

## **New Fed Survey Confirms Tightening Credit Card Practices**

*By Bill Hardekopf*

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*A New Federal Reserve Survey shows that it is becoming more difficult for consumers to get credit cards, and that banks are lowering credit limits on existing card customers.*

Birmingham, AL -- The Federal Reserve October 2008 Senior Loan Officer Opinion Survey on Bank Lending Practices says that a majority of domestic banks reported that they are tightening standards on both credit cards and consumer loans.

Here are the survey's key findings about credit card and consumer loans:

About 50% reported that they increased the minimum required credit scores on credit card accounts over the past three months. 60% reported that they raised minimum scores on other consumer loans over the same period (this is about the same as the July survey).

A majority of respondents, about 60%, reported that they reduced the extent to which credit card accounts were granted to customers who did not meet their bank's credit-scoring thresholds. A similar percentage of respondents reported a reduction in granting other kinds of consumer loans for that reason.

About 20% of domestic banks reported having reduced credit limits on existing credit card accounts to prime borrowers. But roughly 60% of banks had lowered limits on existing credit card accounts of nonprime borrowers; no banks reported raising limits to those borrowers. Reasons for lowering credit limits include: an uncertain economic outlook, a more conservative position on risk, a decline in customer credit scores, and missed payments by customers on credit card loans and other loans at their bank.

Almost 60% of respondents indicated that they had stiffened lending standards on consumer loans over the past three months.

This proves that banks are paying more attention than ever to credit scores. The reductions in credit limits and loan offers aren't just rumors, they are now becoming bank policies," says Bill Hardekopf, CEO of LowCards.com and author of The Credit Card Guidebook. "It is extremely important that consumers do all they can to maintain their credit score and not appear to be a greater risk. If that happens in this financial environment, you are almost sure to see your APR increase and/or your credit limit decreased.

"To help maintain your credit score, a consumer should pay all your bills on time, not just your credit card bills. Pay well over the minimum amount. Keep your debt utilization ratio under 30%."

This survey is based on responses from 55 domestic banks and 21 U.S. branches and agencies of foreign banks. Here is the full report:

[federalreserve.gov/boarddocs/SnLoanSurvey/200811/fullreport.pdf](http://federalreserve.gov/boarddocs/SnLoanSurvey/200811/fullreport.pdf)

LowCards.com ( [lowcards.com](http://lowcards.com) ) simplifies the confusion of shopping for credit cards. It is a free, independent website that helps consumers easily compare credit cards in a variety of categories such as lowest rates, rewards, rebates, balance transfers and lowest introductory rates. It also gives an unbiased ranking and review for each card. The LowCards.com Complete Credit Card Index ([lowcards.com/CreditCardIndex.aspx](http://lowcards.com/CreditCardIndex.aspx) ) is the most objective and comprehensive resource on the Internet which allows consumers to compare rates for all 1260 credit cards offered in this country.

We are happy to help the media with an credit card related inquiries you may have. We are proud to have been involved in many major articles about credit cards. You may see our press clippings at [lowcards.com/press/press.asp](http://lowcards.com/press/press.asp) . Created by Hampton & Associates, the company has been analyzing the credit card industry and supplying objective websites on various consumer expenses for eight years.

For more information, contact Bill Hardekopf at [billh@LowCards.com](mailto:billh@LowCards.com)  
Press Release Submission By Press Release Point([pressreleasepoint.com](http://pressreleasepoint.com))

Contact :

Bill Hardekopf  
Lowcards.com  
Birmingham, Alabama  
[billh@LowCards.com](mailto:billh@LowCards.com)  
[lowcards.com](http://lowcards.com)

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