REPORT

State of credit card

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INTRODUCTION

The credit card market is rapidly evolving, driven by technological advancements, economic volatility, and changing consumer behaviors. This report provides a data-driven analysis of the current state of the credit card industry, offering key insights to inform strategic business decisions.

MARKET OVERVIEW

Credit card usage, regulatory updates, market competition, expectations for the customer experience, and fraud and identity challenges are continuing to shape the card industry.

CREDIT USE

Higher costs for goods and services have prompted consumers to rely more on credit cards. Credit card debt reached an all-time high of $1.17 trillion in Q3 2024.[1] Delinquency rates remain elevated at 8.8%, though down by 0.3% from Q2. Although credit card balances have increased, acquisition has slowed down, particularly among Gen Z consumers.[2]

REGULATORY CONSIDERATIONS

According to the Consumer Financial Protection Bureau (CFPB), credit card late fees cost Americans around $14 billion every year.[3] **The agency issued a final rule in March to lower the immunity provision dollar amount for late fees to $8 and eliminate the automatic annual inflation adjustment**. Additionally, the CFPB is finalizing a proposed rule that requires a covered entity to make consumers' financial data available for them to share with other entities upon request.

MARKET COMPETITION

Buy now, pay later (BNPL) products are continuing to gain significant traction, especially among younger consumers.[4] **Consumers are also increasingly relying on contactless payments and mobile wallets** — 53% of Americans say they use digital wallets more frequently than traditional payment methods.[5] To stay top-of-wallet, traditional card issuers are introducing new products, features and innovations.

CUSTOMER EXPERIENCE

Consumers expect seamless experiences across platforms, channels and devices. In fact, 88% of consumers are likely to leave an application if they encounter significant friction during the user experience.[6]

FRAUD AND IDENTITY

In 2023, **52 million Americans had fraudulent charges on their credit or debit cards**, with unauthorized purchases exceeding $5 billion.[7] Unsurprisingly, consumers are increasingly wary of fraud, ranking identity theft (84%) and stolen credit card information (80%) among their top online security concerns.

