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Adriana Nunez, and Tyler Van Dyke

Why credit card issuance needs a makeover

Article

Below, Insider Intelligence analysts Adriana Nunez and Tyler Van Dyke recap a session at this year's "Money 20/20" event.

Session name: "Modernizing Credit Card Issuance"

Speakers:

- **Dan Rosen, Founder and General Partner, Commerce Ventures (moderator)**
- **Joseph Bayen, Founder and CEO, Grow Credit**

- **Kristy Kim, Co-Founder and CEO, TomoCredit**
- **Michael Spelfogel, Co-Founder and President, Cardless**

Findings:

- The panelists kicked off the conversation with a brief overview of their businesses: **Cardless** is a cobranded credit card company, and **TomoCredit** and **Grow Credit** offer credit cards to customers with no or subprime credit history to help them build their credit.
- When asked why credit card issuers need to innovate, the panelists all agreed that there's a market of customers whom banks aren't serving—and each of their businesses taps into that demographic. Kim and Bayen emphasized **the need for financial inclusion**, referencing their own experiences immigrating to the US and struggling to understand the credit system.
- The panelists also agreed on the idea that **traditional credit-scoring systems** like FICO, while beneficial in many scenarios, **shouldn't be the sole credit eligibility determinant**. And alternative methods like using cash flow and brokerage data to replace FICO—or using them in conjunction with systems like FICO, as Spelfogel suggested—can help bring more consumers into the credit system.

What This Means:

- Kim said many banks recognize that their credit eligibility practices exclude a large portion of customers—and while she believes that the banks will eventually come around, at the moment, they prioritize **security over innovation**.
- Companies like Grow Credit and TomoCredit are emerging now thanks to the evolution of open banking—which lets them access customer data to get a **holistic view** of consumers' financial standing and credit eligibility.
- Bringing customers into the credit system helps improve their financial well-being and gives them access to critical products like mortgages or auto loans.
- Ultimately, **agility is key**—letting go of the bureaucratic processes that can sometimes hinder innovation while maintaining security is the sweet spot issuers need to find.

Insider Intelligence payments and commerce senior analyst Jaime Toplin weighs in: "Providers are angling to expand the credit ecosystem to reach new customers. Alternative or hybrid approaches to scoring can do just that by letting providers attract potentially low-risk, high-lifetime-value customers who may have previously been excluded. But fintechs' digital savvy and unique offerings may pose a threat to major issuers that are also pursuing this population. As a result, we've seen major issuers launch new products that may target credit-building users, including **Wells Fargo's** Reflect card and **Chase's** Slate Edge, which reward on-time payments with APR reductions, and **US Bank's** new secured cards, which offer robust cash-back rewards tied to existing card programs. This push could help issuers widen their nets and grab a share of this demographic in the hope of upselling them later and building lasting relationships."