

Major issuers look to join credit access initiative

Article

JPMorgan and Wells Fargo are reportedly among a growing list of issuers that have joined a government-backed initiative to extend credit accessibility, sources familiar with the matter [told](#) The Wall Street Journal. The initiative entails issuers sharing customers' account deposit data to determine consumer credit-worthiness without using credit scores. The movement grew out of [Project REACh](#), a separate initiative spearheaded by the Office of the Comptroller of the Currency aimed at "reducing barriers that prevent full, equal, and fair participation in the nation's economy." We previously [predicted](#) issuers would institute alternative financial health measures amid the pandemic.

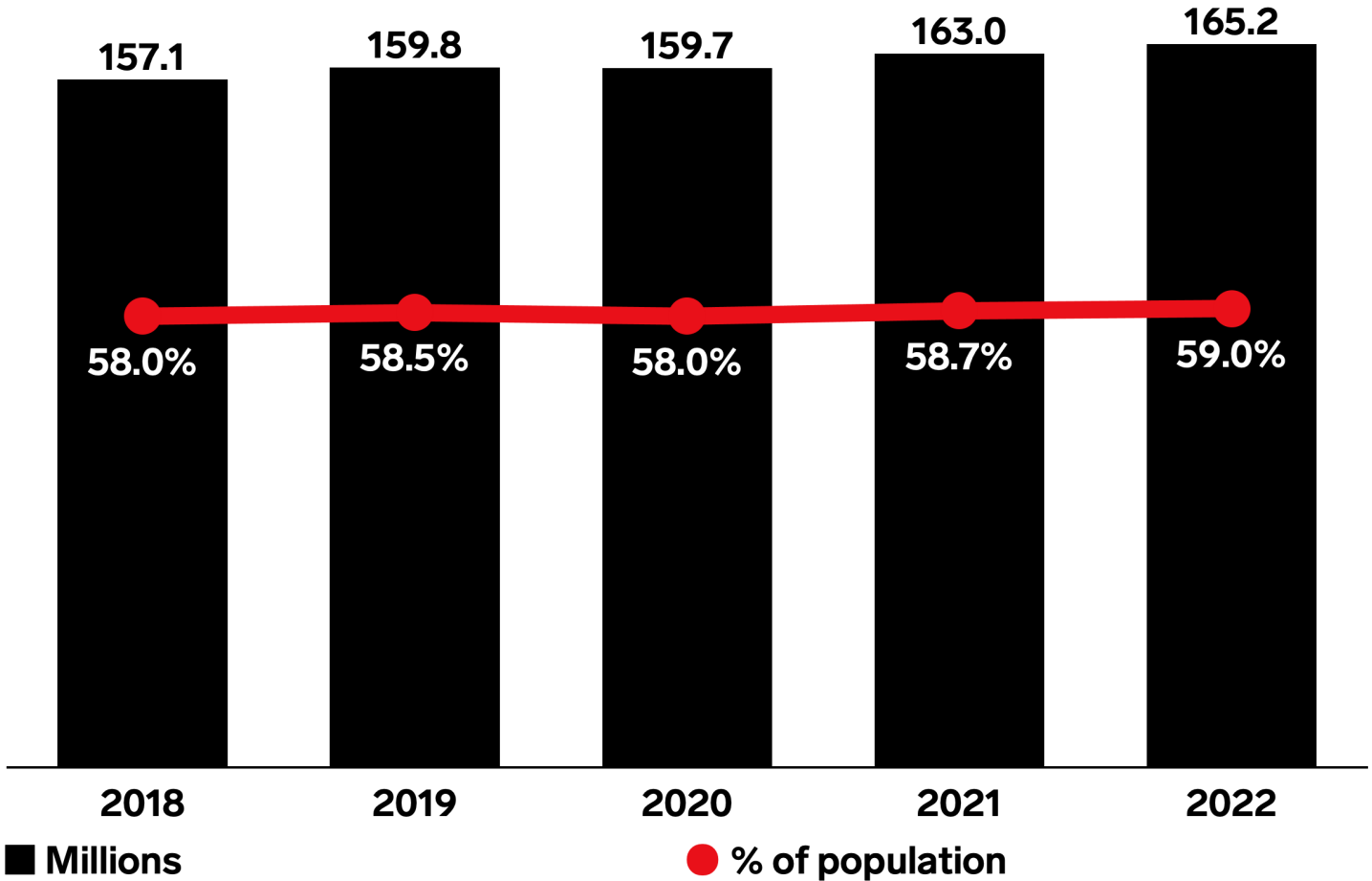
The initiative would expand credit accessibility to historically underserved populations—opening an acquisition opportunity for issuers.

- **An estimated [53 million](#) US adults don't have traditional credit scores—which often prevents them from obtaining credit cards.** Within this group are recent immigrants, young consumers, and individuals who may have lost score access as a result of economic difficulty but have since recovered. Many consumers who fall into these groups might be financially stable and have other qualifications that make them good candidates for credit cards but remain invisible in the current system. Using alternative measures for credit-worthiness should therefore open issuers up to a wider pool of potential credit card customers.
- **Tapping into this market gives issuers access to a highly sought-after customer base.** Fintechs like [Petal](#) and [TomoCredit](#) are quickly building names for themselves by introducing credit-scoring solutions that target underserved populations. The government-backed initiative should help large issuers get in on the action and compete head-on with these fintechs. It'll also help make their customer bases more diverse as inclusivity becomes more of a [priority](#).

The collaboration could help issuers maintain recent growth. Many issuers have exited the volume slump from earlier in the pandemic—for instance, Wells Fargo's credit card point-of-sale (POS) volume grew 6% year-over-year to reach \$21.1 billion in [Q1](#). But issuers may be looking for new ways to maintain or accelerate that growth—and customer acquisition could be one solution. It can also help them counter the mounting threat from buy now, pay later (BNPL), which is thriving among younger consumers and other groups who perhaps have limited credit availability but still want a way to pay for purchases over time: 14% of consumers said they used a BNPL because they couldn't get credit card approval, [according to](#) Motley Fool. This recent initiative could help issuers court consumers to whom they may have otherwise not had access—and help them reclaim market share from BNPL players.

In-Store Credit Card Users

US, 2018–2022



Note: ages 14+; consumers who make an in-store purchase at least once per month using a credit card; includes purchases at retail stores and food services and drinking places; excludes proximity mobile payment transactions

Source: Insider Intelligence, December 2020

Methodology: Estimates are based on the analysis of data from the US Department of Commerce and the Federal Reserve, estimates from other research firms, reported company revenues, historical trends, consumer buying trends, and macro-level economic conditions.

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