March, 31% of consumers living paycheck to paycheck without issues paying their bills had annual earnings of more than \$100,000, while 34% earned between \$50,000 and \$100,000 and 35% earned less than \$50,000. Sixteen percent of consumers living paycheck to paycheck with issues paying their bills had higher incomes in March, 24% belonged to the middle income bracket and 54% had lower incomes.

49%

SHARE OF CONSUMERS EARNING MORE THAN \$100,000 PER YEAR WHO WERE LIVING PAYCHECK TO PAYCHECK IN MARCH

FIGURE 2:
Consumers’ financial lifestyles
Share of consumers with different financial lifestyles, over time

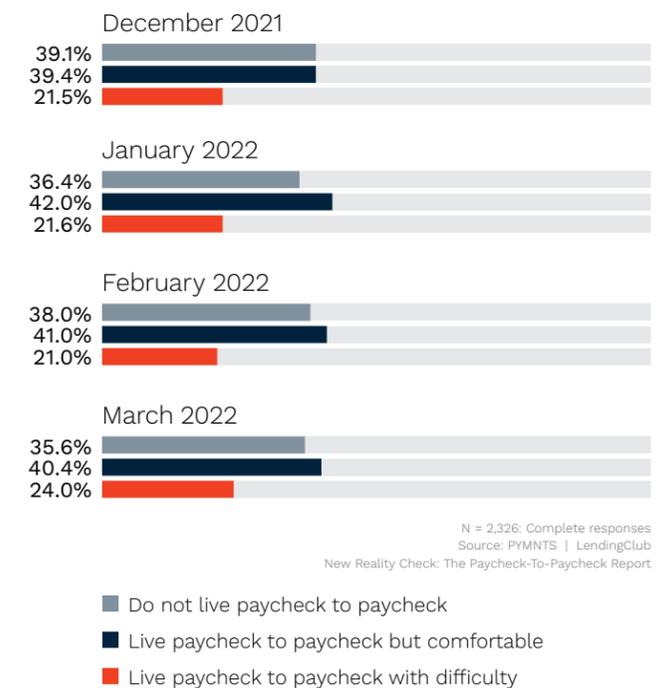
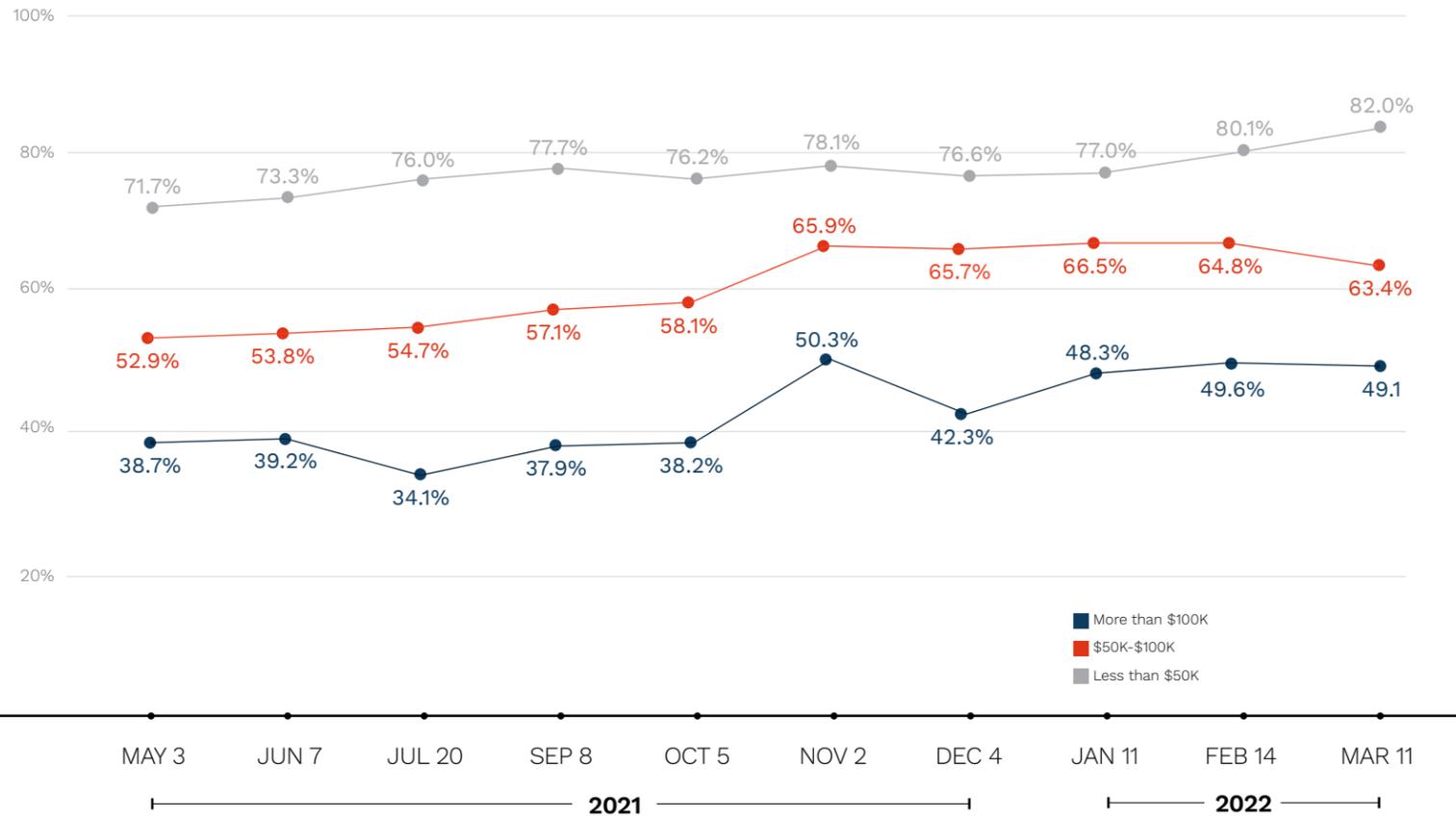


