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## Despite Fed Rate Cuts, Many High Interest Retail Credit Cards Remain Unchanged

*Nearly 7 in 10 who applied for a retail card have done so impulsively at checkout*

NEW YORK – October 5, 2020 – Despite the Federal Reserve cutting the federal funds rate to near 0% earlier this year, many retail card APRs – especially the highest rates at 29.99% – have remained unchanged, according to a new report from CreditCards.com. And, despite how consumer unfriendly these cards can be, more than 2 in 5 (43%) U.S. adults have applied impulsively for one at checkout. This includes 69% of those who have applied for a retail card. Click here for more information:

<https://www.creditcards.com/credit-card-news/retail-store-credit-card-survey/>

Overall, the average retail credit card rate fell to 24.43%, down from 26.01% last year. However, the average store-only card APR is even higher than that (25.90%, down from 27.52%), while the average cobranded card interest rate checks in at 22.00% (down from 23.39%). Using the same methodology (averaging the high and low APR), the national average for all non-retail cards is 19.69% (21.10% last year).

Store-only cards from Big Lots, Discount Tire, Jared The Galleria of Jewelry, Kay Jewelers, Piercing Pagoda, Sterling Family of Jewelers, and Zales all share the highest interest rate of 29.99%, and all remain unchanged from last year. In fact, 26 of the 28 highest APRs are offered by store-only cards.

While many of the highest interest rates remained unchanged, 67 of the 84 cards examined both years now have lower APRs, 15 currently have the same APRs and two raised their APRs. The lowest APRs are offered by the Military Star Card (10.24%), the Sears Home Improvement Account (14.40%), the Costco Anywhere Visa by Citi (15.24%), Apple Card (10.99% to 21.99%, which averages to 16.49%), and the Dillard's American Express Credit Card (9.99% to 24.99%, average 17.49%).

Although retail card interest rates remain much higher than general purpose cards, it's also common to get a sizable discount (often 10-25%) off your first purchase after signing up. CreditCards.com analyst Ted Rossman notes that if it's a big purchase, that can be well worth it.

“Some retail cards offer compelling rewards programs. Amazon, Target, Walmart, Best Buy, Lowe's and others give cardholders 5% cash back. Some retail cards also dangle incentives like special discounts, exclusive cardholder events and/or free shipping. If you value these perks and avoid interest by paying in full, then a store credit card can make sense.”

Overall, 62% of U.S. adults have applied for a retail card at some point, and 69% of those have done so impulsively at checkout at least once. Nearly 1 in 5 (19%) U.S. adults (and 31% who have ever applied for a retail card) have only applied for retail cards on a whim.

Among those who applied for retail cards, the most common reason was to get a discount/promotional offer (60%). The ability to finance a purchase over time was a distant second (29%), followed by “I applied to build my credit score/history” (26%) and “because I love the store” (20%). Eight percent applied because they felt pressured by the store or an employee, and 7% mistakenly thought they were applying for a store loyalty card, not a credit card.

Unfortunately, millennials (ages 24-39) who have applied for retail cards are more than four times as likely as those who are older to have done so because they felt pressured (17% vs. 4% of those ages 40+). Additionally, 15% of millennials who applied thought they were applying for a store loyalty card instead of a credit card, five times as many as those who are older (3% of those aged 40+).

Overall, 73% of baby boomers (ages 56-74), 68% of Gen Xers (ages 40-55) and 53% of millennials have applied for retail cards. Among applicants, 74% of Gen Xers, 71% of boomers and 62% millennials did so impulsively at least once.

“Retail credit cards make sense in some situations, but you should carefully consider your options,” added Rossman. “Don’t apply on a whim at checkout. When you’re stressed and rushed, that’s when you’re more likely to make a mistake. These cards can be good if you’re loyal to the store and if they offer competitive rewards and you pay in full to avoid interest. But if you’re going to pay a high interest rate or hurt your credit score in another way, it’s better to steer clear.”

### **Methodology:**

CreditCards.com conducted the interest rate research in September 2020 using publicly available terms and conditions disclosures. Each of the 100 largest retailers (as defined by the National Retail Federation based upon 2019 sales) that offers a retail credit card program was selected for study. This included 93 cards from 67 retailers (58 store-only and 35 co-branded cards).

Additionally, CreditCards.com commissioned YouGov Plc to conduct a consumer survey. Total sample size was 2,801 U.S. adults, including 1,774 who have applied for a retail credit card. Fieldwork was undertaken September 2-4, 2020. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

### **About CreditCards.com:**

CreditCards.com is the ultimate credit card destination and the largest marketplace of credit card offers you can find online, along with relevant news, advice, features and user-friendly tools. Our

mission is to help consumers seize greater opportunity through smarter spending, and we believe that the right credit card, used the right way, can be a life-changer.

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