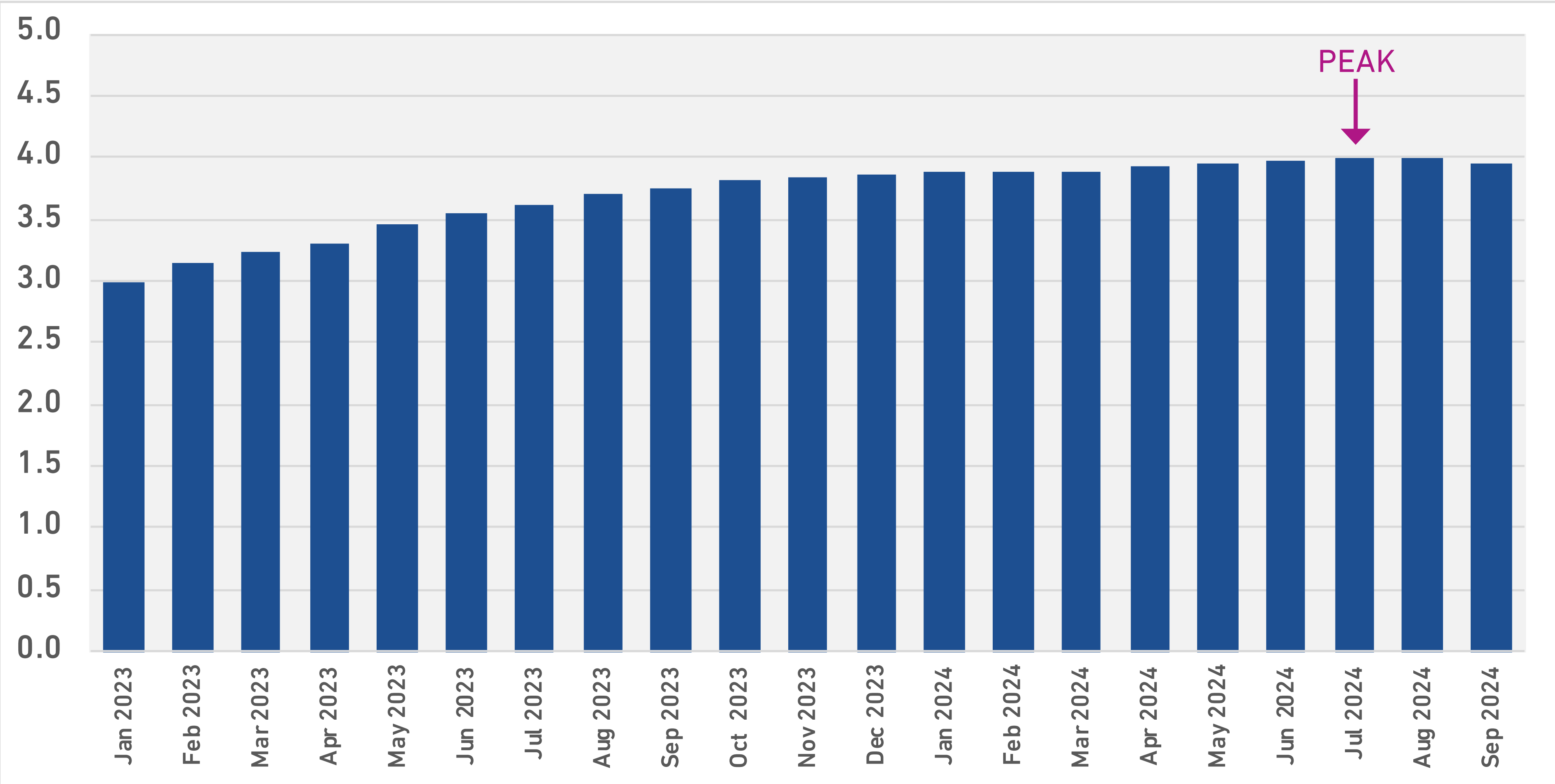
FOCUSES FOR CREDIT CARD ISSUERS

Outside pressures

In September, the Federal Reserve (the Fed) cut its benchmark interest rate for the first time since 2020 and projected additional rate cuts in 2025. Credit card interest rates followed, falling from a record-high 20.79% in August to 20.51% in October.[8] Although consumers can expect lower borrowing costs over time — considering the Fed continues to cut rates — this effect will likely be modest and gradual.

While the Fed has lowered the interest rate, when and how much on future reductions are an unknown. Without a material reduction in rates, digging deeper into originations continues to be an open question, and is prohibitive for both the lender and the borrower.