FIGURE 3:
Consumers living paycheck to paycheck

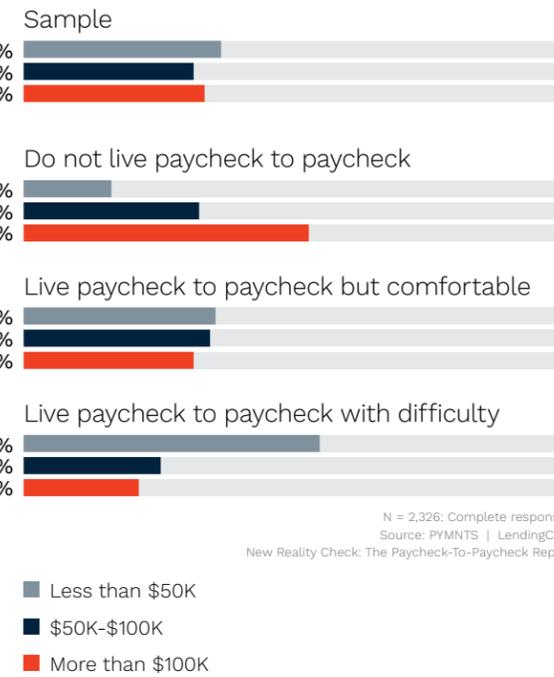
Share of consumers who live paycheck to paycheck, over time and by annual income



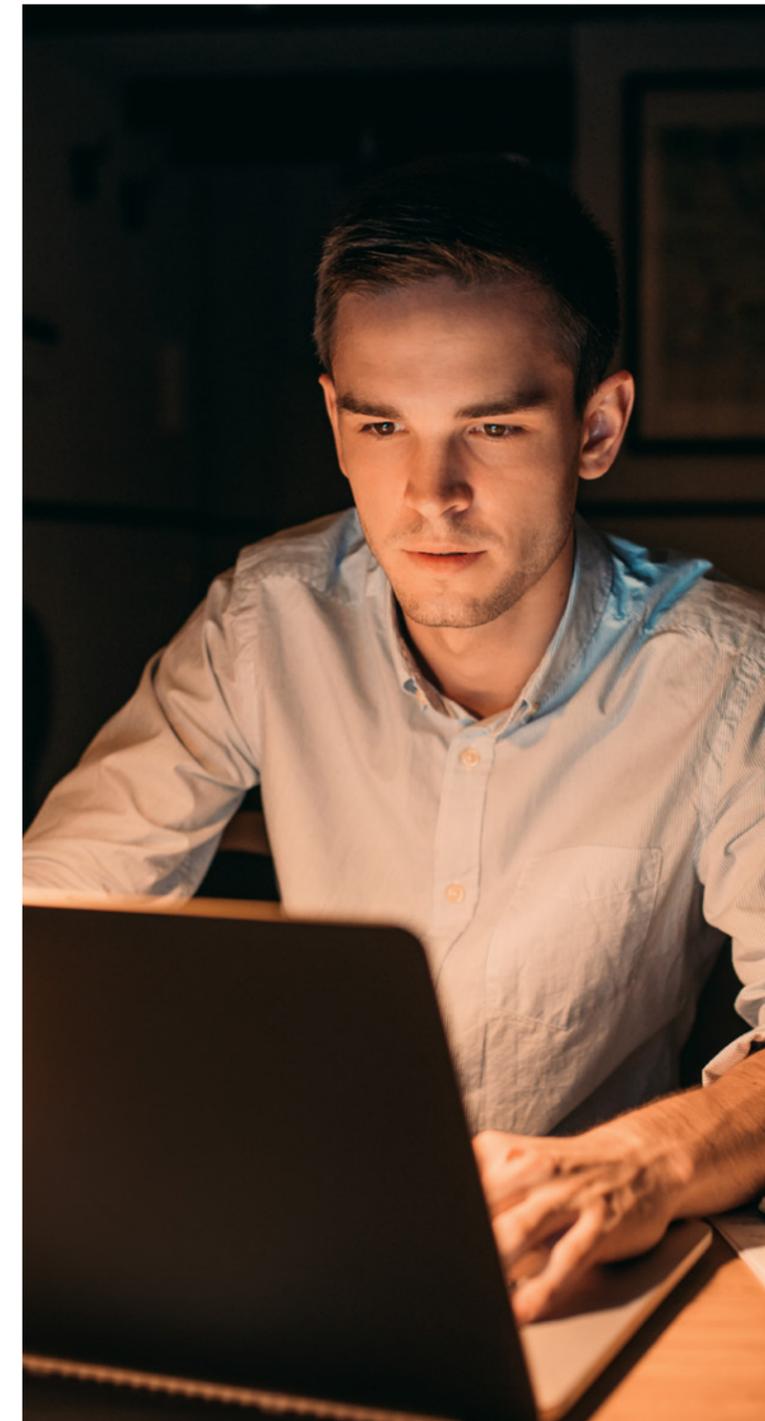
N = 2,326: Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

FIGURE 4:
Income's impact on consumers' financial lifestyles

Share of consumers who live different financial lifestyles, by annual income



N = 2,326: Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report



PART II:
MANAGING CREDIT SCORES

Consumers living paycheck to paycheck have fair to good credit scores on average and check their scores more frequently. Credit scores are more closely linked to financial lifestyles than to income levels.

PYMNTS’ research finds that consumers who live paycheck to paycheck without issues paying their bills have an about average credit score of 694, while those struggling to pay their bills each month have a below-average credit score of 613. The average credit score for all consumers who live paycheck to paycheck is 664 — more than 90 points below the average for consumers who do not live paycheck to paycheck. Meanwhile, the gap between the average credit scores of low- and high-income consumers is less than 90 points. Consumers who earn less than \$50,000 report a below-average credit score of 648, and those earning more than \$100,000 report an above-average credit score of 734. Just 11% of consumers who live paycheck to paycheck with issues paying their monthly bills report having a credit score higher than the FICO average. This share jumps to 58% among consumers not living paycheck to paycheck.

Our data also finds that consumers who are financially struggling tend to check their credit scores more frequently. Of those consumers who live paycheck to paycheck with issues paying their bills, 20% checked their credit scores in the 24 hours before the survey compared to only 9% of consumers who live paycheck to paycheck without issues paying their bills. As expected, consumers with a below-average credit score checked their report more frequently. As many as 41% checked it at least once in the week prior to being surveyed.

