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Americans Are Confused by Credit Card Fees and Rewards

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All data compiled from NerdWallet's analysis of credit card terms and conditions, and consumer survey conducted online within the United States by Harris Poll on behalf of NerdWallet April 19-21, 2016 unless otherwise noted.

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Cardholder Confusion on Fees and Rewards

Types of Fees and APRs

Annual fee	A yearly fee charge that issuers of some cards charge for use.
Cash advance fee	Typically a percentage of the total cash amount withdrawn from a credit line.
Returned fee	A fee consumers must pay if the check they use to pay their credit card bill bounces.
Balance transfer fee	A fee consumers must pay, typically a percentage of the balance they are transferring, when transferring debt to a credit card.
Foreign transaction fee	A fee consumers must pay, typically a percentage of what they spend, on purchases made abroad.
Purchase APR	The annual interest rate paid on credit card purchases.
Cash advance APR	The annual interest rate paid on cash withdrawals made from a credit line, known as cash advances.
Penalty APR	A higher annual interest rate that, in some cases, is applied to a consumer's balance when the account is delinquent.

Credit Card Confusion – Fees

30% of American cardholders reported being confused by credit card fees.

According to our survey, students and millennials are most likely to be confused, with 61% of students who have a credit card and 49% of cardholders ages 18-34 reporting they are confused by credit card fees.

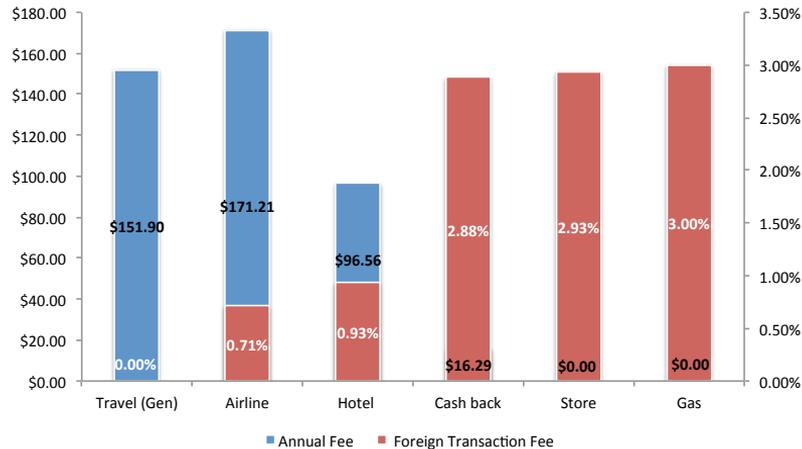
33% of American cardholders reported they don't fully understand the interest rates associated with late payments or cash advances on their credit cards.

These penalty and cash advance annual percentage rates are often much higher than the purchase APR¹. Again we see students and millennials struggling to understand APRs more than other cardholders, with 66% of students and 54% of cardholders 18-34 saying they don't understand the interest rates.

41% of American cardholders reported they don't consider fees other than the annual fee when applying for credit cards.

Among cardholders 18-34, 46% reported they don't consider fees other than the annual fee, the highest percentage of any age group.

The Foreign Transaction Fee and Annual Fee

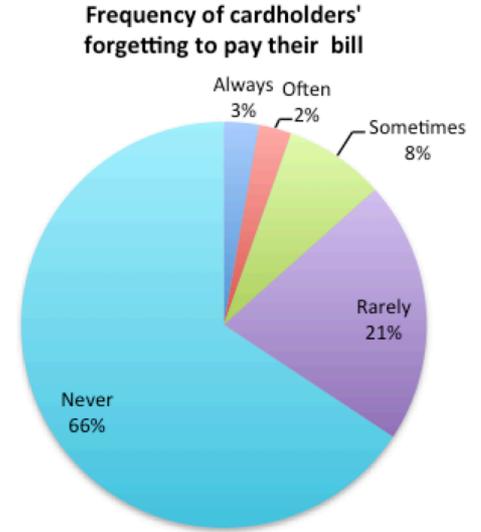


- If cardholders pay an annual fee, they probably shouldn't be paying a foreign transaction fee. As the chart illustrates, in the credit cards categories with higher annual fees, the foreign transaction fee, on average, is low or zero.
- Consumers should consider how much they spend **abroad** each year to determine if a card with an annual fee is worth the savings they'd gain by not paying a foreign transaction fee.
- For savings from not paying a foreign transaction fee to pay for the average general travel credit card's annual fee of \$151.90, consumers would need to spend **\$5,063.33 abroad each year**, assuming they would have been charged a 3% foreign transaction fee had they not had the general travel card.

Beyond the Annual Fee

Many consumers don't look beyond the annual fee when considering which card to apply for, potentially costing them more in the long run.

- **87% of cardholders reported they carefully consider the annual fee** on a credit card when they apply, but **41% don't consider other fees**, for example foreign transaction fees, cash advance fees and late fees.
- While consumers may assume they will never face these fees, **13% of cardholders reported they forget to pay their bill** at least sometimes, and an additional 21% said they forget rarely. This means 34% of consumers are vulnerable to late fees they may not have considered².



Credit Card Confusion – Rewards

77% of Americans rewards cardholders reported that the dollar value of their rewards do not change once they're earned, despite the fact that rewards are unregulated and that card issuers and transfer partners can devalue rewards at any time. All major credit card issuers maintain language in their credit cards terms and condition sheets or in separate rewards terms and condition sheet that allow them to change rewards to dollar conversion at any time³.

