



Elevate

Center for the
New Middle Class

Nonprime Americans: The Scourge of Unexpected Expenses

January 2017



Introduction

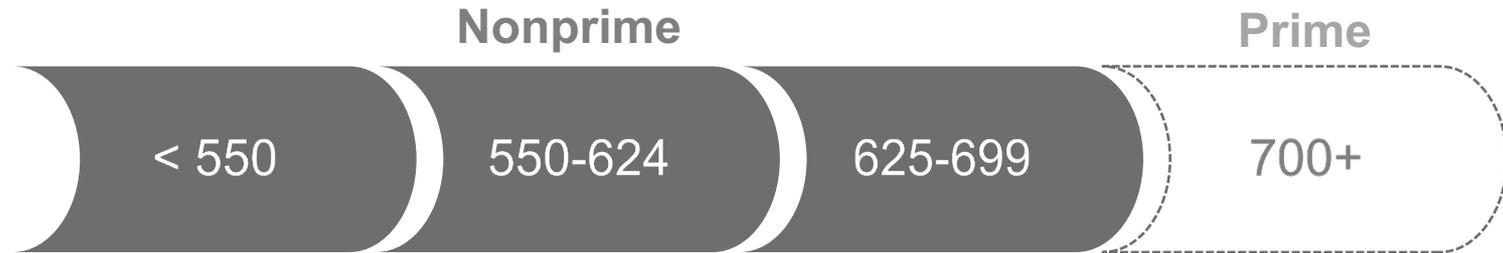
The broad discussion in many circles about the plight of the nonprime consumer often uses assumptions about how these consumers think, what matters to them, and even what would be good for them. However, there is limited data that really explains their circumstances.

Elevate's Center for the New Middle Class set out to understand the differences in attitudes, experiences and behavior between consumers with prime credit and those with nonprime credit.

This study represents results from the survey 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](#).

Nonprime Americans



“Nonprime Americans” represent the New Middle Class. These are Americans with a credit score below 700, meaning that their access to credit is limited or curtailed. It is the Center’s objective to better understand their experiences, attitudes, and behavior.

Executive Summary

Much is made about how Americans can't come up with money for an emergency. But, a blanket amount may not adequately explain people's situation due to income, geography, and access to credit.

Aspects to the unexpected expense issue:

- Nonprime Americans can only weather an unexpected expense of 31% of their monthly income. Prime, 53%
- Nonprime Americans are significantly more likely to have lower incomes.
- A bill becomes a crisis for nonprime Americans at \$1,400. For Prime, it's \$2,900.
- Many common expenses are above that threshold for nonprime Americans, but below it for prime Americans.
- Half of nonprime Americans have an income that fluctuates month to month.
- Almost half of nonprime Americans have more than three disrupting expense events a year.
- Nonprime Americans can survive only half as long as prime Americans after a drop in income.

Americans struggle to come up with funds for an emergency

The logo for The Washington Post, featuring the text "The Washington Post" in a white, gothic-style font on a black rectangular background.

The shocking number of Americans who can't cover a \$400 expense

The logo for The Atlantic, featuring the text "The Atlantic" in a white, serif font on a black rectangular background.

The secret shame of middle-class Americans

The logo for NPR (National Public Radio), featuring the letters "n", "p", and "r" in white on a red, black, and blue background respectively, all contained within a grey rectangular border.

Could you come up with \$400 if disaster struck?

The logo for AP (Associated Press), featuring the letters "AP" in a bold, black, sans-serif font above a red horizontal bar.

Poll: Two-thirds of US would struggle to cover \$1,000 crisis

Local purchasing power

Different locals makes a difference on how far a dollar goes. Adjusting local purchasing power, \$100 in Tulsa, OK acts more like \$131 in Kansas City, MO and a mere \$77 in New York, NY.

This purchasing power contributes to making a financial emergency a disruption.

