Credit Card Offers Make A Comeback To US Households, Says Synovate Mail Monitor

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After a difficult year and a dramatic pullback, credit card issuers regained their footing in the 4th quarter of 2009 and began to mail more offers, reports Synovate Mail Monitor, the direct mail tracking service from global market research firm Synovate.

During Q4 2009, US households received 398.5 million credit card offers, a 46% increase from the 272.5 million offers received during Q3 2009.

However, volumes are still fairly tepid when compared to 668.1 million offers mailed during the same time a year ago.

"The CARD Act, as well as the continued effects of the credit crisis and the slow-to-recover economy, has caused major anxiety to both consumers and businesses. The timing of this legislation is questionable as it has been thrown at us at a time when we, as a nation, are already experiencing financial difficulties and aren't in an ideal position to face additional headwinds," said Anuj Shahani, Director of Competitive Tracking Services for Synovate's Financial Services Group.

Issuers have scrambled since mid-year to redesign and reconfigure their business models to accommodate all the changes required by the new legislation, which become effective February 22.

This was one of the major reasons why issuers cut down on new credit card mailings.

"The rules of the game were changing and, until the industry knew what the new rules were, none were keen on playing a blind game," said Shahani. "With Mail Monitor, we predicted that issuers would start mailing again once the details of the new law became available and, almost on cue, we saw the major players start to mail more once that happened," he added.

An increase in mailings to the subprime market was responsible, to a great extent, for the increase in the mail volume in the latest quarter.

The subprime segment had experienced incredible credit tightening following the recession and initial passage of the CARD Act.

However, issuers like Capital One have stepped up to mail to this segment once again.

The marked increase in mail volume, subprime and otherwise, came at a price. The average purchase APR for Q4 2009 is 13.51% and is the highest recorded by Synovate Mail Monitor over the past five years.

Also, 35% of the offers mailed in Q4 2009 carried an annual fee, the highest share recorded by Synovate Mail Monitor in the past decade.

Mail Monitor anticipates both APRs and the proportion of offers with an annual fee to continue to rise in 2010.

"As the economy recovers, even at a modest pace, we expect credit to become available to consumers, albeit at a higher price. The CARD Act has clamped down on many revenue streams for issuers and some of this lost revenue is going to be made up by increasing annual fees or introducing new fees on credit cards," said Shahani.

A consumer confidence study conducted recently by Synovate found that three in every four credit cardholders will either cancel or consolidate the credit cards in their wallet, if they carry an annual fee.

Shahani said,
"In all the work we do in the payments sector, we know that issuers are aware that many cardholders are unwilling to pay hundreds of dollars in annual fees. Issuers will need to come up with innovative solutions, such as introducing low fee cards and creating hybrid cards - a combination of debit and credit - to tackle the problems raised by the new legislation and remain profitable. With innovation on the forefront, credit card issuers are poised for a comeback."

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