29% of American cardholders reported they don't fully understand how to earn rewards on their credit card

Students and millennials were most likely to be confused, with 54% of students who have a credit card and 48% of cardholders ages 18-34 reporting they are confused about how to earn rewards.

But Americans care about rewards — 73% of cardholders said rewards are among one of the most important factors when choosing a credit card.

This percentage is even higher among millennials cardholders, with 83% saying rewards are among one of the most important factors when choosing a credit card. Additionally, 80% of millennials cardholders reported they consider the sign-up rewards bonus when applying for a credit card, compared with 67% of all cardholders.

Credit Card Rewards Trends Among Men and Women

Women are less likely to report confusion when it comes to credit card rewards.

32% of male cardholders said they don't fully understand how to earn rewards, while just 26% of women reported the same.

More men have a travel rewards card.

11% of men said they have a general travel card, compared with just 6% of women. The same trend applies among airline credit cards: 15% of men reported having an airline credit card, compared with 8% of women. 7% of men report having a hotel credit card, compared to 3% of women.

More men than women cardholders reported that they consider the sign-up reward bonus when they apply for a credit card, with 71% of male cardholders reporting this is the case, compared with 63% of women.

Fees by Card Type⁴

Card type	Average annual fee	Average late fee	Average returned fee	Average balance transfer fee	Average cash advance fee	Average foreign transaction fee
Airline	\$171.21	\$36.57	\$33.71	3.57%	4.57%	0.71%
Cash back	\$16.29	\$36.14	\$34.71	3.33%	4.14%	2.88%
Gas	\$0.00	\$37.00	\$37.00	n/a	5.00%	3.00%
Hotel	\$96.56	\$36.56	\$36.56	3.89%	4.33%	0.93%
Store	\$0.00	\$34.75	\$36.50	4.50%	4.67%	2.93%
Travel (Gen)	\$151.90	\$36.00	\$28.00	3.33%	4.50%	0.00%

Gas Credit Cards

Gas Credit Cards

10% of Americans reported having a credit card specific to a particular gas station chain, compared with 8% for general travel rewards cards. According to our survey, only cash back (38%), general rewards (37%), retail rewards (26%), and airline (11%) credit cards are more popular than gas cards among Americans.

On average, gas needs to cost \$1.20 or less a gallon for gas cards to be more valuable, in terms of rewards, than a cash back card that offers a 3% rewards rate on gas.

Above \$2.00 a gallon, a credit card that offers a 2% rewards rate on gas will beat the average gas card's rewards rate⁵.

The average APR for gas credit cards is 26.74%, high compared with the average among other card types such as cash back and travel credit cards, which have average APRs of 18.8% and 17.4%, respectively⁶.

Consumers who have a gas credit card were less likely (65%) to say rewards are among one of the most important factors when choosing a credit card, compared with those who have other types of rewards cards and do not have a gas card (78%). This makes sense, given that gas cards are less lucrative.

When does a gas card make sense?

As illustrated below, when gas drops below \$1.20 a gallon, the average fixed value of gas card rewards is more than a cash back credit card could provide⁷.

Price per gallon of gas	Average gas card rewards rate per gallon	3% cash back rewards rate per gallon	2% cash back rate per gallon
\$1.00	\$0.04	\$0.03	\$0.02
\$1.20	\$0.04	\$0.03	\$0.02
\$1.50	\$0.04	\$0.05	\$0.03
\$2.00	\$0.04	\$0.06	\$0.04
\$2.50	\$0.04	\$0.08	\$0.05
\$3.00	\$0.04	\$0.09	\$0.06

Methodology Details

All data compiled from NerdWallet's analysis of credit card's terms and conditions and Nerdwallet's consumer survey results unless otherwise noted.

The survey was conducted online within the United States by Harris Poll on behalf of Nerdwallet from April 19-21, 2016, among of 2,042 Americans ages 18 and older, among whom 1,617 have a credit card and 1,383 have a rewards credit card. This survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated.

In order to determine the average sign-up bonus, rewards rate, APRs and fees for credit cards by category we looked at data on cards from the largest 5 issuers in these categories; general travel, airlines, hotel, and cash back credit cards, as well as for store cards from [the largest 35 retailers](#) with credit cards and gas card from the [5 largest gasoline providers in the US](#). The average gas rewards rate per dollar is based on the average gas price in the US at the time of calculation, \$2.00.

Foot Notes

1. From NerdWallet's analysis of the terms and conditions of 61 credit cards.
2. Data from survey conducted online within the United States by Harris Poll on behalf of NerdWallet November 2-4th, 2015. Of the 2,017 Americans ages 18 and older who were surveyed, 1,658 have credit cards.
3. From NerdWallet's analysis of the terms and conditions of 61 credit cards.
4. From NerdWallet's analysis of the terms and conditions of 61 credit cards.
5. Based on the average rewards rate of gas cards, which issues rewards as fixed amount per gallon independent of price per gallon, from the 5 largest US gas providers with credit cards.
6. From NerdWallet's analysis of the terms and conditions of 61 credit cards
7. Based on the average rewards rate of gas cards, which issues rewards as fixed amount per gallon independent of price per gallon, from the 5 largest US gas providers with credit cards.