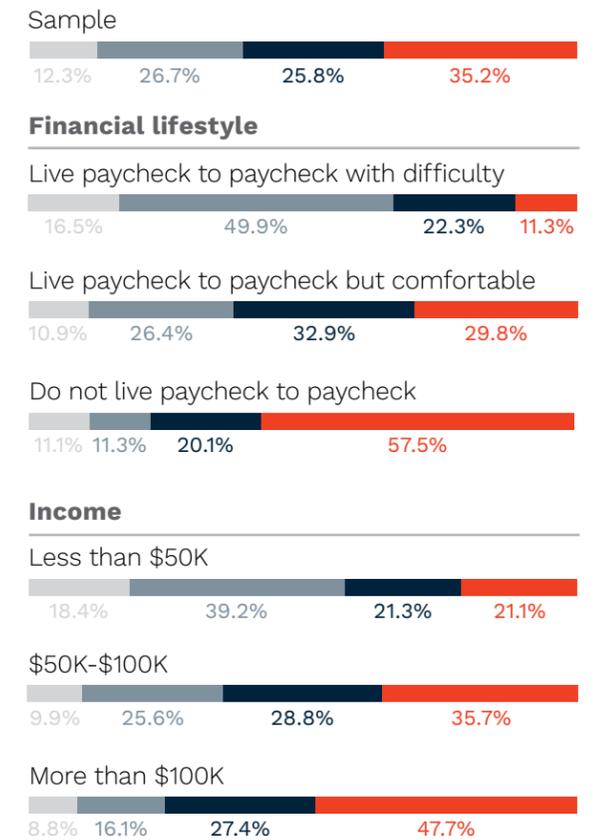
FIGURE 5:
How consumers’ most recent credit scores measure up

5A: Consumers’ average credit scores, by financial lifestyle and income



N = 2,052 Respondents who know their credit scores
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

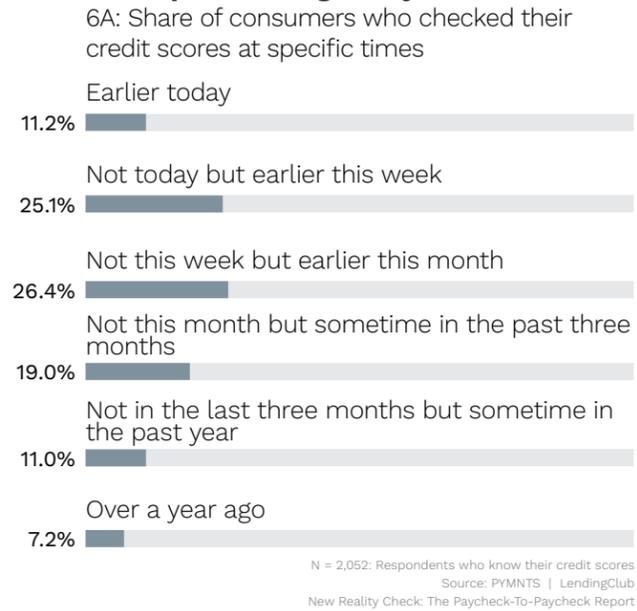
5B: Share of consumers in different credit score brackets, by financial lifestyle and income



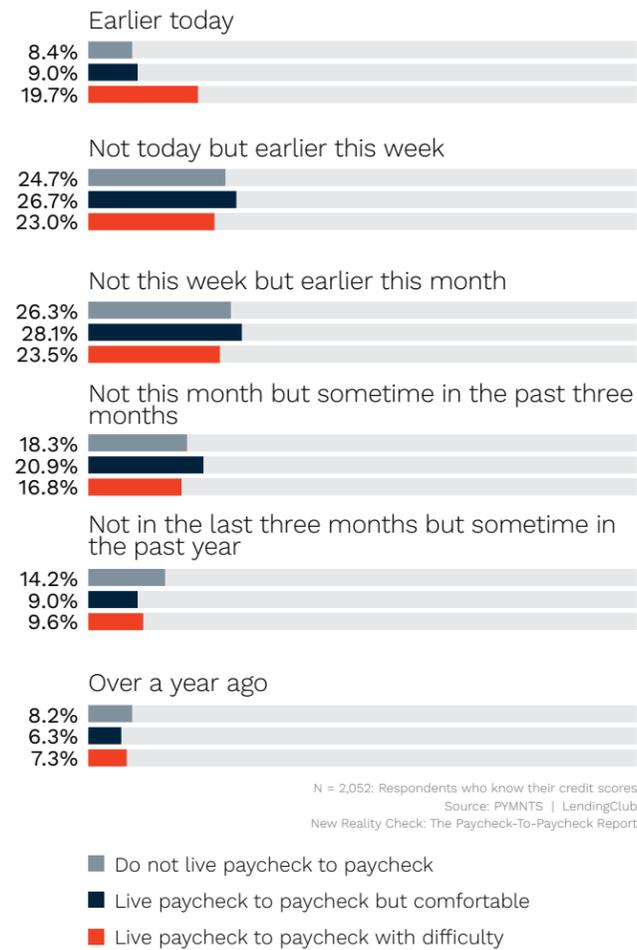
N = 2,326 Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

■ Do not know their credit scores
■ Below average (300 to 650)
■ About average (651 to 750)
■ Above average (751 to 850)