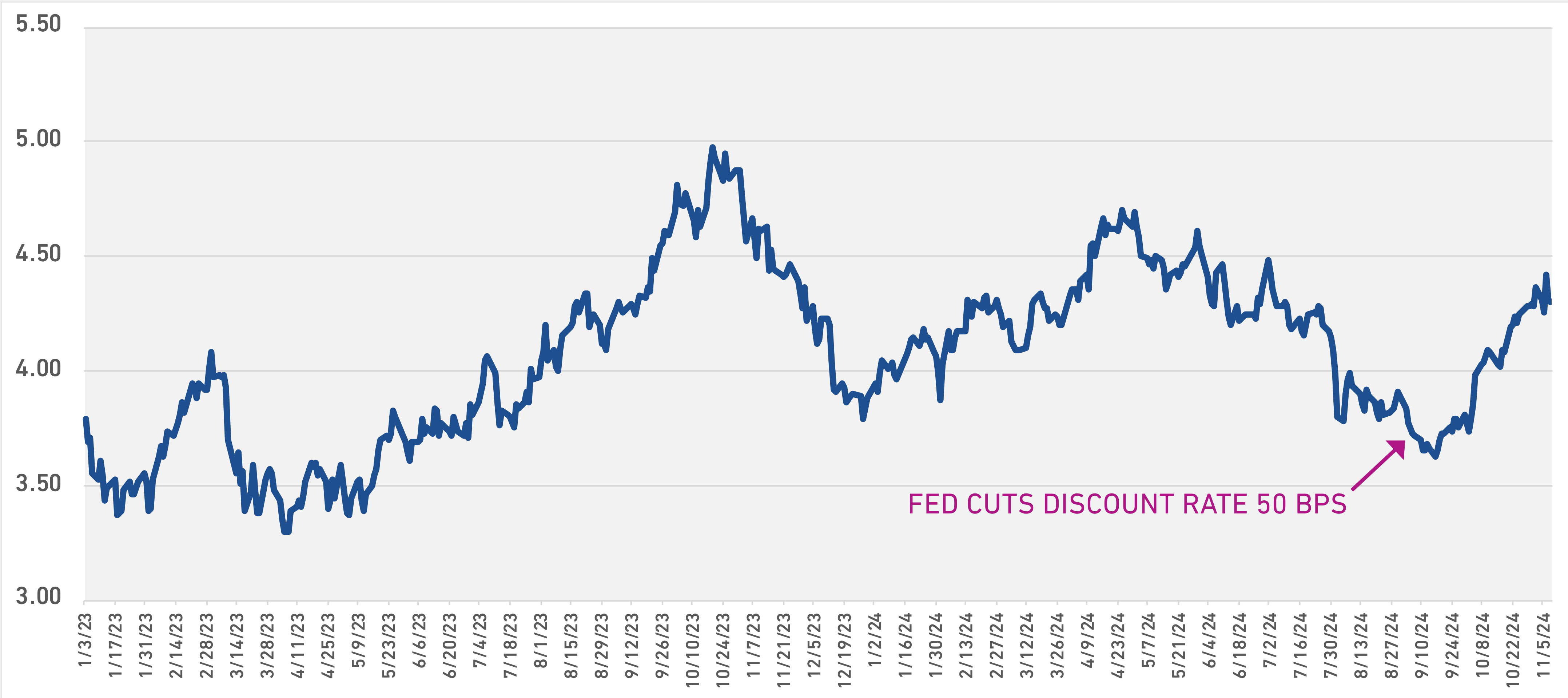
THE FEDERAL COST OF FUNDS INDEX (COFI)



Source: Freddie Mac

Typically used as a benchmark for mortgages and other securities, the Federal COFI can be leveraged as a guidepost for when to expect cost of bank funds to trend down or credit card indices to move. Note the index peak in July — three months before the initial rate reduction by the Fed.

10-YEAR YIELDS ON 10-YEAR MARKET TREASURIES



Source: Federal Reserve

Coupling the 10-year curve with rising 10-year futures contracts, we can expect rates to rise — even months after the Fed lowered the discount rate.

