

PATTERNS OF CREDIT CARD USE AMONG LOW- AND MODERATE-INCOME HOUSEHOLDS

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ABSTRACT

Prepared for a National Poverty Center conference (and conference volume) on assets and credit among low-income households, this paper analyzes 2004 SCF data about credit-card use among low- and moderate-income households. Generally, it shows that credit card use has penetrated far into the least wealthy of our society, with a remarkable share of credit card debt even in bottom-quintile households. Multivariate analysis to identify which households are likely to use credit cards suggests that education and financial sophistication are key predictors of credit card use (much more important than income or assets), that credit card debt increases with age (a finding at least in tension with the life-cycle of debt hypothesis). Although racial effects appear in the raw data, multivariate analysis suggests that they are less important, especially in the low- and moderate-income quintiles on which this study focuses.