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April 24, 2023

*Via Electronic Submission*

Consumer Financial Protection Bureau  
Comment Intake  
Request for Information Regarding Consumer Credit Card Market  
Consumer Financial Protection Bureau  
c/o Legal Division Docket Manager  
1700 G Street NW  
Washington, DC 20552

RE: Docket No. CFPB-2023-0009, Request for Information Regarding Consumer Credit Card Market

Dear Sir or Madam:

The Independent Community Bankers of America (“ICBA”)<sup>1</sup> appreciates the opportunity to provide comments to the Bureau of Consumer Financial Protection (“Bureau” or “CFPB”) on the Request for Information (“RFI”) Regarding Consumer Credit Card Market, the sixth review as required by the Credit Card Accountability Responsibility and Disclosure Act of 2009 (“CARD Act”). ICBA appreciates having the opportunity to share the impact of related regulations. Community banks are integral to the health of the economy, most strongly felt in the local economies, rural communities, and small businesses.

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<sup>1</sup>*The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.*

*With nearly 50,000 locations nationwide, community banks employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5.8 trillion in assets, over \$4.8 trillion in deposits, and more than \$3.8 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America. For more information, visit ICBA’s website at [www.icba.org](http://www.icba.org).*

*The Nation’s Voice for Community Banks.®*

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## Executive Summary

The CFPB reports on the business practices and products offered by large credit card issuers. Information and insights gained from this biennial collection is a tool used to assist the Bureau in developing policy changes in the credit card industry. Credit cards are mature financial products whose features, at times, can appear static, yet continue to evolve to meet consumers' and businesses' needs.

ICBA can provide valuable insights on the state of the community bank consumer credit card market. We appreciate the opportunity to respond to this RFI and request an opportunity to dialogue with the Bureau on an ongoing basis to provide feedback on the community bank credit card market.

## Background

The CARD Act brought about significant changes to the credit card industry.<sup>2</sup> Section 502(a) of the CARD Act mandates that the Bureau conduct a biennial review of the credit card market to ensure that the CARD Act achieves its goal of establishing "fair and transparent practices related to the extension of credit." To meet its CARD Act obligations, the CFPB has published comprehensive reports every two years, covering topics such as credit usage, credit availability, credit cost, debt collection, and innovation. Depending on the priorities of the Administration, these reports have also reviewed third-party comparison sites, rewards, non-prime options, and academic research. The credit card has been in existence for almost 60 years and has evolved in its function, and the types of credit it offers. From a product that was once only available to the elite, credit cards are now in the hands of 83% of the population.<sup>3</sup>

## ICBA Comments

Below are ICBA's responses to questions posed by the RFI.

### ***The Terms of Credit Card Agreements and the Practices of Credit Card issuers***

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<sup>2</sup>CARD Act requirements include: a) changed college students access to credit cards by requiring more robust income evaluation, changed college campus solicitations; b) overlimit fee charges required an opt in; c) stopped interest rate changes in the first year of account opening outside of index changes and delinquencies; d) created uniform due dates, i.e. 15<sup>th</sup> of every month. changed the use of credit card; e) minimum monthly warning; f) payment allocation rules. Public Law 111-24, 123 Stat (2009). 1734.

<sup>3</sup> Federal Reserve Bank of New York, "Household Debt and Credit"  
<https://www.newyorkfed.org/microeconomics/hhdc/background.html>

**How have the substantive terms and conditions of credit card agreements or the length and complexity of such agreements changed over the past two years?**

Community banks generally do not substantially change the terms or conditions of their credit card agreements on a frequent basis, and the past two years are no different. Many community banks review their credit card agreements on an annual basis for compliance and accuracy, and generally edit documentation for clarity.

**How have issuers changed their pricing, marketing, underwriting, or other practices?**

Over the past two years, there has not been a significant change in community banks' credit card pricing, marketing, underwriting, and other practices.

The majority of the credit card issuers use variable rate pricing, which is disclosed below the credit card pricing box ("Schumer box"). As a result of the Federal Reserve raising the Federal Fund Rate at a rapid pace recently, there has been an increase in U.S. Prime.<sup>4</sup> This resulted in variable rate products, such as variable rate credit cards, offering higher APRs since the CFPB report.

While a majority of issuers offer variable rate credit cards, some community banks offer fixed rate credit cards. Fixed rate credit cards are not tied to an index; however, few community bank issuers adjusted their fixed rate credit card rates for the first time in several years as a result of the current inflationary environment.

**How are the terms of, and practices related to, major supplementary credit card features (such as credit card rewards, deferred interest promotions balance transfers, and cash advances) evolving? What are the terms of, practices related to, and prevalence of emerging supplementary credit card features (such as credit card instalment plans)?**

Community banks do not frequently change the terms and features of their credit card programs since credit card programs receive enhancements through card networks. Since the last state of the credit card submission, one network added two services worth highlighting, identification and credit monitoring services. These services inform cardholders about potential threats to their identity with dark web monitoring, data breach notification, and credit monitoring alerts. They also support cardholders in providing monthly credit score and services to support the reporting of potential errors. These

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<sup>4</sup> Board of Governors of the Federal Reserve System "What is the prime rate, and does the Federal Reserve set the prime rate", [https://www.federalreserve.gov/faqs/credit\\_12846.htm](https://www.federalreserve.gov/faqs/credit_12846.htm) (last visited April 20, 2023)

services help protect consumers from identify theft and help consumers maintain awareness of their credit scores, which is a community bank priority.