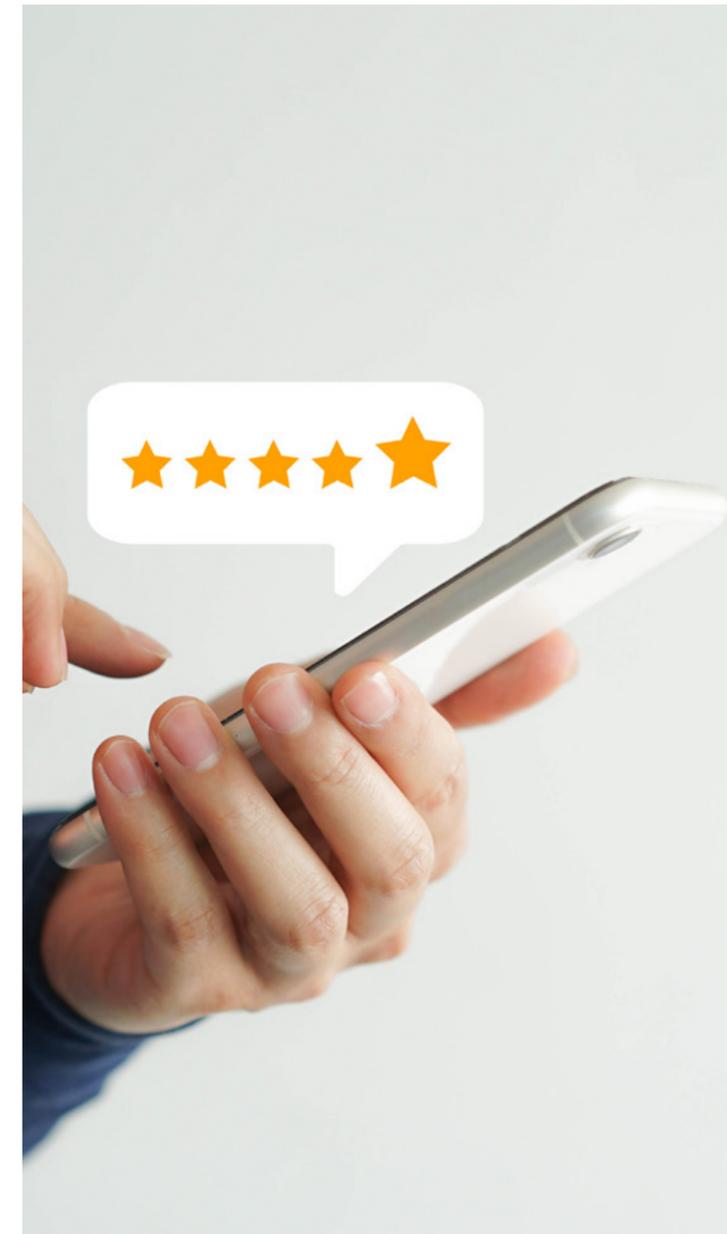
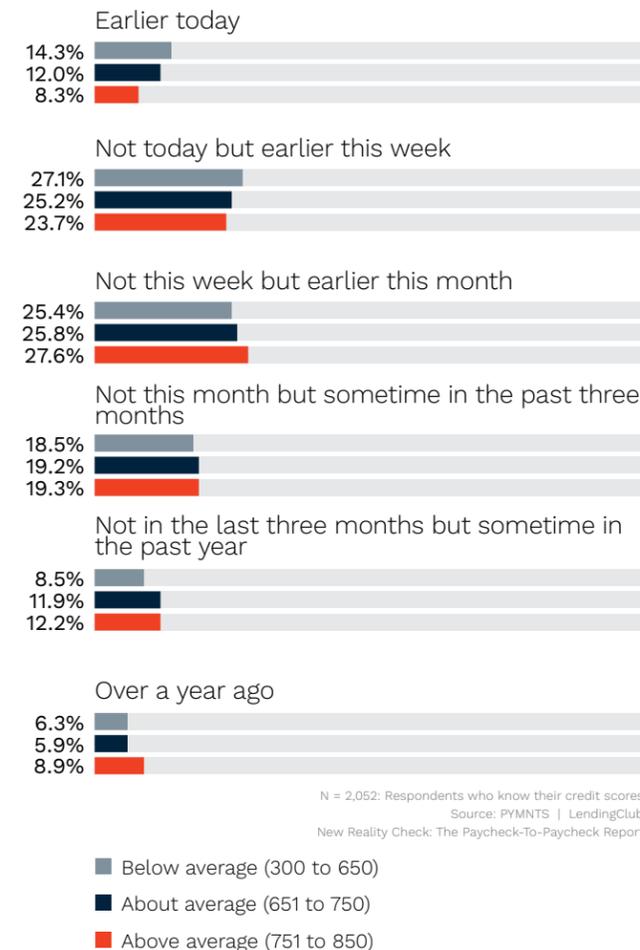
FIGURE 6:
When consumers last checked their credit scores prior to being surveyed



6B: Share of consumers who checked their credit scores at specific times, by financial lifestyle



6C: Share consumers who checked their credit scores at specific times, by credit score bracket



PART III:
CREDIT AND LIVING PAYCHECK TO PAYCHECK

Financially distressed consumers tend to use credit products less when managing their monthly expenses.

Even so, credit card ownership remains high among this group.

Paycheck-to-paycheck consumers are 33% less likely to have used credit products than consumers who do not live paycheck to paycheck, according to PYMNTS' research. Even those consumers in this group who do not have issues paying bills show lower credit usage: 24% of these consumers said they had not made a credit product-related payment in the 90 days before the survey. Respondents living paycheck to paycheck with issues paying bills reported even less credit usage, with 31% of these consumers saying they had not made payments related to a credit product in the last 90 days. The share of consumers not living paycheck to paycheck who have not made payments in the last 90 days is just 18%.

Credit card ownership remains high, however, with 63% of respondents from all financial lifestyles saying they made a credit card payment in the last 90 days. In March, 82% of consumers from all financial lifestyles said they own at least one credit card, while 51% said they have one or two cards. Twenty-six percent of consumers have only one credit card, independent of financial lifestyle. Paycheck-to-paycheck consumers without issues paying their bills and those who do not live paycheck to paycheck tend to own one or more credit cards. At 29%, paycheck-to-paycheck consumers with issues paying their bills are the most likely of all the financial lifestyle groups to not have any credit cards. Among those with below-average credit scores, 30% do not have any credit cards.

Our data also finds that 64% of paycheck-to-paycheck consumers without issues paying their bills made payments to credit card issuers, compared to 49% of consumers who live paycheck to paycheck with issues paying their bills and 73% of consumers who do not live paycheck to paycheck.

64%

SHARE OF PAYCHECK-TO-PAYCHECK CONSUMERS WITHOUT ISSUES PAYING THEIR BILLS WHO MADE PAYMENTS TO CREDIT CARD ISSUERS IN THE 90 DAYS PRIOR TO BEING SURVEYED

