



Addressing top of mind issues for credit card issuers



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Update

In the third quarter of 2025, US consumers faced economic uncertainty due to factors like trade tariff changes. In response, credit card issuers focused on the affluent segment with new and revamped premium cards.

Key quarterly updates:

- US consumer sentiment dropped 5 percent between July and August 2025, and 14 percent year-over-year, according to the University of Michigan's Consumer Sentiment Index.¹
- Issuers targeted the affluent segment with new premium cards and revamped existing ones.
- Several major credit card companies have significantly revamped their premium cards, with one issuer calling it their most substantial update to date.²

Despite economic uncertainty, issuers continued investing in premium cards, prioritizing differentiation and customer retention. As consumer sentiment remains volatile, issuers must balance premium product investment with maintaining competitiveness across their portfolios.

Opportunity

1

Review current rewards programs and related customer segmentation to determine if your current program is competitive and meets customer needs.

2

Continue to analyze customer segmentation and product offerings against peers and evaluate whether changes are needed to remain competitive.

Resources

- [KPMG Economics – Household debt is reverting to pre-pandemic levels](#)
- [Fed September rate cut - Powell corrals colleagues](#)

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¹ University of Michigan, "Surveys of consumers" (August 2025) [Press Release]

² American Express, "American Express Announces Major Updates Coming to U.S. Consumer and Business Platinum Cards® Later This Year" (June 16, 2025) [Press Release]

Update

The increasing regulation of artificial intelligence (AI) at the state level in the US is creating a complex landscape for businesses, particularly in the credit card industry. Key developments include the emergence of comprehensive and targeted laws that impact AI use in services such as fraud detection, customer service, and underwriting, with key points being:

- Individual US states are taking the lead in regulating AI due to the lack of federal consumer protection legislation, resulting in a disparate set of laws and regulations.
- State AI regulations fall into two categories: comprehensive laws that oversee high-risk AI systems and targeted laws that focus on specific issues like data privacy and "deep fake" regulations.
- The enforcement of these regulations is affecting the credit card industry, where AI is increasingly used, and is contributing to evolving compliance challenges.
- The Consumer Financial Protection Bureau requires lenders to provide specific reasons for credit denials made by complex algorithms and AI systems.
- State laws and UDAP regulations are being used to hold issuers accountable for discriminatory outcomes, and consumer privacy laws in certain states mandate clear disclosures when consumers interact with AI systems.

As the regulatory landscape continues to evolve, financial institutions must navigate these changes to ensure compliance and mitigate risks associated with AI use.

Opportunity

1

Evaluate the evolving compliance requirements regarding AI use in underwriting, fraud, and customer service applications.

Resources

- [CCO Insight: 2026 Compliance Planning](#)

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Update

The Federal Reserve Bank of New York's second quarter (Q2'25) update on household debt and credit reveals significant trends in consumer debt, alongside recent interest rate decisions by the Federal Open Market Committee (FOMC). Here's a breakdown of the key findings and their implications:

- Total household debt reached \$18.39 trillion, rising by \$185 billion in Q2'25, driven by credit card, home equity line of credit, auto, and student loan growth⁴³
- Credit card balances hit \$1.21 trillion, a 5.9 percent year-over-year increase.
- Delinquency rates remained at 4.3 percent as of June 30, 2025, up 0.1 percent from the first quarter of 2025 (Q1'25).
- The Federal Open Market Committee (FOMC) voted to cut short-term interest rates by a quarter point at its September meeting, lowering the target range to 4.0 percent to 4.25 percent. This marks the first rate cut since December 2024 and reflects concerns that the labor market is weakening, even as inflation is edging higher.

The data indicates rising consumer debt and significant credit card growth. While credit card delinquency rates have stabilized, the overall rate remains concerning. Credit card issuers should monitor these trends and adjust their strategies accordingly.

Opportunity

1

Continue to monitor model performance and recent trends and analyze historical data reflective of a similar economic scenario.

2

Continue to coordinate among the various functions, including credit and accounting, to ensure that effective management review and challenge is being performed and is documented, especially as it relates to macroeconomic forecasting used in calculating the allowance for credit losses.

Resources

- [The Fed splits over timing & size of rate cuts](#)
- [CECL Pulse Check Q3 2025](#)

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⁴³ The Federal Reserve Bank of New York, "Household Debt and Credit Report" (May 2025)

Update

The Department of Treasury and other federal banking agencies are implementing changes aligned with the Trump administration's priorities, impacting key areas of financial regulation. These developments are crucial for credit card issuers to understand as they navigate the evolving regulatory landscape.

Key updates include:

- The Department of Treasury is leveraging the Financial Stability Oversight Council and President's Working Group on Financial Markets to enhance regulatory oversight.
- Regulatory focus is shifting towards material financial risk, moving away from "nonfinancial risks" such as information technology, operational risk management, and governance.
- Key areas of change include financial risk supervision, stress testing, and resolution planning.

The regulatory environment is becoming more focused on financial risk, potentially simplifying compliance for institutions with robust financial risk management practices. However, this shift also requires careful monitoring to ensure alignment with the changing regulatory priorities. As regulatory scrutiny evolves, institutions that adapt quickly to these changes may find themselves better positioned to navigate the new landscape.

Opportunity

1

Monitor changes in the focus of the Treasury Department and federal banking regulators and assess the impact of regulatory changes to your institution.

Resources

- [Upcoming Regulatory Changes in/to Financial Risk](#)

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Legislative landscape



Update

The recent developments in credit card legislation aim to enhance competition and potentially impact the industry's revenue streams. Here's an overview of the key updates and their implications:

- The Credit Card Competition (CCC) Act, first introduced in 2022 and reintroduced in 2023, aims to increase competition among credit card networks by requiring issuers with assets over \$100 billion to use at least two payment networks, one of which must be outside the two largest networks.
- The proposed legislation intends to lower processing fees by promoting competition among networks.
- In Q2'25, Senator Marshall filed an amendment to incorporate the CCC Act into the GENIUS Act, which focused on payment stablecoins. However, the Act was passed without the amendment.⁴ The amendment's future is uncertain, with its potential reintroduction to Congress pending.
- Separate legislation introduced in Q1'25 proposed capping credit card interest rates at 10 percent. This bill has stalled and was not included in broader legislative bills⁵

The evolving legislative landscape for credit card issuers indicates a potential shift towards increased competition and regulatory oversight. While the CCC Act and interest rate cap legislation have not yet advanced, their introduction signals growing scrutiny of the industry. A closer examination of these developments is crucial for understanding their potential impact on the industry's future.

Opportunity

1

Monitor developments in the legislative process for updates regarding the CCC Act and interest rate caps.

2

Assess the potential impact of the proposed acts on revenue streams and rewards programs.

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⁴ The White House, "Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law" (July 18, 2025)

⁵ Congress.gov, "10 Percent Credit Card Interest Rate Cap Act" (February 2, 2025)



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