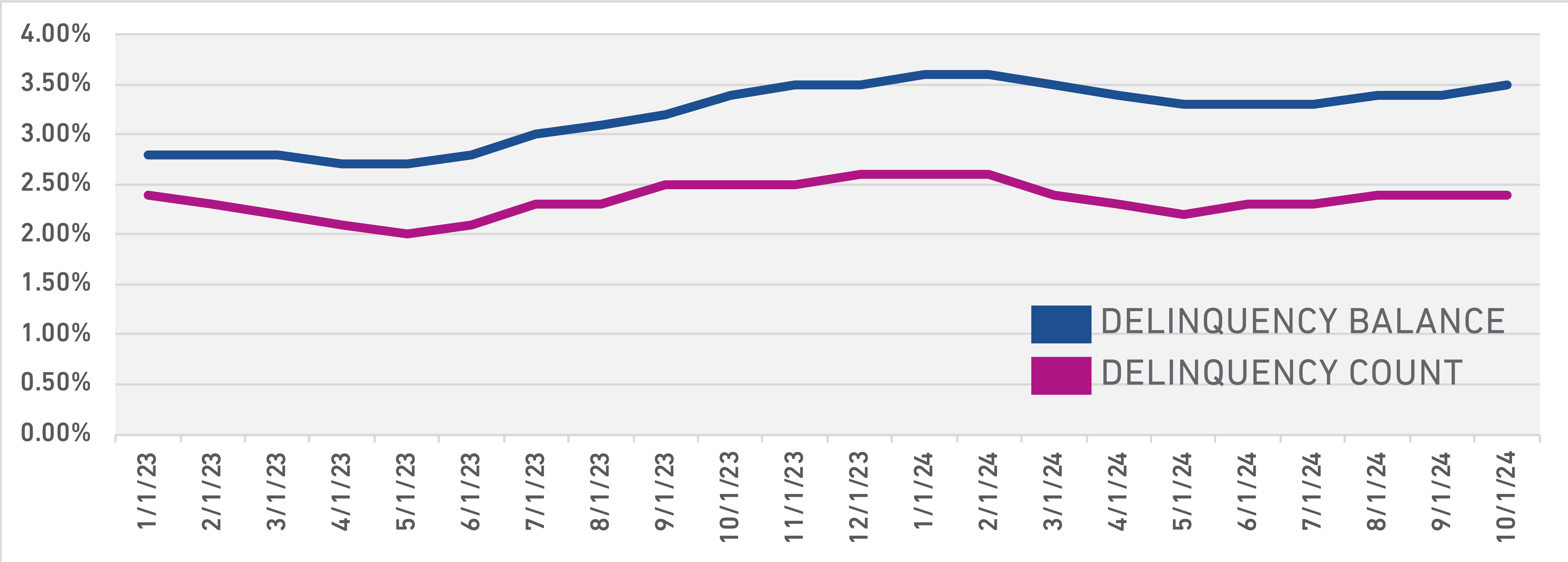
Strategy consideration

Although the federal rate generally lowers the cost of funds, prompting more aggressive lending, tracking peripheral indicators can improve prediction accuracy. **A balanced approach — combining an "as is" strategy with a more aggressive "go to" strategy** — reduces overall risk by assigning probabilities and adjusting as indicators become more consistent.

Condition of revolving debt

Consumer debt levels continue to rise, prompting financial institutions to tighten their lending criteria. Though pulling back can seem like the safest response, lenders that adopt a strategic, data-driven approach to risk management can drive sustainable growth while limiting their risk exposure.

