**Credit cards in the US banking system**

Credit cards are a type of revolving credit facility provided by banks and other financial institutions that allow consumers to borrow funds up to a pre-approved credit limit. When a consumer purchases with a credit card, the transaction is processed through a complex network involving several parties:

* The cardholder (consumer) uses the credit card to purchase from a merchant.
* The merchant's bank (acquiring bank) processes the transaction and forwards it to the card network (e.g. Visa, Mastercard).
* The card network then routes the transaction to the card-issuing bank, which is responsible for extending the credit to the cardholder.
* The card-issuing bank bills the cardholder for the purchase, and the cardholder can choose to pay the full balance by the due date to avoid interest charges, or carry a balance and pay interest.

**Key features of credit cards in the U.S. banking system:**

* Credit limits are set by the issuing bank based on the cardholder's creditworthiness.
* Interest rates (APRs) can be fixed or variable, and apply to unpaid balances carried over from month to month.
* Many cards offer rewards programs that provide cash back, points, or miles for purchases.
* Credit cards allow consumers to build credit history and improve their credit scores by making on-time payments.
* The card networks (Visa, Mastercard, etc.) set the rules and standards for credit card transactions.

**Credit Card Ownership and Usage Statistics:**

* 98% of households earning more than $100,000 per year had a credit card, compared to only 57% of households with less than $25,000 in annual income.
* Asian Americans (92%) and Caucasian Americans (87%) were the most likely demographic groups to hold credit cards.
* On average, people held three different credit card accounts, with 50% having at least two cards and 13% having at least five cards.

**Credit Card Debt and Delinquency Statistics:**

* In 2022, 48% of all credit card users carried a balance at least once.
* The average credit card debt per borrower reached a record high of $6,360 at the end of 2023, adding up to a total of $1.13 trillion in U.S. credit card debt.
* Credit card delinquency rates increased from under 2% in 2021 to 3.1% by the end of 2023, the highest rate since 2011.

**Credit Card Interest Rates and Profitability:**

* The average credit card interest rate was 27.89% as of mid-March 2024, while the Federal Reserve reported the average rate was 21.47% in November 2023.
* The return on credit card assets for major banks was fairly stable before the COVID-19 pandemic but experienced a sharp decline in early 2020 due to increased provisioning for credit losses, which later rebounded.

**Cash vs. Credit Card Usage:**

* Credit cards accounted for 31% of all payments in 2022, the highest level since the Federal Reserve Bank of San Francisco study began.
* A Forbes Advisor survey showed that less than 10% of Americans primarily use cash for purchases, while debit cards and credit cards were the preferred payment methods for 53% and 37% of consumers, respectively.

**Credit card ownership varies significantly by age group in the U.S.:**

* Older adults are more likely to own credit cards than younger adults. 92% of those aged 65 and older had a credit card, compared to only 57% of those aged 18-24.
* Middle-aged adults (ages 35-64) had the highest credit card ownership rates, with over 80% holding at least one credit card.
* Younger adults, particularly those in Generation Z (ages 18-26), had the lowest credit card ownership rates, with only 68% holding a credit card. This is likely due to their limited credit history and lower incomes.
* Credit card knowledge and awareness of credit card risks also tend to increase with age, which contributes to higher ownership rates among older adults.
* Income is another key factor, with higher-income households much more likely to have credit cards regardless of age. Over 90% of households earning $100,000 or more per year had a credit card, compared to just 57% of those earning less than $25,000.

1. **Household Income and Credit Card Ownership:**

* Households earning more than $100,000 per year have a higher rate of credit card ownership (98%) compared to those earning less than $25,000 (57%).

1. **Demographic Groups and Credit Card Ownership:**

* Asian Americans (92%) and Caucasian Americans (87%) are the most likely demographic groups to hold credit cards.

1. **Credit Card Debt and Delinquency:**

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1. **Payment Methods:**

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* Debit cards are preferred by 53% of consumers, and credit cards by 37%.

1. **Age Group and Credit Card Ownership:**

* 92% of those aged 65 and older had a credit card.
* Over 80% of middle-aged adults (ages 35-64) held at least one credit card.
* 57% of those aged 18-24 owned a credit card.
* 68% of Generation Z (ages 18-26) held a credit card. ​