Existing Commitments, New Credit, and Monetary Policy

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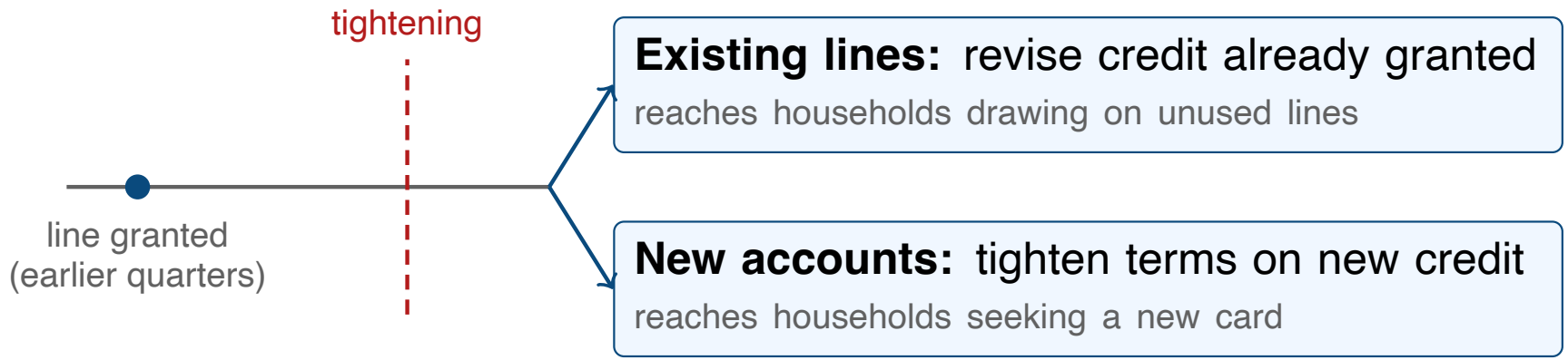
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Card lines are commitments made before they are used

Models usually tighten household credit by lowering **one borrowing limit for everyone**. But a card line is granted before it is used, so lenders have two margins:



The question

Which margin does monetary tightening move, and whose spending does it reach?

Common limit or borrowing spread: e.g. Guerrieri & Lorenzoni (2017); Kaplan, Moll & Violante (2018); Faccini et al. (2026).

Preview: policy moves the terms of new credit, not the stock

Card market

- Median initial limits on new accounts fall 5.2 log points relative to open accounts.
- Commitments, accounts and line cuts hold; the APR rises.
- New authorization is 2.3% of commitments a quarter, so the stock moves slowly and by little.

Households

- Per dollar removed, origination costs 2.35$\times$ as much spending as existing lines.
- It reaches households with little unused capacity, or no card.

Policy moves the margin with the fewest dollars and the most spending per dollar.

Contribution

Credit commitments and monetary policy

Commitment loans are insulated from tightening (Sofianos, Melnik & Wachtel 1990; Morgan 1998); bank funding shocks cut card lines (Chava et al. 2023).

→ One shock, one market: new terms move, the stock does not.

Identifying monetary surprises

Raw surprises contain predictable news (Bauer & Swanson 2023; Miranda-Agrippino & Ricco 2021).

→ That news moves new-account terms the other way.

Credit limits, liquidity and transmission

Spending out of credit limits (Gross & Souleles 2002; Agarwal et al. 2018; Aydin 2022); liquidity in HANK (Kaplan, Moll & Violante 2018; Auclert 2019).

→ Who bears a tightening depends on the margin it moves.

Public card data observe both margins

Large Bank Credit Card and Mortgage Data (Federal Reserve Bank of Philadelphia)