**How have issuers' marketing practices changed since the CFPB reported on the credit card market in 2021? Has this impacted consumers' ability to comparison shop? If so, in what ways?**

According to the 2021 CFPB report, issuers mainly solicited consumers through broad-based advertising, such as television commercials. Consumers would then follow up on these advertisements by visiting third-party comparison sites.<sup>5</sup> Community banks build awareness of their products to their customers through local channels, where the consumer is already engaged with the bank. Community banks continue to provide credit card information on their websites, in branches, and in other marketing materials. Community banks offer credit cards to provide a full suite of banking services in order to meet customers' needs.

**What practices of credit card issuers may uniquely affect special populations (such as servicemembers and their dependents, low- and moderate-income consumers, older Americans, and students)? What are the effects of protections specific to special populations (for example, the Servicemembers Civil Relief Act or the Military Lending Act)? How are these changing and what, if any, trends are evolving?**

Community banks are uniquely positioned to offer affordable credit card products as an additional means of expanding credit access to the communities they serve, including low to moderate-income consumers, the elderly, and servicemembers. Further, community banks are often the only financial institution serving populations in rural America. Accordingly, the relationship-based banking model by which the community bank works with its customers, serves to increase credit access and opportunities to build credit, often for underserved populations. While ICBA welcomes opportunities to expand ways for community banks to serve new, existing, and potential customers, we caution that guidelines must be streamlined, concise, and flexible to allow for market and operational accommodation. Overly proscriptive requirements could add to burdens and costs and have the unintended consequence of discouraging community banks from offering these products.

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<sup>5</sup> Bureau of Consumer Financial Protection, *The Consumer Credit Card Market* (September 2021), Section 4.1.1

**How have practices related to collecting on delinquent and charged-off credit card debt changed over the past two years?**

Community banks have generally not changed their collection processes over the past two years. Community banks' existing policies include personal outreach and negotiation of repayment arrangements. Additionally, and most importantly, community banks have a long history of working with their customers who are experiencing financial hardships. In accordance with prescribed policies, delinquent accountants will be referred for collection, typically after a charge off has already occurred and efforts to work through a repayment or forbearance plan have failed.

***The Effectiveness of Disclosure of Terms, Fees, and Other Expenses of Credit Card Plans***

**How effective are current disclosures of rates, fees, and other cost terms of credit card accounts in conveying to consumers the costs of credit card plans?**

Community banks disclose credit card fees as prescribed by current laws and applicable regulation. The Schumer box created the same grid for all credit card issuers to ensure consistency and clarity of the APR. The data is available for consumers to compare APR and fees across prospective credit card issuers.

**How well are current credit card disclosure rules and practices adapted to the digital environment? What adaptations to credit card disclosure regimes in the digital environment would better serve consumers or reduce industry compliance burden?**

The current disclosure rules are sufficiently adaptable to the digital environment. There has been no disruption with a consumers' ability to understand disclosures when provided through electronic means.

***Consumer Credit Card Product Innovation and Competition***

**What barriers to entry, if any, exist in the consumer credit market? What obstacles may smaller financial institutions face when launching a credit card product? How are these impediments changing and what, if any, trends are evolving? To what extent are financial institutions adopting "credit card-as-a-service" offerings? How might these changes affect competition, promote innovation, or introduce risk, if at all?**

There are a multitude of obstacles that present barriers to launching a credit card program. The cost of entry is significant and includes both technological and staffing costs, which are not offset by an existing customer base. Consequently, new entrants must have enough operating capital to operate at a loss until a sufficient number of customers and volume of transactions is obtained.

### Scale

The largest obstacle that community banks face when launching a credit card product is the economies of scale not present that an established base of consumers and transactions provides. Issuing credit cards is a volume enterprise. Community banks generally lack the volume of customers initially needed to achieve economies of scale in multiple areas, which makes it difficult to introduce a credit card program. Further, credit cards are highly regulated consumer facing products that have correspondingly high compliance and staffing costs.

As a result, community banks may rely on credit card programs and companies that aggregate the power of many community banks. These companies offer community banks comprehensive and affordable credit card solutions and can lower the cost of entry as well as provide group pricing and service levels.

### Agent Bank Programs

Many community banks use an agent bank program to issue credit cards, which is the type of service referred to as "credit cards as a service" by the CFPB. In an agent bank program, one bank issues credit cards and manages the day-to-day operations of the program on behalf of multiple banks. Essentially, the participating banks outsource their credit card program. With an agent bank program, the participating community banks can offer full service banking solutions to customer so, while the issuing banks manage back-office functions such as fraud, and technology. Community banks view launching a consumer card offering using an agent bank program as a straightforward process with clear parameters when establishing a credit card program.

**How do innovations by firms offering other consumer financial products and services (such as buy-now, pay-later ("BNPL") credit, mobile payments, or non-card point-of-sale loans) compete with credit cards, and to what extent do consumers view them as effective alternatives to or substitutes for credit cards?**

### Consumer understanding of BNPL

The recent increase of buy now, pay later ("BNPL") products has had a significant impact on the financial services system. Although BNPL loans may be short-term, the borrower's outstanding commitments are not always captured when a bank reviews the consumer's ability to pay or calculates debt-to-income ratios for other credit offerings. Furthermore, these products often have few disclosures, leaving consumers taking on debt without fully understanding its impact.

### Conclusion

ICBA appreciates the opportunity to provide information to the CFPB about the state of consumer credit cards from the community bank perspective. We welcome the opportunity to meet with you to provide ongoing feedback on this matter. If you have any questions regarding this letter, please contact the undersigned at [kari.mitchum@icba.org](mailto:kari.mitchum@icba.org) or 202.659.8111

Sincerely,

/s/

Kari Mitchum  
Vice President, Payments Policy

*The Nation's Voice for Community Banks.*<sup>®</sup>

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