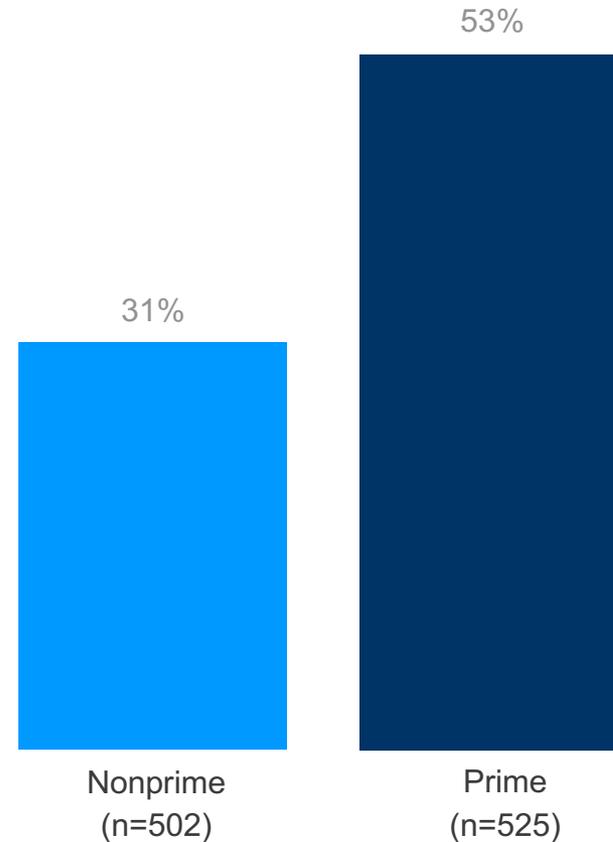
City	Value of \$100
Kansas City, MO	\$131
Atlanta, GA	\$113
Denver, CO	\$103
Tulsa, OK	\$100
Chicago, IL	\$97
Philadelphia, PA	\$90
Tallahassee, FL	\$84
San Francisco, CA	\$81
New York, NY	\$77
Honolulu, HI	\$69

https://www.numbeo.com/cost-of-living/region_rankings_current.jsp?region=021

When does a bill become a crisis?

An unexpected expense becomes a significant disruption to prime Americans when it is 53% of their monthly income. Nonprime Americans can only swallow a 31% impact to their income.

Unexpected expense that would significantly disrupt your normal finances
(as a % of monthly income)