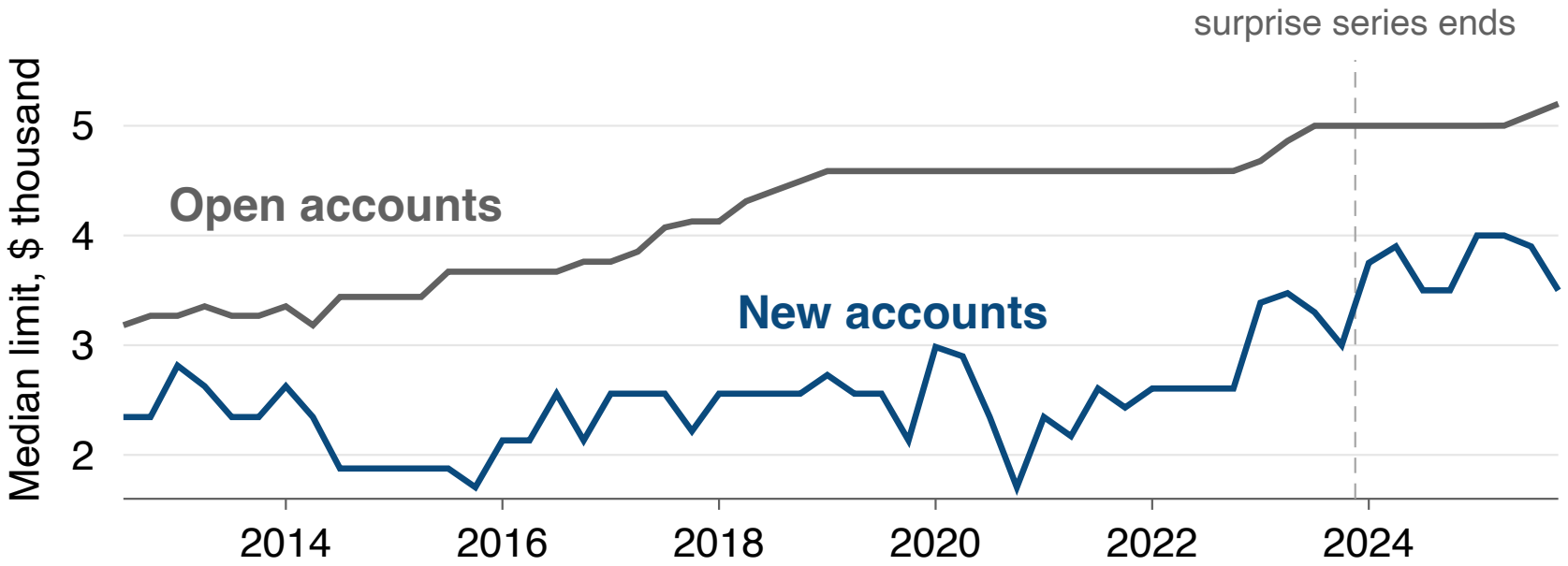
- Built from the FR Y-14M: card portfolios of the largest U.S. bank holding companies.
- Quarterly, 2012Q3–2025Q4; aggregated across banks.

Open accounts	limits on all open accounts	$\rightarrow$ the committed stock
New accounts	initial limits on new accounts	$\rightarrow$ terms of new credit
Quantities	commitments, accounts, line cuts	

The APR on revolving balances comes from the Federal Reserve's G.19 release.

FR Y-14M: the monthly schedules of the Federal Reserve's Capital Assessments and Stress Testing report.

New accounts start well below the open-account median



- Open accounts: every vintage still open. New accounts: this quarter's originations only.
- Regressions use 2012Q4–2023Q4, the span of the surprise series.

Published quarterly medians, nominal dollars. Regressions use CPI-deflated log changes.

One surprise, one regression for the contrast

Local projections (quarterly differences)

$$100\,(\log Z_{t+h} - \log Z_{t-1}) = \alpha_h + \beta_h S_t + \Gamma_h' W_{t-1} + \tau_{q(t)} + \varepsilon_{t+h}$$