DELINQUENCY TRENDS - 30+ DAYS PAST DUE (DPD) – BANKCARDS

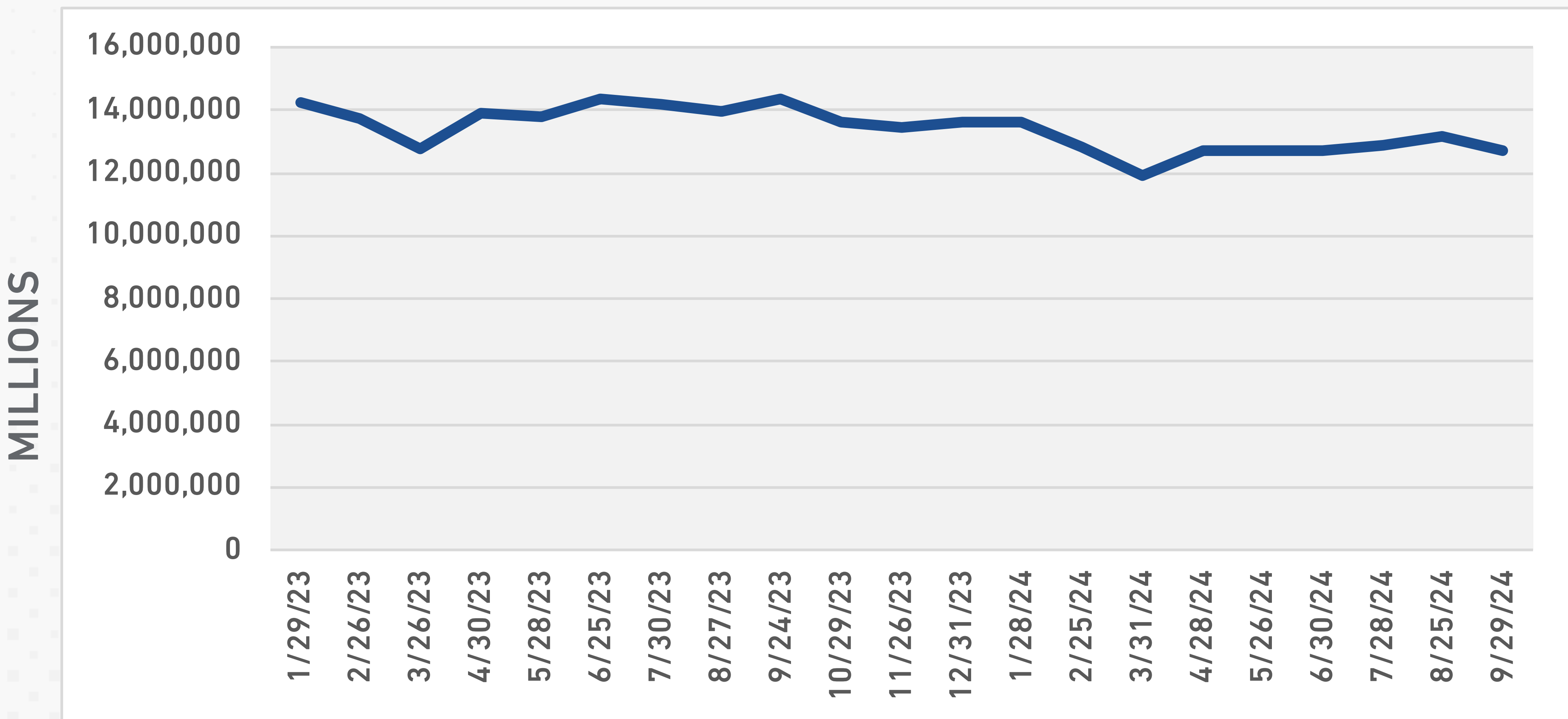


Source: Experian Ascend Insights Dashboard™

Despite signs of cooling inflation, ***prices of everyday goods and services remain elevated****. Consumers are feeling the pinch, leaning heavily on credit cards to get by. While some can comfortably pay off their balances each month, many are struggling to manage their payments.*

