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FOR IMMEDIATE RELEASE

Revolving Declines Steepest for Millennials, says Auriemma Consulting Group

August 31, 2011 (New York, NY): U.S. consumers continue to whittle away at their credit card debts according to a recent survey by Cardbeat[®], a syndicated monthly publication of Auriemma Consulting Group (ACG). Overall, survey respondents report that they are using debit more often than credit cards, and fewer are carrying balances. However, a closer look shows that changes in behavior are primarily concentrated among the young, while Baby Boomers have made relatively modest adjustments.

The most recent statistics from the Federal Reserve confirm the extent of this deleveraging of the American credit card holder. Although the downward trajectory has slowed, revolving balances are still 9.5% lower than they were at their peak in the 4th quarter of 2008. Also, while a good portion of that \$183 billion decline was due to charge-offs of bad debt, recent data released by credit bureau giant TransUnion indicates that consumers are also adding new charges.

Tracking survey results from Cardbeat shows that younger consumers have made the biggest change in behavior. In 2007, 36% of Baby Boomers said that they “frequently” carried a balance on their credit cards. That percentage was unchanged in 2009; in the most recent survey in June 2011, it had declined slightly to 31%. In contrast, Millennials, born in the 80s and 90s, changed rapidly over the same 4-year period. In 2007, 44% of the youngest cardholders said they frequently carried a balance, dropping to 34% in 2009 and 26% in 2011.

True to their position as the in-betweeners, Generation X respondents, currently in their late thirties and early forties, took the middle path. The majority of them, 53%, said in 2007 that they frequently carried a balance, and declined only slightly to 51% in 2009. Since then, the proportion of frequent revolvers has declined to 35%.

Millennials are also the most frequent and loyal users of debit cards, favoring them in part because of a fear of falling into debt. “Millennials have turned away from credit cards in droves since the recession began, and it’s not clear to what extent they will come back when conditions improve”, says Dr. Patricia Sahm, Managing Director at ACG. “Many have been scarred by seeing friends or family struggle with unmanageable debt loads, and view credit as dangerous rather than helpful.” On the other hand, this cohort is also keenly interested in deals and added-value offers, she notes. “While they are less likely than older consumers to hold a special-value card, Millennials who do have a card that gives rewards for usage are particularly likely to use it frequently”, Sahm notes. Furthermore, with the likely introduction, post-Durbin, of new fees on debit cards, credit card issuers that offer relevant rewards may get a warmer reception from wary young consumers.

Cardbeat research data was gathered using a web-based survey administered to 502 credit card users in the U.S. during the month of June 2011. The number of interviews completed on a monthly basis is sufficient to allow for statistical significance testing between sub-groups at the 95% confidence level $\pm 5\%$.

About Auriemma Consulting Group

Auriemma Consulting Group (ACG) is a full-service management consulting firm serving the payments and lending industries since 1984. Cardbeat is ACG's syndicated market research study of credit card holders, conducted monthly in the U.S. and quarterly in the U.K. ACG also conducts research in the debit and prepaid space, and publishes a quarterly report known as The Debit Report. With offices in New York and London, ACG consultants are experienced practitioners drawn from the credit card, private label, auto finance, mortgage, and retail banking industries that we serve. For more information, contact Dr. Patricia A. Sahm at 212-323-7000 or patricia.sahm@acg.net.