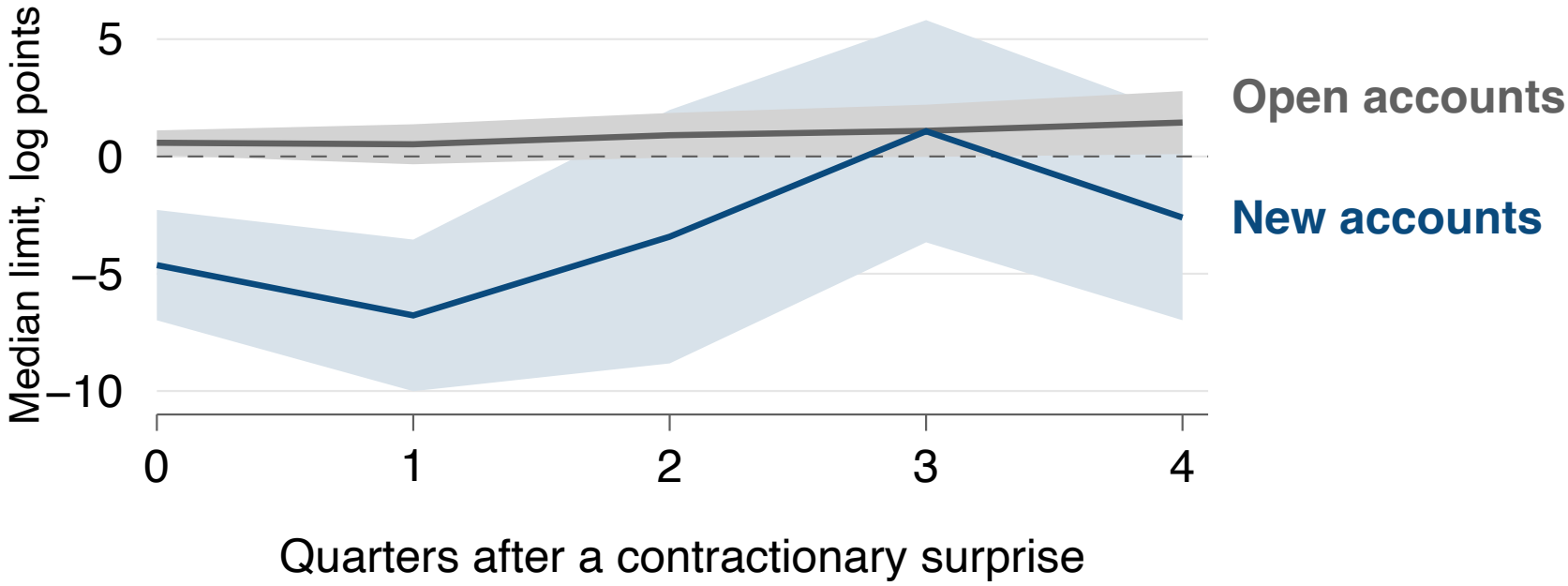
- S_t: orthogonalized Bauer–Swanson (2023) surprise, summed within the quarter; 1 SD $=$ 7.89 bp.
- 45 quarters, 2012Q4–2023Q4. W_{t-1}: unemployment, VIX, card delinquency and utilization, trend; τ_q: quarter-of-year effects.

The object of interest

$\Delta\beta_{50} = \beta_{new,50} - \beta_{open,50}$, estimated directly with $\log A^{new}_{50,t} - \log A^{open}_{50,t}$ as the outcome.

Newey–West standard errors; Student-t intervals. Dollar outcomes deflated by the CPI.