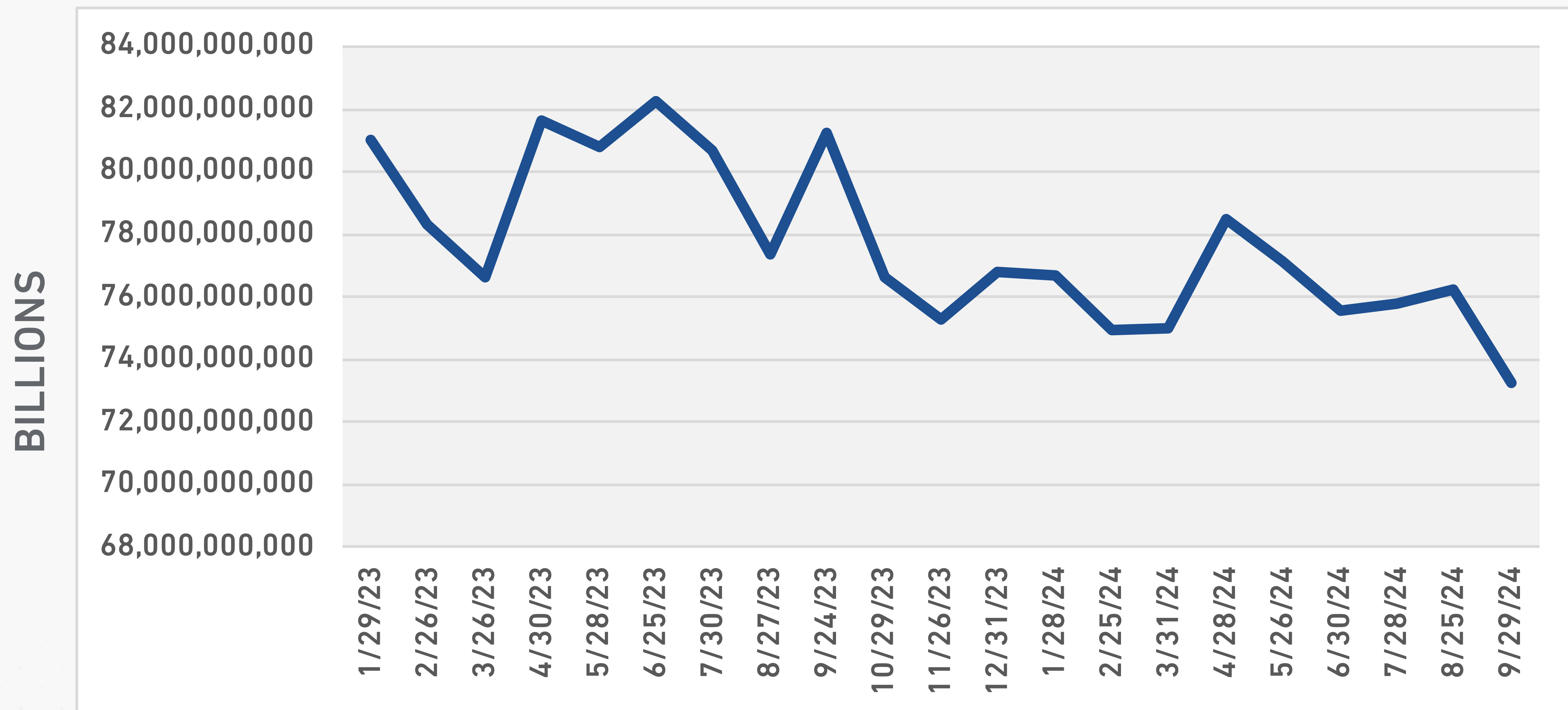
ORIGINATIONS TRENDS - BANKCARDS

ORIGINATION COUNT



Source: Experian Ascend Insights Dashboard™

ORIGINATION AMOUNT

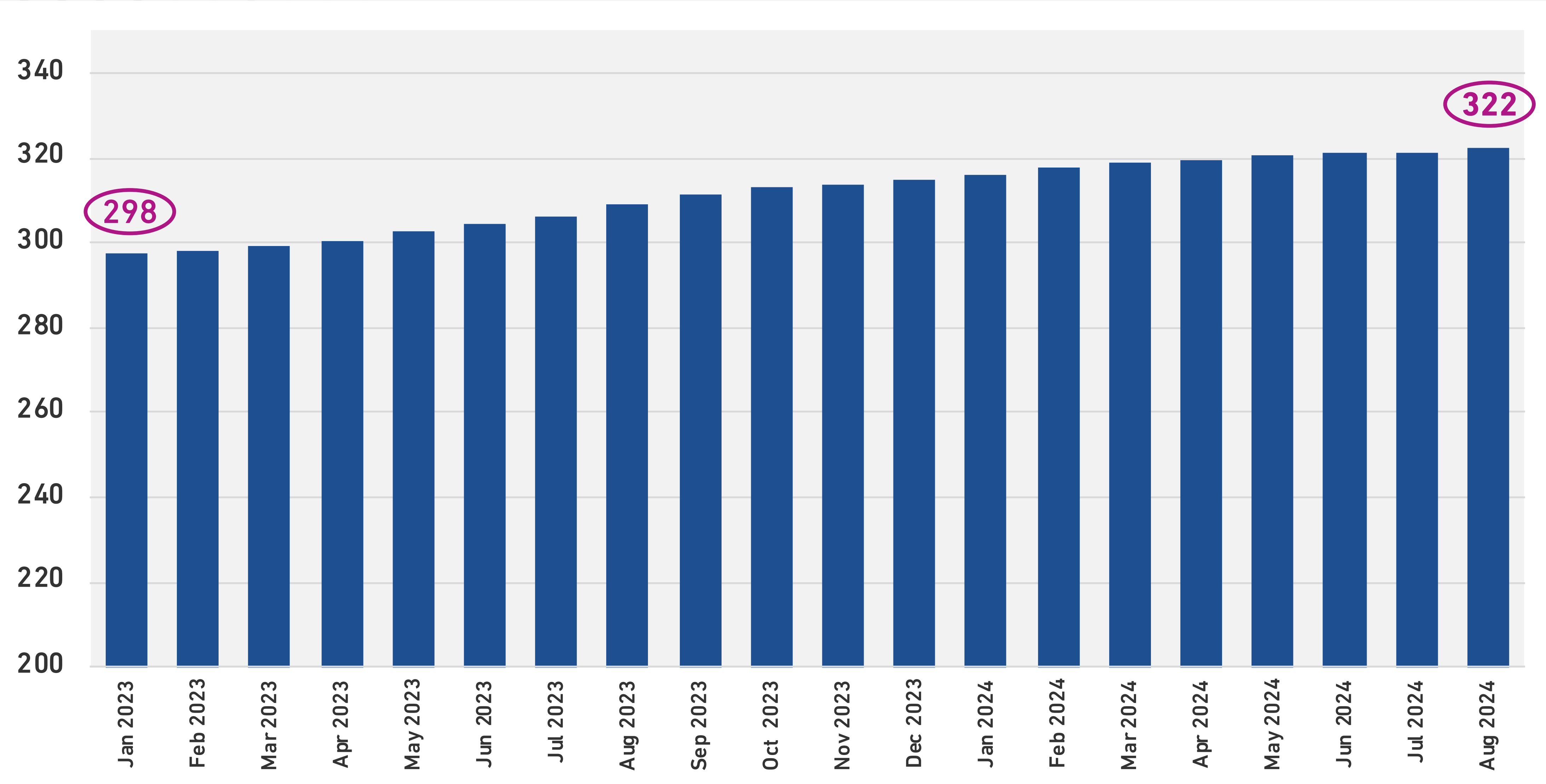


Source: Experian Ascend Insights Dashboard™

After two years of extreme growth, **bankcard acquisitions appear to be normalizing**. This may be attributed to tighter lending standards and consumer preferences for alternative payment methods.

Alongside the condition of revolving bankcard debt, there's also been a continued rise in home prices due to inflation and higher mortgage interest rates.

CASE-SHILLER U.S. NATIONAL HOME PRICING INDEX



Source: the Fed

Strategy consideration

The net assessment of the revolving credit population under stress is due to prolonged inflation driving up home prices, consumer goods and cost of money. Digging deeper to generate incremental revenue should be done with caution. **This may be a time where alternative data sources are either introduced or refreshed in originations decisioning**. The profile of the consumer population has changed rapidly over the past few years, warranting a review that may include rerunning or realigning strategies used in underwriting and marketing campaigns.

The Case-Shiller is indexed to 100 as of the year 2000. The consistent increase in home prices enables consumers to acquire and use home equity lines of credit. The data below supports increased usage. The result of higher total revolving debt puts further financial stress on consumer financial stability.

TOTAL HOME EQUITY LINE OF CREDIT (HELOC) BALANCES

2022 – $305.9B
2023 – $326.1B
2024 – $359.9B

2023 - 2024 change
+10.4%

Source: Experian data from the third quarter (Q3) of each year