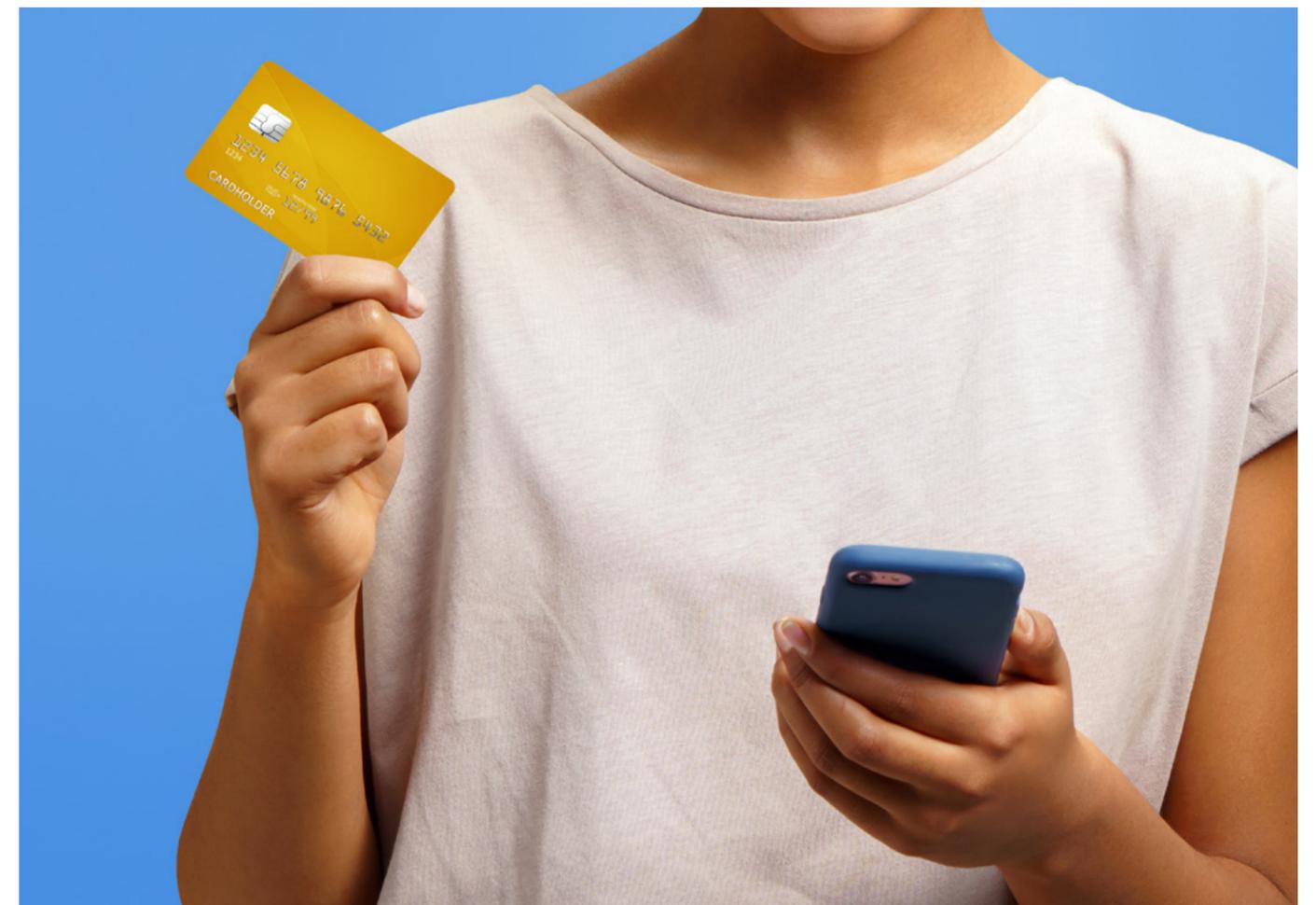
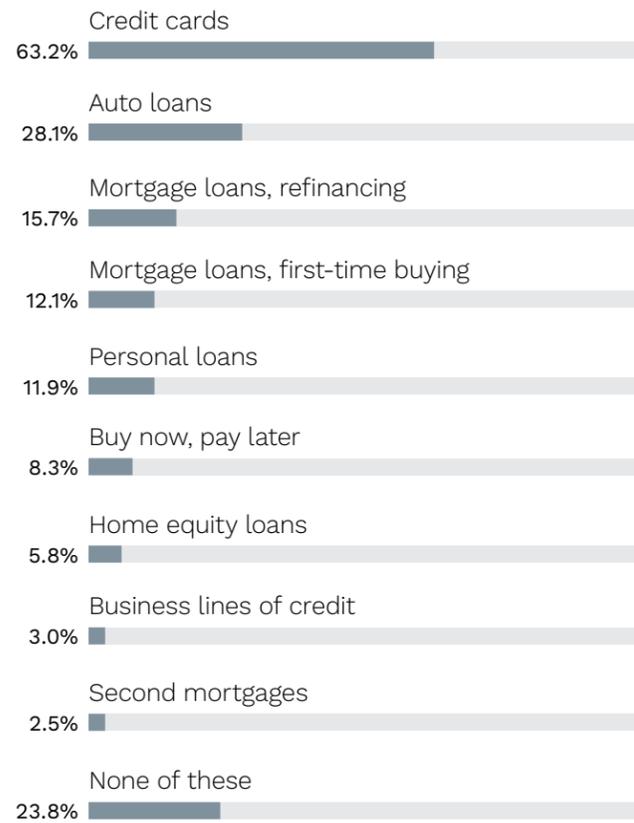


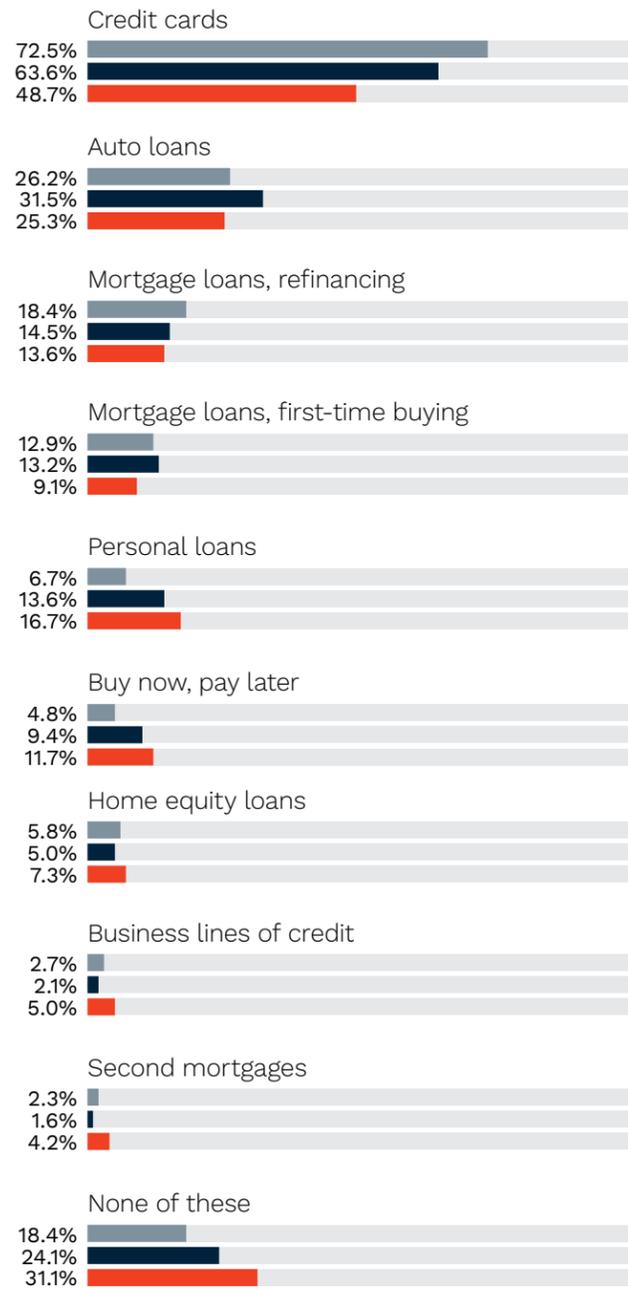
FIGURE 7:
Consumers' credit product-related payments in the 90 days prior to being surveyed