Initial limits on new accounts fall relative to open accounts

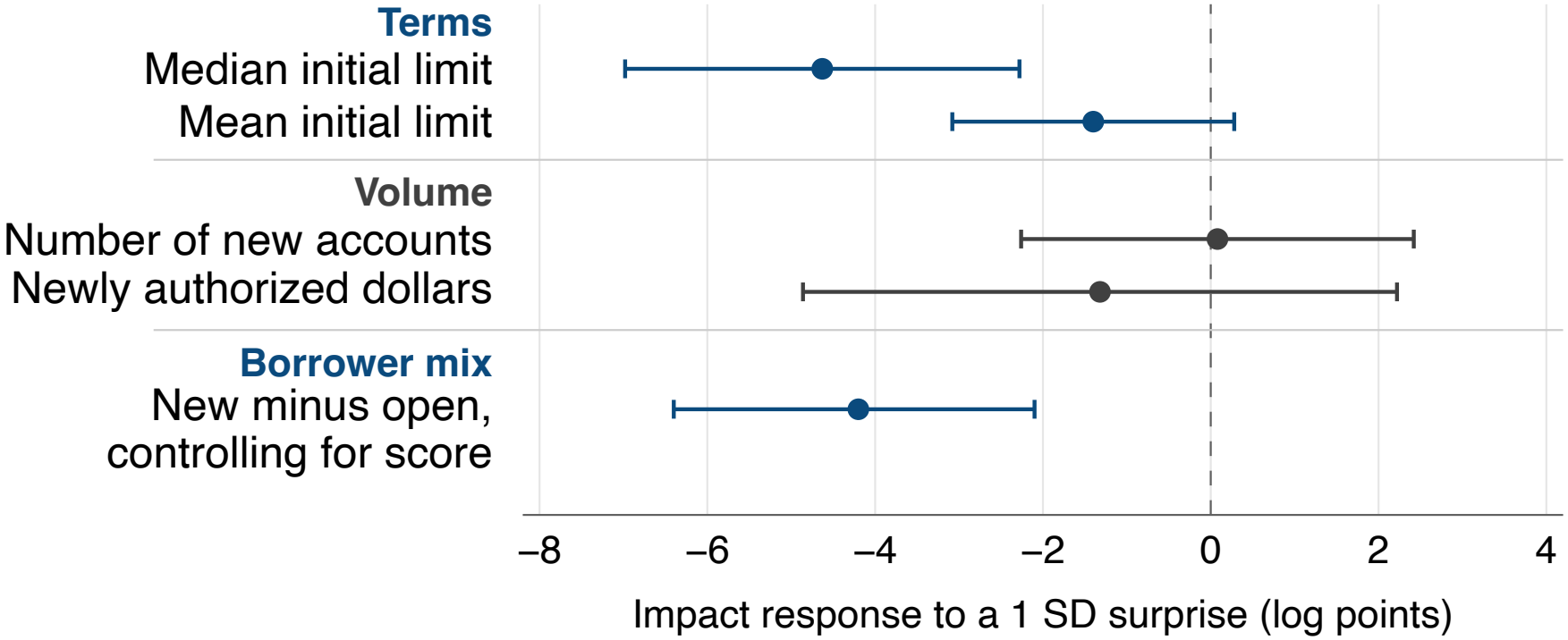


Impact: new median –4.6; **new minus open –5.2** [–7.5, –2.9]. One quarter later: –7.3.

Credit terms tighten at origination.

Per 1 SD surprise (7.89 bp); quarter-of-year effects; pointwise 95% intervals.

It is the terms, not the volume or the borrower mix

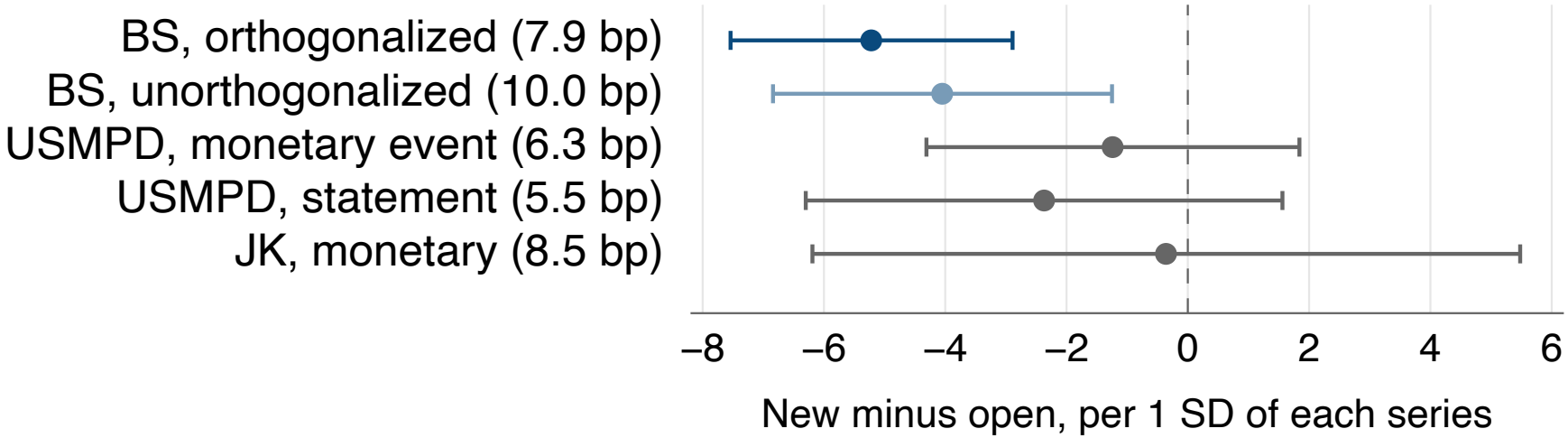


New accounts' median credit score: −0.52 points [−1.27, 0.24].

The median new line shrinks; volumes are imprecise.

New accounts only, 95% intervals. Mean initial limit: newly authorized dollars divided by new accounts.

