

MYTH VS. FACT: Fact-Checking the CFPB's Claims on Credit Card Rewards

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Claim #1:

The CFPB alleges reward points are devalued.

Fact:

The CFPB's own report shows that the value of rewards programs have INCREASED for consumers.

According to the CFPB's own report: "Consumers earned more than \$40 billion in rewards on major issuers' general purpose credit cards in 2022, increasing over 50 percent from 2019 levels. Much of the increase in credit card rewards costs is explained by greater consumer spending, as rewards expense is primarily a function of purchase volume. However, the average value of rewards earned has also grown from 1.4 cents per dollar spent in 2019 to 1.6 cents in 2022."

A new EPC report shows that credit cards owned by lower-income consumers are increasingly likely to offer rewards. Over the last four years, rewards card ownership has risen across all income segments, but the share of cards that offer rewards has increased the most for LMI accounts, rising seven percentage points from 62.2% to nearly 69.2% (more than double the percentage point increase for upper-income accounts).

Claim #2:

The CFPB claims reward programs are complex.

Fact:

A strong majority of rewards cardholders find their rewards program easy to understand.

Rewards cards are popular among consumers, and they tend to take full advantage of the programs offered. One survey of rewards cardholders found that nearly 3-in-4 had redeemed rewards over a 12-month period.

Further, a strong majority of rewards cardholders find their rewards program easy to understand, and 96% of rewards cardholders characterized their rewards programs as very or somewhat valuable².

Claim #3:

The CFPB contends reward programs do not justify the cost.

Fact:

Credit card rewards provide value to consumers and merchants alike, including lower-income consumers.

The American Bankers Association (ABA) examined rewards cards³ and their value to various participants in the credit card market, including merchants and consumers, segmented by income and credit score. The analysis, combined with other studies, finds that card rewards are accessible, valuable, and well-understood by consumers, across all income levels. Most lower-income cardholders use a rewards card and receive significant benefits from rewards programs, as do cardholders with moderate and higher incomes. EPC's study on rewards also found rewards earned from using credit cards can help offset price increases, but cash and debit card users do not benefit from rewards and thus lose out on potential savings generated through cashback rewards.

1. CFPB Report on Credit Card Rewards: <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-credit-card-rewards/>

2. EPC Study on Credit Card Rewards <https://electronicpaymentscoalition.org/2024/04/30/new-study-data-shows-credit-card-rewards-are-a-lifeline-for-working-class-americans/>

3. ABA Study: The Benefits of Credit Card Rewards <https://www.aba.com/news-research/analysis-guides/the-benefits-of-credit-card-rewards>

4. Phoenix Marketing International (2016), 2016 Credit Card Monitor Report: Credit Card Rewards, Redemption & Merchant Loyalty Programs.