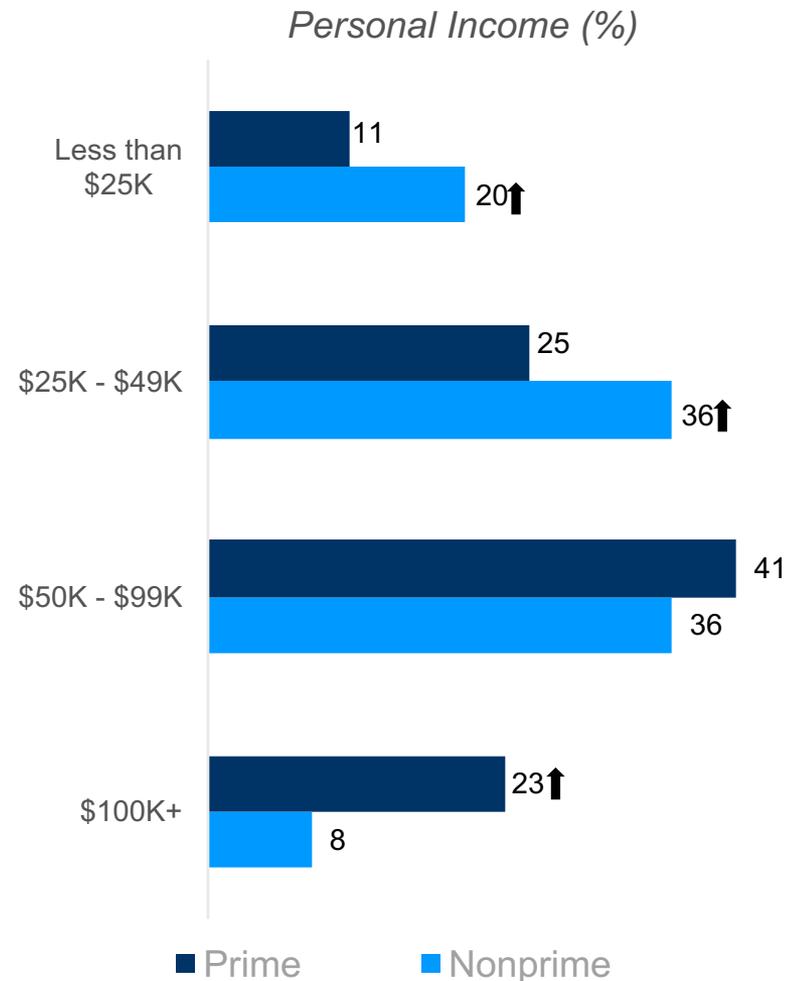


Q.14 Think about the smallest unexpected expense that would significantly disrupt your normal finances. What percent of your household monthly income would that expense need to be?

Source: Prime/Subprime Study June 2016

Nonprime Americans have lower monthly incomes

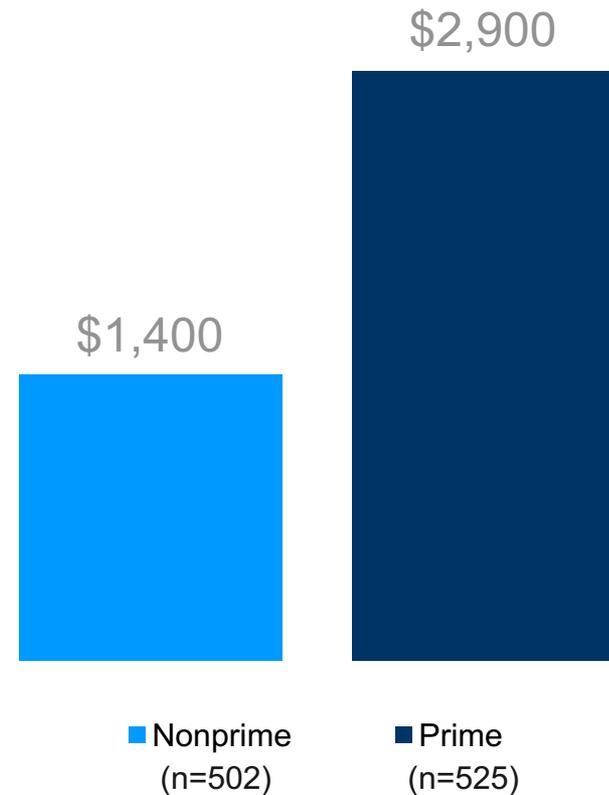
Not surprisingly, nonprime Americans have lower overall incomes than prime Americans. They have fewer resources to absorb financial shocks.



Prime customers can weather twice the unexpected expense nonprime can

Nonprime Americans can swallow a \$1,400 expense without it being a significant disruption. Prime Americans can handle more than twice that.

This does not mean that they have this cash on hand. Rather, it is the amount that an expense becomes a crisis and not just a challenge.