Raw surprises carry news that pushes the other way



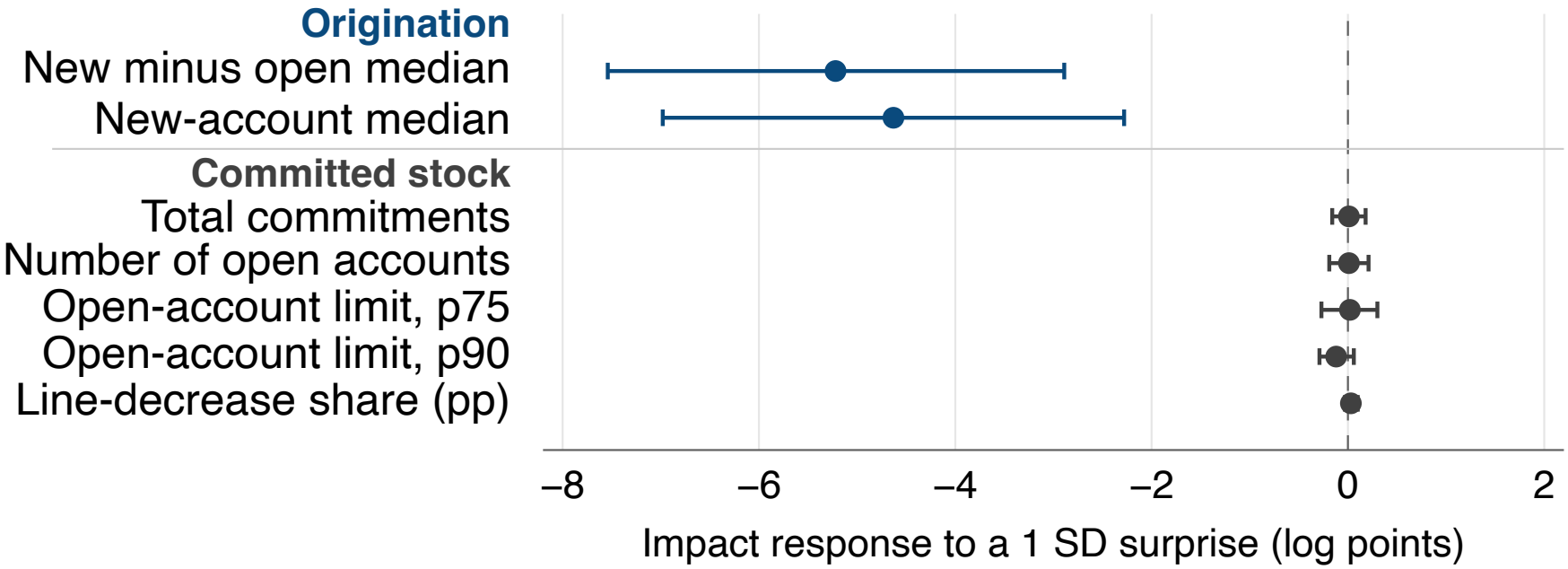
Split the raw Bauer–Swanson surprise (per bp):

- orthogonal part –0.63 [–0.91, –0.36]
- predictable part 0.48 [–0.11, 1.07]; equality rejected, $p = 0.003$

Purging pre-announcement news matters for credit terms.

Quarter-of-year effects, 95% intervals. USMPD: SF Fed U.S. Monetary Policy Event-Study Database (Acosta et al. 2025); JK: Jarociński & Karadi (2020). All specifications

