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Grace Broadbent

As banks tighten credit standards, new lines of credit are harder to get

Article

The news: Credit card application rejections rose in October compared with a year ago, according to the Federal Reserve Bank of New York's latest Survey of Consumer Expectations (SCE) Credit Access Survey.

- The **application rate for credit cards totaled 29.0% in October 2023**, up from both 27.1% a year ago and the pre-pandemic 27.2% in October 2019.
- The average rejection rate for credit card applications, meanwhile, increased by 1.1 percentage points to 19.6% over the same time period. Rejections were down from 21.5% in June 2023.
- Credit limit increase applications fared better: While the application rate increased, rejections declined to 30.9% in October 2023, from 35.3% a year ago.

Why it matters: Issuers are tightening credit standards for new card applications in anticipation of economic turbulence.

- Almost 29% of US domestic banks tightened standards for credit card loans in Q4 2023, per the Federal Reserve.
- This will likely make it more difficult for riskier consumers to get approval for credit cards.

The bigger picture: **Total US credit card account openings are projected to total 34.8 million in 2024, up 5.2% year over year** (YoY), per our forecasts. This is a deceleration from a 7.6% increase this year.

Despite recessionary fears and shifting generational behaviors, credit card account openings will remain positive thanks to factors like digital innovations, which are converting more consumers into cardholders.