

Credit Card Originations Trending Downward While Rates Trend Upward

The number of credit cards originated started trending downward almost two years ago, as did volume of credit originated, according to data collected by the [Consumer Financial Protection](#)



[Bureau](#). Credit card lending is particularly down in the Southeast, South Dakota and Alaska. It's also down across all credit scores and income levels, but down further among subprime borrowers and lower income levels and especially borrowers younger than 30 years old. Read our previous post, [Help Millennials Respect, Not Fear, Credit Cards](#), for more details.

Financial institution-issued credit card usage rates have hovered between 21% and 22% since 2011, according to Ser Tech business partner [Equifax](#) as of last year. Even while credit limits were on the rise, consumers have been cautious about using their cards.

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Rates are rising as a result of the Federal Open Market Committee's rate increases—a welcome breather for credit unions and other lenders that have been operating on pinched net interest margins. Credit union card analyst Tim Kolk of TRK advisors wrote for [Callahan & Assoc.](#) that how issuers used this margin is critical, and the largest issuers are aggressively promoting introductory rates and rewards.

The good news for issuers is that more increases are expected, and with the low and falling unemployment rate and economy growing faster than initially anticipated, there's talk of adding a fourth in 2018, [CNN Money reported](#).



The average credit card APR increased 10 basis points in the first quarter, according to [WalletHub.com](#). Several credit tranches reported the highest rates since 2010, including credit cards for people with good credit (19.51%), people with excellent credit (13.98%) and students (17.81%). [Bankrate.com](#) reported that the average credit union credit card rate was nearly 300 basis points lower than bank credit card rates at the end of last year (9.37% versus 12.24%, respectively)! Additionally, credit unions tend to charge fewer fees, and when they do it's \$22.50 (median) versus banks' \$35. That is eye catching to frugal consumers and a great opportunity for originations or balance transfers.

For help growing your credit union's credit card business, [contact a Ser Tech representative today!](#)



But make sure you have a competitive rewards program in place. WalletHub reported that those who use their credit cards are earning rewards at an increasing clip. Cash is always a popular one, and the initial cash rewards offerings have increased in value nearly 25%.

A word of caution: Write-off rates for cards started rising slightly toward the end of 2016 into 2017, Equifax observed, but said the current rate is not worrisome overall. Kolk advised that credit unions must monitor their portfolios diligently and identify potentially risky segments, such as certain origination channels. He noted that the overall market charge-off rate has ticked upward 70 basis points since 2015 to 3.6% at the end of 2017, while credit unions increased from 2.2% to 2.6% during the same time frame.

One of the key areas credit unions pride themselves on is member service and given that complaints into the CFPB rose 10% over the year ending in the first quarter of 2018, credit unions can really shine. The most common complaints were around collections and delinquent accounts, but with an ethical card program that focuses on the member, credit unions really stand to gain loyal, creditworthy members with a strong value proposition for their credit cards and excellent member service.

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