

American Express brings more transparency to credit card applications

Article

The news: American Express is piloting an application process that lets prospective customers find out whether they've been approved for an Amex card without hurting their credit score, per a press release. (This differs from preapproved card offers, which don't require an application).

The new application process is available for consumers applying for a US personal card on Amex's website or by calling Amex—the issuer will roll it out to co-brand partners in the future. The application involves a soft credit check; Amex will conduct a hard credit check if customers accept the card after getting approved.

Key context: Credit card applications often involve hard credit checks, which can lower credit scores by as much as five points, per FICO—even if applicants end up being rejected.

- Hard inquiries stay on credit reports for two years but the effect they have on credit scores usually goes away after a year, [according to](#) CreditCards.com.
- The effects that credit card applications can have on credit scores are less severe than missed payments or maxed out credit cards.
- However, these temporary effects may still hurt consumers' ability to access things like auto loans or mortgages.

Why it matters: The Consumer Financial Protection Bureau (CFPB) has been taking a [closer look](#) at credit card issuers.

In January it said it was [looking into the business practices](#) used by issuers and ways in which it can improve consumers' experiences with credit cards. A key focus of the bureau is making it easier for consumers to compare, switch, or refinance credit cards.

The CFPB specifically highlighted concerns over how credit card applications can hurt consumers' credit scores, making it less appealing for consumers to shop around for the best deal. A [survey](#) by The Motley Fool found that 15.1% of US credit card users open new cards to earn cash back and points.

The CFPB's scrutiny over issuer business practices comes as credit card adoption and volume grow.

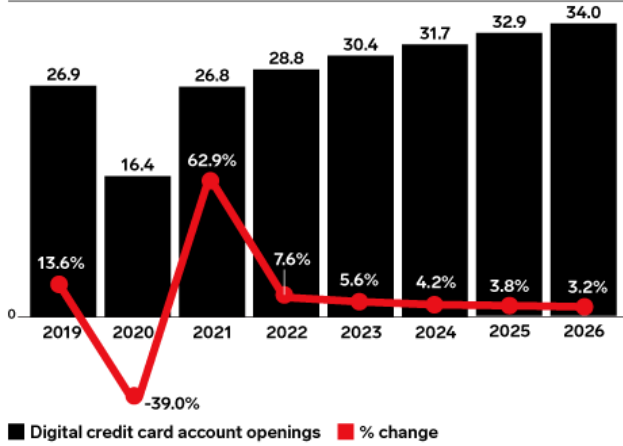
- We expect [the number of US credit card accounts](#) opened digitally to reach 28.8 million in 2022. Next year, that number will grow to 30.4 million.
- [Total US credit card transaction volume](#) is expected to grow 9.9% year over year (YoY) in 2022 and hit \$3.089 trillion by the end of the year, per Insider Intelligence forecasts.

Amex's opportunity: The new credit card application process may encourage more customers to apply for Amex cards by removing the risks involved with applications. More

applications could lead to more cardholders, helping bolster Amex's billed business volume, which grew 30% YoY in [Q3](#).

US Digital Credit Card Account Openings, 2019-2026

millions and % change



Note: includes credit card accounts opened via web browsers or mobile app by an individual; includes digital-only banks; excludes accounts opened in person or over the phone but are managed through a digital platform
Source: Insider Intelligence, Sep 2022

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