



UNEXPECTED EXPENSES: IT DOESN'T TAKE MUCH TO PUT NONPRIME AMERICANS INTO FINANCIAL CRISIS

New research from Elevate's Center for the New Middle Class shows just how easily and how often surprises can risk consumers' financial health

FORT WORTH, Texas – January 10, 2017 – Unexpected expenses are more likely to hit nonprime Americans much sooner and harder than their counterparts with prime credit scores, according to research released today by Elevate's Center for the New Middle Class. For example, the research shows that the 160 million Americans who are nonprime, can only weather an unexpected expense of 31 percent of their monthly income, as opposed to 53 percent for their prime counterparts.

The Center's latest study explores the impact of unexpected expenses on nonprime Americans, defined as those who have credit scores below 700. Key findings include:

- A bill becomes a crisis for nonprime Americans at \$1,400; for prime, it's \$2,900
- Many common expenses such as a vehicle transmission, broken arm, or apartment security deposit are above the \$1,400 threshold for nonprime Americans, but below the \$2,900 threshold for prime Americans
- Almost half of nonprime Americans have more than three disrupting expense events per year compared to approximately one-quarter of primes
- Nonprime Americans can survive only half as long as prime Americans after a drop in income
- Half of nonprime Americans have an income that fluctuates month-to-month

Additionally, based on geographic location, purchasing power can create large disparities in threshold amounts. For example, local purchasing power adjusted for \$100 in Tulsa, OK, acts more like \$131 in Kansas City, MO, and a mere \$77 in New York, NY.

"Much has been made of the surprising statistic from the Federal Reserve that almost half of Americans can't come up with \$400 without borrowing money or selling something. We wanted to understand the point at which an unexpected expense becomes a crisis," said Jonathan Walker, executive director of Elevate's Center for the New Middle Class. "This was one of our most nuanced reports. The financial fragility of nonprime Americans is not a simple problem. Deep understanding is required to find solutions that will be constructive and sustainable."

Walker continued, “It’s hard for many to believe that unexpected car repairs can cause a major upset in a household’s finances. Unfortunately, it happens all too often, simply because nonprime Americans don’t have the available resources to help absorb some of these financial shocks. This can cause a downward spiral on their daily finances as well as their credit history.”

In its mission to engage and discuss the unique needs of nonprime Americans, Elevate’s Center for the New Middle Class’s ongoing research efforts reveal just how critical access to credit is, as well as the ways in which this market can be financially savvier than prime counterparts.

About the Research

The Center’s research compared the responses of 502 nonprime Americans with 525 Americans with prime credit scores using interviews conducted June 27-July 1, 2016. For more details on the study, [click here](#).

About Elevate’s Center for the New Middle Class

Elevate’s Center for the New Middle Class conducts research, engages in dialogue, and builds cooperation to generate understanding of the behaviors, attitudes, and challenges of America’s growing “New Middle Class.” For more information, visit: <http://www.elevate.com/NewMiddleClass>

About Elevate

Elevate has originated more than \$3 billion in nonprime credit to 1.4 million consumers to date. Its innovative online credit solutions provide immediate relief to customers today and help them build a brighter financial future. The company is committed to rewarding borrowers’ good financial behavior with features like interest rates that can go down over time, free financial training and free credit monitoring. Elevate’s suite of groundbreaking credit products includes RISE, Sunny and Elastic. The company is privately held and is backed by respected Silicon Valley venture capital firms including Sequoia Capital and Technology Crossover Ventures. For more information, visit: <http://www.elevate.com/>.

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