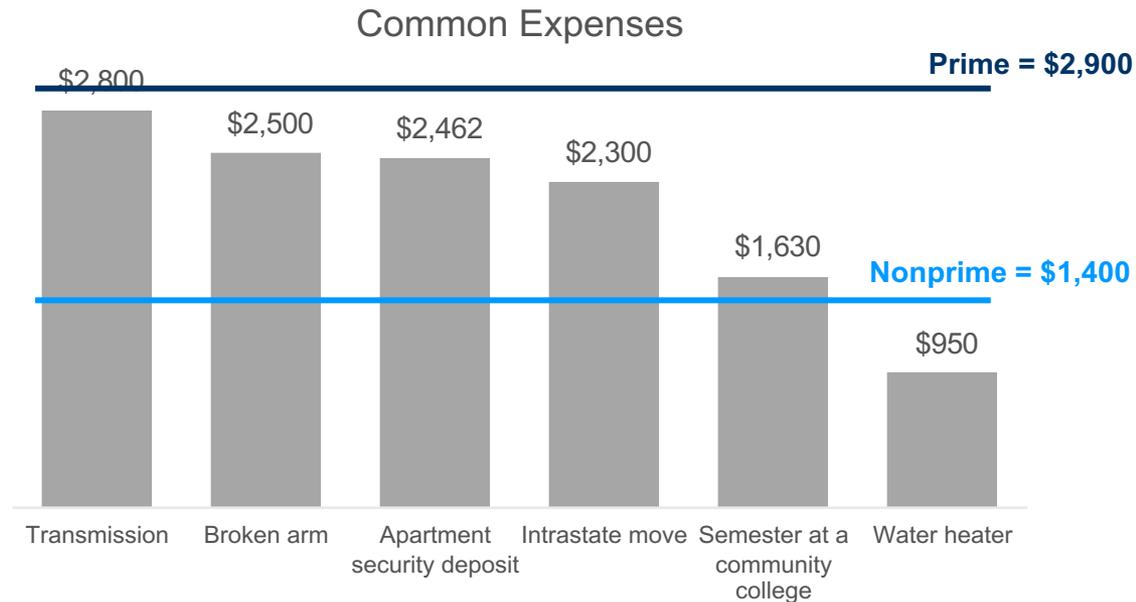


Q.14 Think about the smallest unexpected expense that would significantly disrupt your normal finances. What percent of your household monthly income would that expense need to be?

Source: Prime/Subprime Study June 2016

Nonprime American's expense threshold falls below many common expenses

Nonprime Americans can swallow a \$1,400 expense which would not cover the average cost of replacing a transmission, covering the out-of-pocket on a broken arm, or even making an intrastate move.



Sources

[Broken Arm](#)

[Intrastate move](#)

[Apartment first/last rent](#)

[Transmission](#)

[Semester at community college](#)

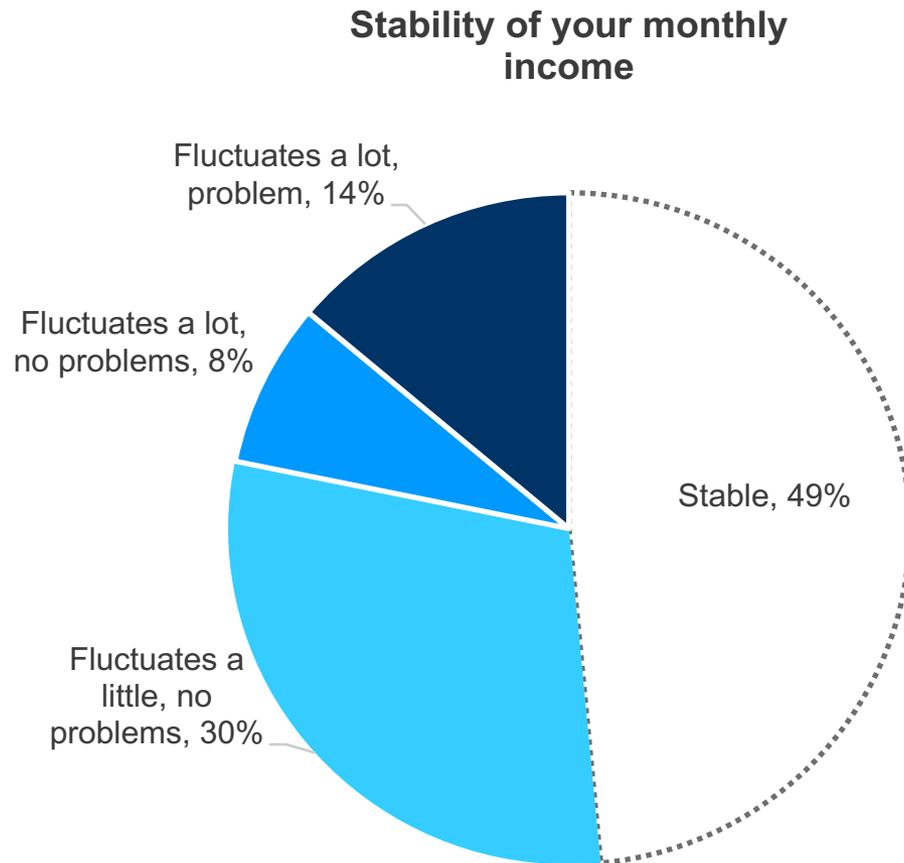
[Water heater](#)

Q.14 Think about the smallest unexpected expense that would significantly disrupt your normal finances. What percent of your household monthly income would that expense need to be?