7A: Share of consumers who made credit product-related payments in the 90 days prior to being surveyed, by type



N = 2,326: Complete responses
Source: PYMNTS | LendingClub
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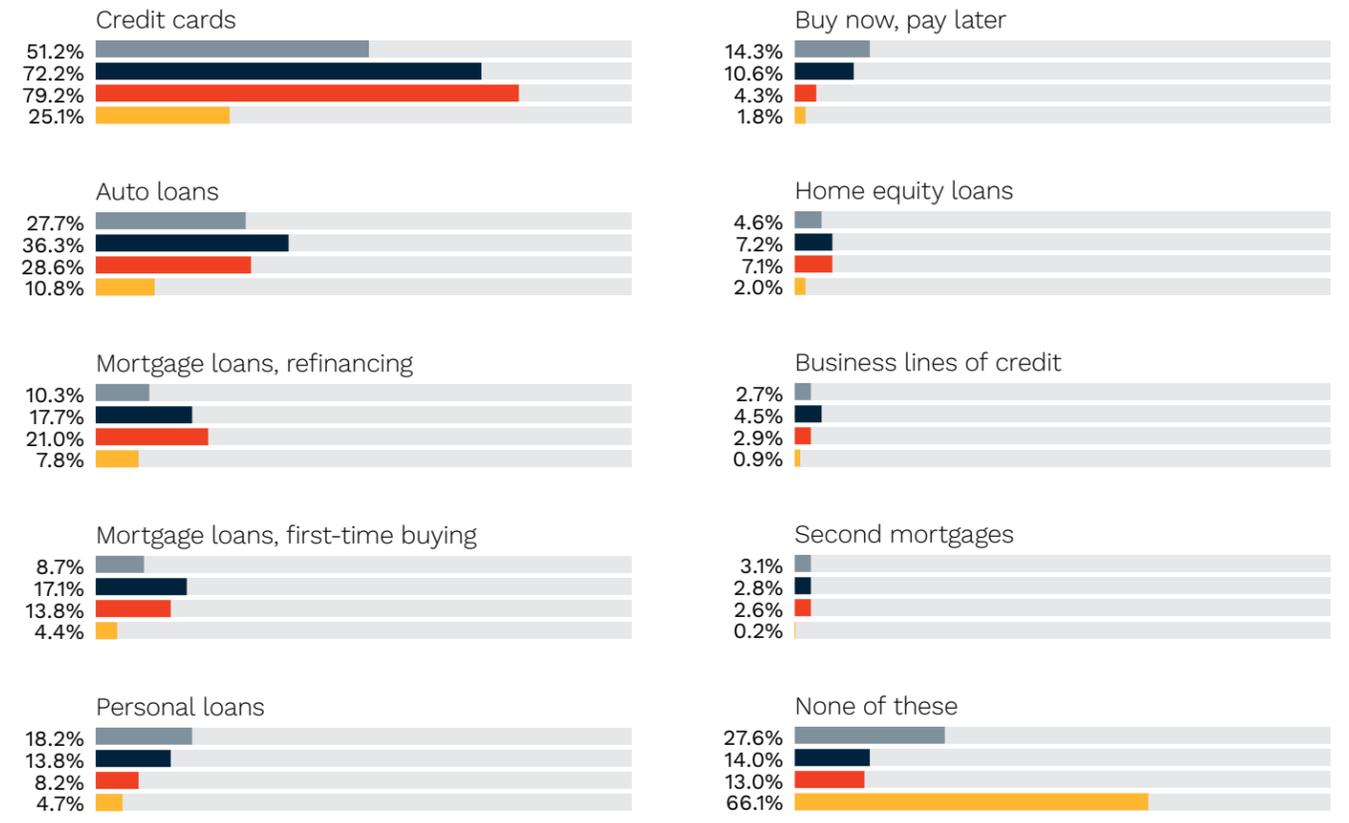
7B: Share of consumers who made credit product-related payments in the 90 days prior to being surveyed, by type and financial lifestyle



N = 2,326: Complete responses
Source: PYMNTS | LendingClub
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■ Do not live paycheck to paycheck
■ Live paycheck to paycheck but comfortable
■ Live paycheck to paycheck with difficulty

7C: Share of consumers who made credit product-related payments in the 90 days prior to being surveyed, by type and credit score bracket



N = 2,326: Complete responses
Source: PYMNTS | LendingClub
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■ Below average (300 to 650)
■ About average (651 to 750)
■ Above average (751 to 850)
■ Do not know their credit score

PART IV:

LIVING PAYCHECK TO PAYCHECK AND REVOLVING CREDIT TRENDS

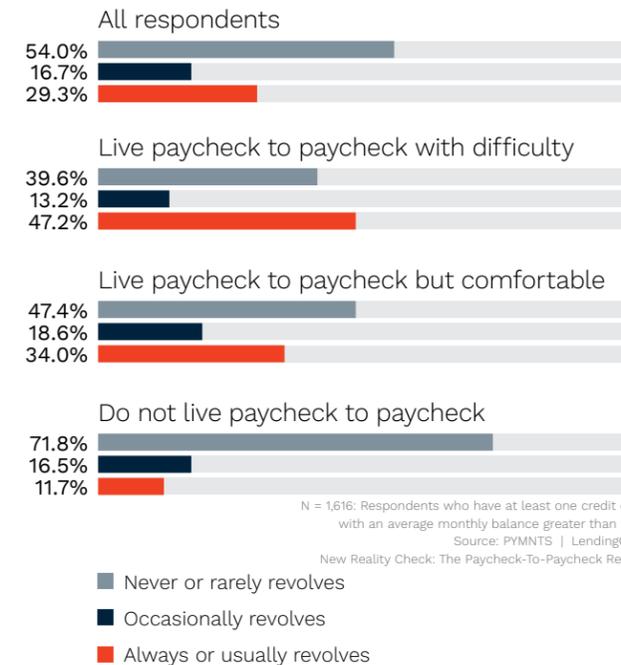
Paycheck-to-paycheck consumers are three times as likely to revolve credit card debt and carry higher monthly balances overall. Those consumers who never pay their credit balances in full also tend to hold more credit cards than average.

