

Credit Fumble™: The Slippery Slope of Credit Credit Karma Finds Early Mistakes Common Among Americans

In late November 2014 and early 2015, Credit Karma partnered with research company Qualtrics to survey 1,051 Americans between the ages of 31-44 to understand the difficulties they faced managing credit before their 30s.

68 percent of survey respondents report making one or more major financial mistake (aka “Credit Fumble”) before turning 30.

- 54 percent said they overspent using credit cards, creating debt they were unable to pay off within a year.
- 47 percent said they missed one or more payments on a credit card or loan.
- 44 percent said they had an overdue account sent to a collections agency.
- 25 percent said they defaulted on a loan.

Most respondents had a credit card by their early 20s, but few said they had experienced any sort of financial education.

- 54 percent reported having a credit card by the age of 21; 75 percent reporting having a credit card by the age of 24.
- 72 percent said they received no financial education before college.
- Those who did receive financial education said that their parents were the main source of that knowledge (58 percent) followed by high school and independent research (each at 17 percent).

This lack of education is leaving young adults and new-to-credit consumers vulnerable to making Credit Fumbles.

- 42 percent of people surveyed cited irresponsibility as a reason they had an account enter collections.
- 41 percent said that they had no familiarity with the concept of credit scores before getting a credit card. An additional 28 percent said that they had heard of credit scores, but had no real understanding of what they were. Only 12 percent of those surveyed knew what their own credit score was when they got their first credit card.

These Credit Fumbles have a major impact on people's lives.

- 75 percent of people surveyed who defaulted on a loan or had an account enter collections said that these early Credit Fumbles had a negative impact on the quality of their life.
- 73 percent of those surveyed who defaulted on a loan or had an account enter collections said they experienced negative run on effects: 61 percent were later turned down for a credit card, 31 percent were turned down for an auto loan, 16 percent were turned down for a mortgage, 16 percent were turned down for an apartment and 10 percent were turned down for a job.
- To recover, 27 percent said that they moved into a less expensive apartment, while 26 percent said that they moved back in with their parents.

Credit card and student loan debt were the two most common causes of Credit Fumbles for people in their 20s.

- 28 percent of people surveyed were said they were still paying off credit card debt incurred before they turned 30.
- Problems with credit card repayment was the most commonly reported cause of an account entering into collections. Of those surveyed who had an account enter collections, 45 percent reported that it was a credit card account.
- 32 percent of all loan defaults were on student loans.
- 58 percent of surveyed respondents who had a student loan experienced some sort of difficulty managing payments, with over a quarter (27 percent) having to enter deferment or forbearance and 9 percent defaulting.

People are making Credit Fumbles over small sums of money, according to those surveyed.

- 22 percent of loan defaults were on less than \$1,000 of debt.
- 34 percent of accounts sent into collections were for debt less than \$250.

In retrospect, people surveyed viewed a lack of financial education as one of the reasons for their Credit Fumbles.

- 73 percent of people said they believed better financial education could have prevented them from making a Credit Fumble.
- 74 percent of people said they made a effort to educate themselves financially when attempting to improve their personal finances after making a Credit Fumble.
- 86 percent of people responded that personal financial management courses should be a requirement at high schools.

According to those surveyed, managing finances gets easier after 30, but experience is hard earned.

- 70 percent of people surveyed were able to recover their personal financial health after having an account enter collections or defaulting on a loan.
- 70 percent said that managing their finances became easier after the age of 30.
- 55 percent primarily attributed experience as the major reason for things becoming easier, while 16 percent attributed it to maturity.