Source: Prime/Subprime Study June 2016

More than half of nonprimes experience month-to-month income fluctuation

Half of nonprime Americans have fluctuating incomes. While it usually doesn't cause problems, when a drop in income corresponds with an unexpected expense, it can leave little slack for making up a shortfall.



Q.11: Thinking of the previous 12 months, which statement best describes your monthly household income?

Source: Prime/Subprime Study June 2016

Unexpected expenses hit nonprime Americans significantly more frequently

Experiences less than 3 unexpected expenses a year

More than half of nonprime Americans hit their unexpected expense threshold more than three times a year. Personal financial crisis can often seem like a way of life.



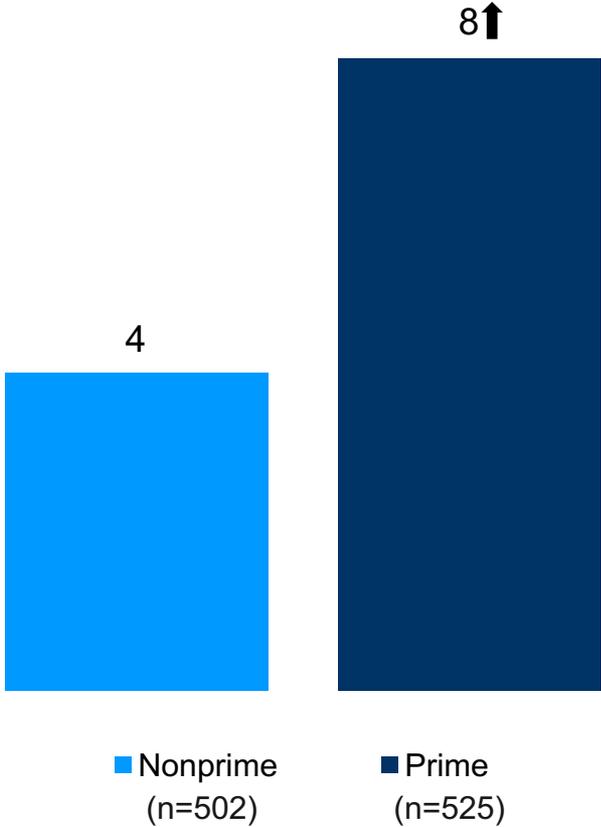
Q.15: In the past 12 months, how often has your household experienced an unexpected expense that caused a significant disruption to your finances?

Source: Prime/Subprime Study June 2016

Nonprime Americans can survive only half as many months as prime when income drops

Number of months HH can go with drop in income
(Mean # of Months)

Higher income, more financial slack, and better access to financing options help prime Americans to go twice as long as nonprime Americans on a drop in income.



Q.13: How long could your household make ends meet if you faced a long-term illness, job loss, economic downturn, or other emergency that caused a drop or loss in income?

Source: Prime/Subprime Study June 2016

Methodology

The primary purpose of this study was to determine how nonprime consumers were similar or different from those with prime credit on a range of behaviors and attitudes.

Interview Dates: June 27 – July 1, 2016

Sample Specs:

- Total Consumers = 1,027 (Nonprime = 502; Prime = 525)
- Sample Source: Research Now Consumer Panel

Qualification Criteria:

- Ages 18-64
- Personal income: Any
- Geography – U.S. Rep
- Has primary or shared responsibility managing HH finances
- Employment: No students or unemployed
- Has a checking or savings account

Survey Instrument: 10 minute online questionnaire

↑ Arrows indicate statistical significance at 90%

About

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: www.elevate.com/NewMiddleClass

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