PYMNTS’ research find that 29% of credit card holders “always” or “usually” revolve their balances. Among cardholders living paycheck to paycheck, 34% of those without issues paying monthly bills and 47% of those who struggle to pay their bills “always” or “usually” have a revolving balance. Just 12% of consumers not living paycheck to paycheck “always” or “usually” revolve credit. Meanwhile, 40% of cardholders living paycheck to paycheck who struggle to pay their bills and 47% of those who do not struggle say they “never” or “rarely” have a revolving balance, paying their balance off each month. Additionally, 13% of paycheck-to-paycheck consumers with issues paying monthly bills and 19% of those without issues paying bills said they occasionally revolve their credit.

Struggling consumers also tend to nearly saturate the average credit card spending limit of \$4,700, declaring an average balance of \$3,800. Paycheck-to-paycheck consumers who do not struggle to pay their bills report an average spending of \$3,100 and a limit of \$6,500. Consumers not living paycheck to paycheck report an average spending of \$2,100 and a \$9,000 limit.

FIGURE 8:
How consumers manage and revolve credit card balances

Share of consumers who manage credit card balances in specific ways, by financial lifestyle



On average, credit card holders have approximately two credit cards, but this rises to three among those not likely to pay their credit card balances in full or those who “always” or “usually” have a revolving balance. Moreover, our data finds that the average sum of monthly balances over the last six months for those who always revolve balances on their credit cards is triple the average of those who always pay in full.

47%

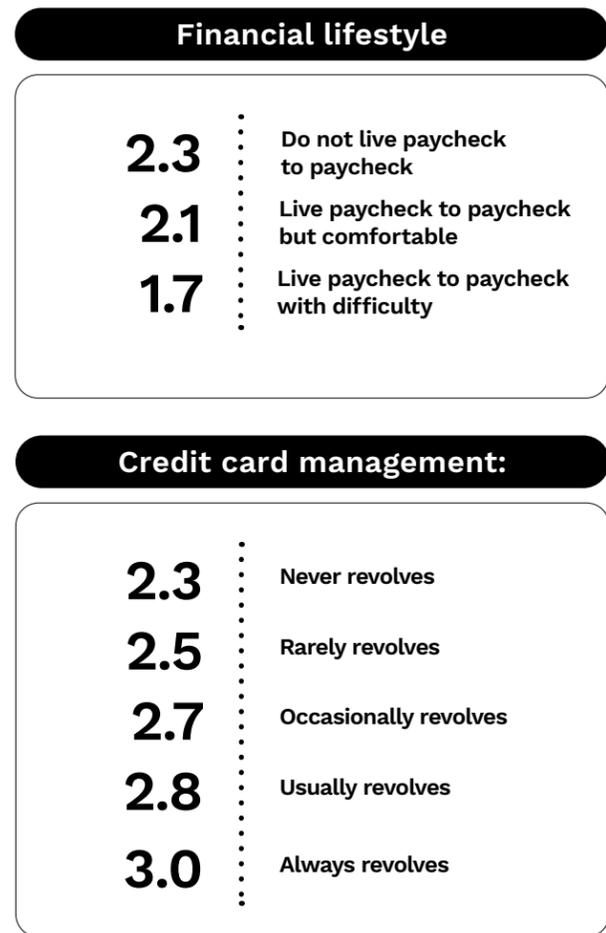
SHARE OF PAYCHECK-TO-PAYCHECK CONSUMERS WITH DIFFICULTY PAYING THEIR BILLS WHO “ALWAYS” OR “USUALLY” HAVE A REVOLVING BALANCE

FIGURE 9:

Details on consumers' credit cards, spending limits and monthly balances

9A: Average number of credit cards consumers hold, by demographics

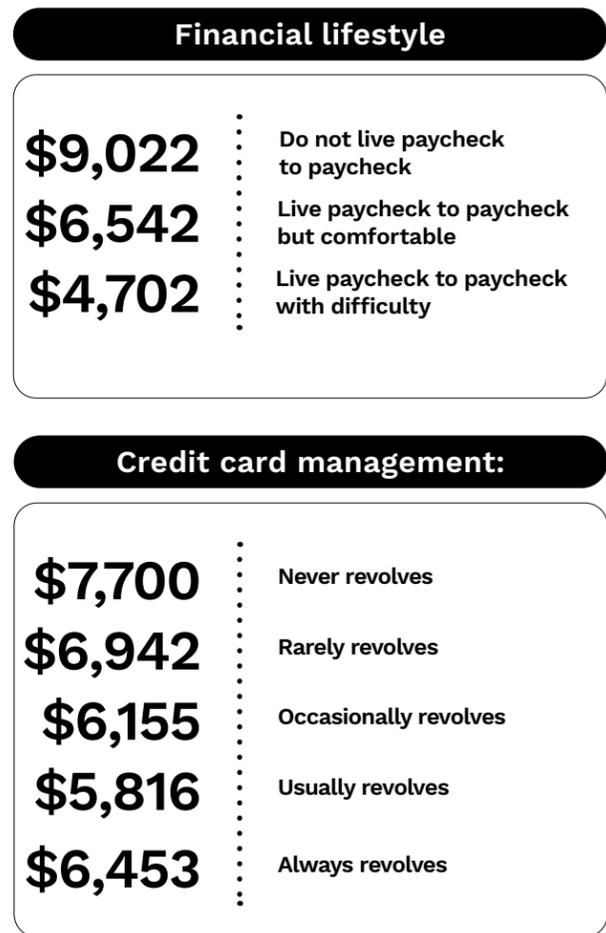
Average (credit card holders) 2.1



N = 1,616: Respondents who have at least one credit card with an average monthly balance greater than zero
 Source: PYMNTS | LendingClub
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9B: Average spending limit on primary credit card, by financial lifestyle and card management

