

Bankrate

The Average Retail Credit Card Charges a Record-High APR of 30.45%

Up more than 1 percentage point from last year, and nearly 4 percentage points from 2022

NEW YORK - September 12, 2024 - With major spending holidays coming up, retailers will be ramping up promotions, including ones for retail credit cards. The average APR for retail credit cards is a record-high 30.45%, up from 28.93% last year, 26.72% in 2022 and 24.35% in 2021, according to Bankrate's annual Retail Cards Study. Click here for more information:

<https://www.bankrate.com/credit-cards/news/retail-store-credit-card-survey/>

The average store-only credit card charges 31.80% (up from 30.24% last year) while the average co-branded credit card charges 29.09% (up from 27.64% last year). These figures come in well above the national average for all credit cards, which currently sits at 20.78%, according to Bankrate (<https://www.bankrate.com/credit-cards/advice/current-interest-rates/>).

Store-only credit cards can only be used at a particular store or chain of stores, whereas co-branded cards have a retailer's name but also carry a Visa, Mastercard or American Express logo and can be used anywhere those cards are accepted.

The highest retail credit card APR in Bankrate's study is 35.99% which includes the Academy Sports + Outdoors Credit Card, Petco, Burlington, Piercing Pagoda, Good Sam, Big Lots and the Michaels Credit Card.

There are 13 retail credit cards that charge 34.99% to all cardholders who carry balances, including 7 store-only cards and 6 co-branded cards. These include Athleta, Banana Republic, Nordstrom, JCPenney, Old Navy, American Eagle, T.J. Maxx, HSN, Walgreens, QVC, and Tire Rack. Further, of the 108 cards that Bankrate surveyed, 66 charge an average interest rate over 30%.

"Thirty percent used to represent an unofficial ceiling for retail credit card rates, but now most retail cards have crossed that threshold," said Bankrate Senior Industry Analyst

Ted Rossman. "The best way to use any credit card is to pay in full each month so that you avoid interest. That's especially true for retail cards."

The lowest retail credit card APR is 10.00% on the Amazon Secured Card followed by the Military Star card at 15.49% (limited to military exchanges, commissaries, and related websites).

Deferred interest promotions are common with retail cards. When a retail card offers a deferred interest promotion of 0% interest for 12 months, that means cardholders need to pay the entire balance by the end of the term in order to avoid retroactive interest charges. Otherwise, cardholders will be charged all of the interest that would have accumulated all the way back to the beginning of the period. This policy is common on retail cards, but not on general-purpose cards.

"Don't fall into a trap and apply for one of these cards impulsively at the checkout counter," notes Rossman, "It's fine to say 'no' or 'not right now' or 'I'm going to think about it.' The retailer may dangle 10 percent off today's purchase if you sign up, but that's not worth it if you're going to pay a 30 percent interest rate for years to come. Be absolutely sure that you can pay in full before interest hits."

The Federal Reserve's rate hikes over the past few years have contributed to rising retail card rates, but these rates are considerably higher than those on bank-branded credit cards, which can primarily be attributed to retail cards being less selective about credit quality. Despite the Federal Reserve not implementing any interest rate changes since July 2023, the average retail card rate increased by more than a full percentage point over the past year.

The buy now, pay later industry (e.g., Affirm, Afterpay, Klarna, etc.) has also made waves in the retail industry, significantly cutting into retail cards' market share. Originations of store-only cards have fallen in seven of the past eight years while general-purpose card originations hit a record high last year, according to Equifax. (<https://www.bankrate.com/loans/personal-loans/buy-now-pay-later-survey/>)

"There are narrow circumstances in which retail cards can work for you," added Rossman. "Some stores such as Amazon, Best Buy and Target offer 5 percent cash back every time you use their card to buy something from them. That's probably better than you would get with any other card. For a loyal shopper who pays in full and avoids interest, that's a compelling value proposition."

Methodology:

Bankrate surveyed 108 retail credit cards on September 3, 2024, using publicly available terms-and-conditions disclosures. We included each of the 100 largest retailers, as defined by the National Retail Federation based on 2023 sales, that offer credit card programs. The sample included 54 co-branded cards and 54 store-only cards. When a card offered an APR range, we included the midpoint of the range in the overall averages.

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For more information:

Sara Dramer
Public Relations Specialist
sara.dramer@bankrate.com
929-205-9713

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