

Gen Z

10.26.25

Danny Benson, a 22-year-old, in Manhattan on Oct. 5, who had a difficult time finding an apartment after graduating from college because he did not have a credit history. Roadblocks for today's young adults include fewer entry-level jobs, rising debt and increasing reliance on debit cards or "buy now, pay later" loans. GILI BENITA — THE NEW YORK TIMES

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THE NEW YORK TIMES

When Danny Benson started applying for apartments after graduating from Syracuse University in May, he assumed the hardest part would be finding the right location. He didn't expect to be rejected before he got an opportunity to submit an application.

Since Benson, 22, didn't have a credit card during college, he had no credit history. He tried to fix that by applying for a card with Discover in June. But the only option the bank gave him, he said, was a secured card, which requires a minimum security deposit of \$200.

Benson said the deposit requirement established "a dynamic of distrust" and decided to opt out of applying for the secured card. With no credit score and nowhere to live after graduation, he moved back home with his parents on Long Island, N.Y.

"It just feels like there's just no answer," said Benson, a public relations consultant at a communications firm. "And I don't know if it's just going to get worse now with everything changing in our economy."

Benson's experience reflects a growing challenge among members of Generation Z, many of whom are trying to build independence in an economy that is stacked with financial hurdles. Many in Gen Z are in their early to late 20s, prime years for establishing credit, according to financial experts. But instead of building a strong credit history, many are falling behind.

Pandemic-era spending, student loan delinquencies and inflation have left many young Americans vulnerable to long-term financial strain. Simultaneously, entry-level jobs are becoming scarcer, and beginner credit products are becoming harder to get.

As a result, Gen Z borrowers have seen the steepest decline in credit scores of any age group this year. Their average FICO (the well-known acronym for Fair Isaac Corp.) score fell to 676, well below the national average of 715, according to the inaugural FICO Score Credit Insights Report. Around 14% of Gen Z consumers experienced a credit score drop of 50 points or more this year, the biggest percentage on record since 2020.

Gen Z has had fewer opportunities than older generations to build credit early on. Before the Credit CARD Act of 2009 was enacted, credit card companies targeted students on college campuses, providing them with easy access to credit. The law added new protections for younger credit card users, like prohibiting issuers from creating accounts for those under 21 years old (unless they have a qualifying independent income or a cosigner who is over 21).

Many young adults also now rely on debit cards or "buy now, pay later" loans for daily expenses, neither of which contributes to credit building. But "buy now, pay later" apps could soon affect credit scores, and experts warn that any continued late or missed payments could hurt younger generations.

Student loan repayment was a major factor in Gen Z's average score decline, according to FICO's report. Note

Benson became an authorized user on his mother's credit card in July and started to build his credit. But a few months later, his credit score suddenly fell 40 points after he missed his first student loan payment, because he didn't realize the grace period had ended.

"Gen Z is really feeling the squeeze right now," said Allie Danziger, senior vice president and general manager at AscentUP, a professional development and career readiness platform. "With fewer traditional ways to build credit, like homeownership, Gen Z is finding it harder to establish and maintain a strong credit profile." Note

Although more alternatives are available, like credit-builder loans, banks are also under pressure to be selective about whom they approve and what products they offer, Danziger added.

Major banks like JPMorgan Chase and Citigroup have shifted focus toward premium cards targeting affluent consumers. American Express, for example, recently raised the annual fee on its Platinum card to \$895, previously citing "continued strength

in spending among Gen Z and millennials. Yet experts say that most Gen Zers can't realistically benefit from these high-fee, high-reward products, as many are still building their financial foundation.

Starter cards still exist. Capital One and Bank of America offer secured and entry-level options. Yet beginner cards are becoming increasingly restrictive and often come with trade-offs like high interest rates, minimal rewards and confusing terms that deter new users, said Carlo Kobe, co-founder and CEO of Fizz, a digital fintech company focused on helping college students build credit.

Rachael Kim had been banking with Bank of America since high school but had only a savings account. So when she turned 18 last year, she was excited to apply for her first credit card. Confident that her long-standing savings history with the bank and her income as a content creator would help, she visited a branch that summer near her home in Buena Park, California.

Her expectations were cut short when a banker at the branch rejected her application because of a lack of consistent income and no credit score. The experience left her discouraged.

"Everyone keeps saying build credit and it's best to build credit as early as possible, but it's so hard to get that first foot in the door," Kim said.

A couple of months later, right before she started at the University of Southern California, she researched the best student credit cards and applied online for Capital One's starter card, gaining approval within days. Now 19, she uses it regularly with a \$3,000 monthly limit but worries about missing a payment, especially because she also helps her parents cover rent and household expenses. Even when young adults try to engage with credit responsibly, many feel anxious or confused about what actually affects their credit score. *Note*

Nearly half of Gen Z doesn't fully understand the factors, and nearly 1 in 5 members has never checked his or her score, according to a recent survey by USAA, a financial services company. More than half in the survey said checking their credit score made them anxious, so much so that 62% of them avoid checking it altogether.

Despite all the financial barriers and challenges, experts say Gen Z can still build a strong credit history. The basics matter most: Make on-time payments, keep balances low, monitor spending and consider tools that give credit for recurring payments like rent or utilities. *Note*

"Credit scores reward consistency more than cash, so small, intentional steps matter more than big, one-off moves," said Scott Ward, a certified financial planner in Birmingham, Ala. *Note*

Eventually, Benson, the PR consultant, secured an apartment in New York City. But his credit score wasn't a factor this time, as the parents of one of his roommates cosigned the lease.

"People joke about Gen Z being terrible with money, but it's not about your responsibility," Benson said. "I feel like we're just being graded on a test with missing pages."