Innovation and technology

Open banking is revolutionizing the financial services industry, fostering a more inclusive, transparent and consumer-empowered ecosystem. With over 100 million consumers deemed unscoreable, invisible, or subprime by traditional credit standards, this model can significantly reduce barriers to financial inclusion.[9]

What's open banking?

Driven by application programming interfaces (APIs), open banking is the practice of securely sharing consumer-permissioned financial data between banks or third-party providers.

The benefits of open banking include:

CONSUMER PERMISSIONED

Consumers can choose financial providers with which they share their data.

GROWTH

When the consumer democratizes their data, they may have access to a greater array of offerings.

PERSONALIZATION

Insights from shared data will spur greater competition to acquire or retain consumers, leading to the development of more personalized products and services.

STANDARDIZATION OF DATA

Shared ecosystems based upon data require participants to maintain data standards, reducing variation in quality.

SPEED OF PAYMENTS

With more common and stable data, processing methods will improve and cycle times to process payments will decrease.

An open banking ecosystem has a quality of inclusion with data aggregators, financial institutions, and participants with financial products and services. Although 70% of consumers have reported that they're likely to share banking data,[10] concern may arise for groups that don't actively participate in banking their finances. While banking participants accelerate forward with offerings and management of their money, the unbanked and underbanked populations show little movement.