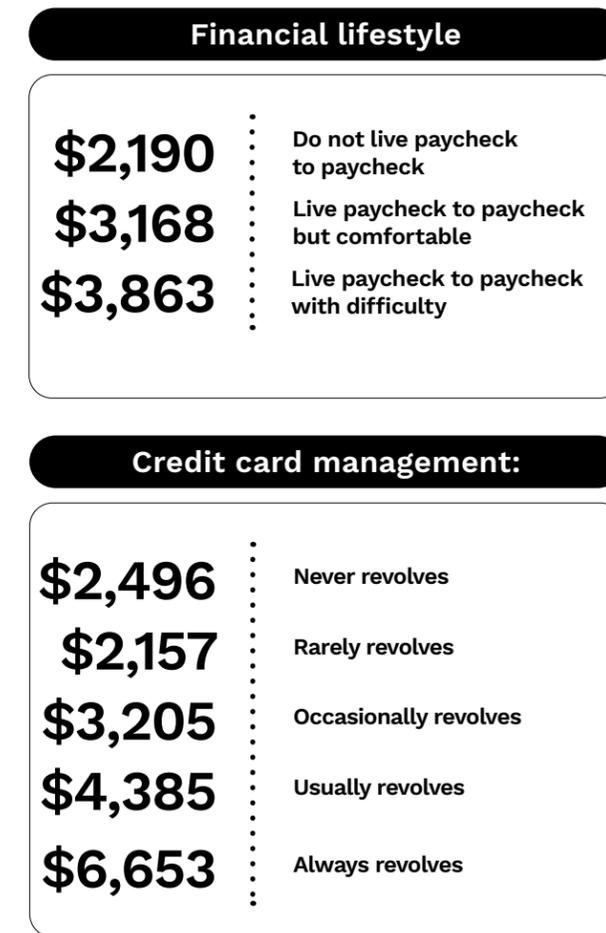
Average (credit card holders) \$7,117



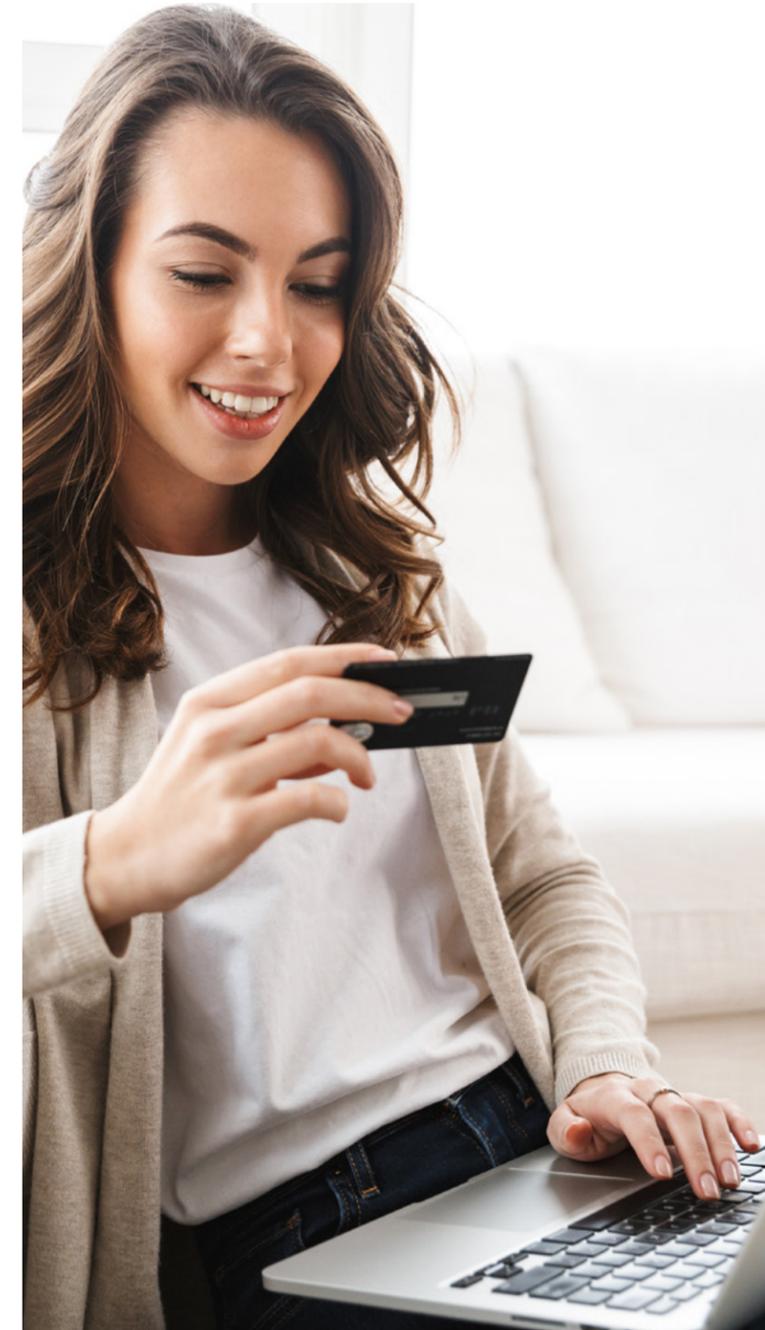
N = 1,616: Respondents who have at least one credit card with an average monthly balance greater than zero
 Source: PYMNTS | LendingClub
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9C: Average sum of monthly balances on all credit cards in the last six months, by financial lifestyle and card management

Average (credit card holders) \$2,935



N = 1,616: Respondents who have at least one credit card with an average monthly balance greater than zero
 Source: PYMNTS | LendingClub
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CONCLUSION

More U.S. consumers of all income brackets are living paycheck to paycheck as rising inflation makes it increasingly difficult to pay their bills and build savings. In spite of this fact, many paycheck-to-paycheck consumers remain creditworthy and maintain good credit scores. Consequently, they are apt to tap into consumer loans, credit cards and other payment options such as personal loans to manage their cash flows. Close to half of high-income consumers were living paycheck to paycheck in March and also use various credit products to manage their spending. Inflation will most likely be part of the economic picture for many months to come, and consumers living paycheck to paycheck from all income brackets will need to review their financial situations and plan their spending accordingly.

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METHODOLOGY

New Reality Check: The Paycheck-To-Paycheck Report is based on a census-balanced survey of 2,326 U.S. consumers conducted from March 9 to March 11. The Paycheck-To-Paycheck series expands on existing data published by state agencies such as the Federal Reserve System and the Bureau of Labor Statistics to provide a deep look into the elements that lie at the backbone of the American consumer's financial wellness: income, savings, debt and spending choices. Our sample was balanced to match the U.S. adult population in a set of key demographic variables: 52% of respondents identified as females, 32% were college-educated and 36% declared incomes of over \$100,000 per year.

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