

More than 206 million Americans don't understand a common 0% APR retailer trick – WalletHub Survey



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0% APR Means Deferred interest. It should not be legal.

Deferred Interest can cause a shopper to spend up to 27.5 times more on interest relative to a normal 0% credit card offer.

With the average shopper expected to spend \$1,048 this holiday season, credit card debt on the rise, and 82% of people unaware how a common financing trick called deferred interest works.

WalletHub released its 2019 [Deferred Interest Survey](#) and its annual [Store Credit Card Landscape Report](#) in order to help people get the most out of retailer financing offers.

Deferred interest is when a retailer advertises a low introductory APR, often 0%, and gives a consumer the chance to pay for their purchases without interest only to slam them with interest charges as if the regular APR had been in place from the start. This can result in a shopper spending up to 27.5 times more on interest relative to a normal 0% credit card offer.

Key Findings:

- 82% of people do not know how deferred interest works.
- 81% of people who understand how deferred interest works think it is unfair; 65% think it should be illegal.
- The list of popular retailers that still use deferred interest includes Apple, Amazon and Best Buy.
- 59% of people say 0% financing is a bigger draw for a store card than a first purchase discount.
- 88% of store credit cards with 0% intro APRs have deferred interest.
- The average store card with a first purchase discount gives 26% off. One of the best store cards for a first purchase discount is the Kohl's card (35% off).
- The average store credit card has a regular APR of 28.86%.
- The average store credit card with a 0% intro APR has no interest for more than 16 months. One of the best for a 0% APR is the Amazon Store Card, up to 24 months.
- All store credit cards have \$0 annual fees. The average general use credit card charges \$18.81 per year.



Q&A with WalletHub CEO Odysseas Papadimitriou

Should deferred interest be legal?

“Deferred interest should not be legal. It is a shady, counterintuitive practice that depends on predatory surprise tactics to turn a profit,” said WalletHub CEO Odysseas Papadimitriou.

“Most bait-and-switch financing schemes were eliminated by post Great Recession consumer protection laws, but this one has managed to stick around. Perhaps, it is still with us because it only applies to retailer financing offers and is used by a long list of big time brands that have a lot of sway in Washington.”

Why don't more people know what deferred interest is or how it works?

“The success of deferred interest financing plans, from the perspective of the lenders and retailers that use them, depends on consumers not fully grasping what is expected of them or the ramifications of not abiding by those requirements. That's the whole point.

If consumers were well educated on the dangers of deferred interest, more people would avoid such offers entirely or be especially careful to make their payments on schedule. The business model would break down as a result,” said WalletHub CEO Odysseas Papadimitriou.



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“Given the incentive lenders and retailers have to keep consumers in the dark as much as possible when it comes to deferred interest, they don't make any special efforts to ensure potential borrowers know what they're in for. In fact, they tend to obfuscate things.”

Does it ever make sense to get a deferred interest plan?

“It can make sense for a consumer to get a deferred interest financing plan, as long as they know what they're getting into. But it definitely shouldn't be any shopper's first choice,” said WalletHub CEO Odysseas Papadimitriou.

“If you're unlikely to qualify for traditional 0% APR financing, you may want to at least explore the possibility of a deferred interest plan. However, this only stands a chance of saving you money if you're highly confident that you can make your monthly payments on time and repay your balance in full by the end of the introductory promotional period. Setting up automatic monthly payments from a deposit account with plenty of funds in it is the best approach.”

Should people avoid store credit cards entirely?

“People should not avoid store credit cards entirely just because some of them use deferred interest in their financing offers. Store credit cards are actually best for earning rewards and discounts on everyday purchases at your favorite stores and then paying the bill in full every month.

For example, the Target store card gives 5% back on all purchases, and the Kohl's card gives 35% off your first purchase,” said WalletHub CEO Odysseas Papadimitriou.

“By using a store card only for purchases that you can afford to pay off by the due date every month, you'll be able to maximize the benefit without the risk of high interest rates potentially ruining things.”

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