Entities processing money for consumers will have requirements on what and how they contribute to consumers' financial information. There's some vagueness around how payday lending and check cashing facilities will be required to participate. These two sources of funds are heavily used to moving money for the unbanked and underbanked.

FULLY BANKED, UNDERBANKED, AND UNBANKED RATES BY HOUSEHOLD CHARACTERISTICS, 2023

FAMILY INCOME	number of households (1000)	percentage of households	FULLY BANKED	UNDERBANKED	UNBANKED
All households	133,682	100	81.6	14.2	4.2
BREAKDOWN					
Less than $15,000	10,982	100	61.3	16.9	21.8
$15,00 to $30,000	15,223	100	72.2	18.8	9.0
$30,000 to $50,000	22,698	100	77.7	17.8	4.5
$50,000 to $75,000	23,891	100	82.8	15.4	1.8
At least $75,000	60,887	100	88.6	10.7	0.7

Strategy consideration

While seizing opportunities in the open banking system will reap benefits for its participants, consideration on how to solve for drawing underbanked consumers into the financial ecosystem remains. **A solution or method may come out of open banking and maintaining a focus on this group presents a significant opportunity for both consumers and financial institutions**.

Underbanked: *Individuals who have a bank account and use alternative financial services, like payday loans, check cashing or prepaid debit cards. In 2023, about 14% of U.S. households were underbanked.*[12]

Unbanked: Individuals who don't have a checking, savings or money market account and instead, use alternative financial services like check cashing centers. In 2022, about 6% of U.S adults were unbanked.[11]

There are roughly two adults per household, bringing the population in question to a little over 30 million consumers.[13]

Fraud and identity management

Fraudsters are becoming more sophisticated — their tactics evolving in both scale and complexity. Leveraging technological advancements like generative artificial intelligence (GenAI), they can now bypass even the most trusted fraud prevention tools, leaving businesses and consumers more vulnerable than ever.

GenAI	GenAI was the #1 stress point identified by fraud teams in 2024.[14]
Account takeover	Automated account takeover (ATO) attacks rose by 10% in 2023.[15]
Bot attacks	Bot-led fraud attacks doubled from January to June 2024,[16] with annual global losses estimated at $48 billion.[17]
Identity fraud	U.S. adults lost a total of $43 billion to identity fraud in 2023.[18]
Poor customer service	51% of banks reported that false positives have hampered the customer experience.[19]

Behavioral analytics is one of the ultimate defenses against escalating fraud attacks. Unlike traditional tools that rely on personally identifiable information (PII) — data that can be easily compromised — it analyzes distinct actions and patterns, such as typing speed, field entries and cursor movements, to accurately detect fraud from the outset. It also works passively in the background, enabling financial institutions to distinguish between genuine users and malicious actors without disrupting the customer experience.

Strategy consideration

Behavioral analytics can adapt to evolving fraud threats, closing the gap between new fraud vectors and fraud loss. **Paired with device and network intelligence, which includes insights into a user's IP address and device type**, providers can further enhance their fraud prevention strategies, resulting in earlier fraud detection, reduced manual reviews, and a seamless customer experience.

CLOSING

The current state of the credit card industry reflects both challenges and opportunities for financial institutions. Whether your goal is to increase customer acquisition, mitigate fraud or improve your credit risk analysis, **Experian's unrivaled data, analytics and technology empower your business to make faster, more informed decisions. To learn how we can help your business evolve its strategies, contact us today**.

CONTACT US

SOURCES:

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[5] 53% of Americans Use Digital Wallets More Than Traditional Payment Methods: Poll, Forbes Advisor.

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[7,14] 2024 U.S. Identity and Fraud Report, Experian.

[8] Current credit card interest rates, Bankrate.

[9] 2023 State of Alternative Credit Data Report, Experian.

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[17] Understanding the Business Impact of Bots on Merchants' Bottomline, Merchant Risk Council.

[18] 2024 Identity Fraud Study: Resolving the Shattered Identity Crisis, Javelin Strategy.

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