The committed stock does not contract; its price does

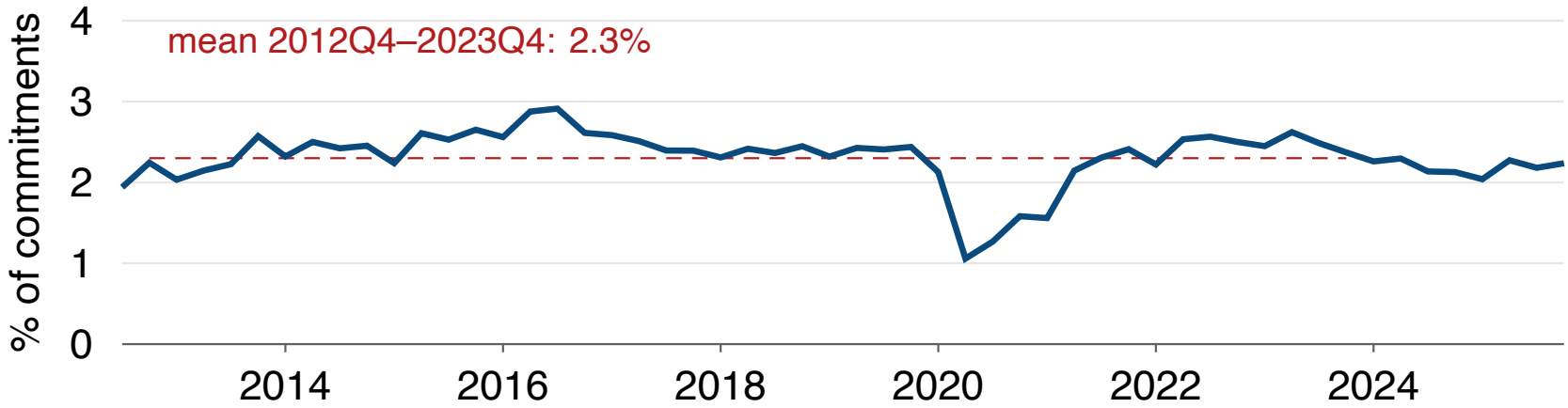


Price: the APR rises 1.08 pp per 100 bp of realized fed funds changes [0.83, 1.33]; utilization rises.

Existing lines are repriced, not measurably withdrawn.

95% intervals. APR: assessed interest on revolving balances, Federal Reserve G.19. Table 1

A small flow moves the stock slowly and by little



- If the fall in median initial limits hit *every* new dollar for five quarters, commitments would be about **0.38% lower after a year** (0.74% excluding 2020).
- As with commercial loans under commitment (Morgan 1998): in card credit, almost all of the stock is committed.

Small in the aggregate. But whose credit is it?

New authorization: newly authorized dollars divided by total commitments, quarterly.

Households: three surveys, one synthetic population

Diary of Consumer Payment Choice, 2024
5,583 respondents with survey weights; card status at the start of the quarter

matched within income and card-status cells

Survey of Consumer Finances
liquid assets, card limits, balances

Consumer Expenditure Survey
income, quarterly expenditure

	Cardless	Revolvers	Non-revolvers
Population share (%)	17.4	37.9	44.8

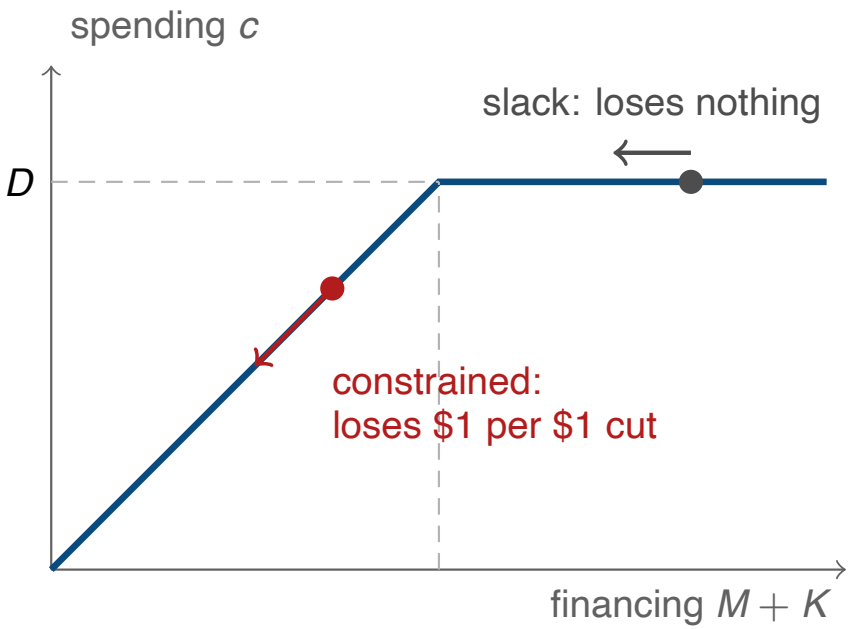
Revolvers carry balances from month to month; non-revolvers use cards only to pay.

Diary: Federal Reserve Bank of Atlanta. SCF: Federal Reserve Board. CEX: U.S. Bureau of Labor Statistics. Results average over 50 cross-survey pairings.

Credit matters for spending only where the constraint binds

$$c_i = \min\{D_i,\ M_i + K_i\}$$

D_i: expenditure need; M_i: income and liquid assets; K_i: unused card capacity



A cut in an existing line matters only if it pushes a household onto the slope.

A new account adds capacity on top, and matters only for households with a shortfall $d_i = [D_i - M_i - K_i^{old}]_+ > 0$.

With a shortfall: cardless 36%, revolvers 12%, non-revolvers 4%.

Shortfall shares before any policy change. Population

Remove the same $27.48 in two ways

Tighter terms on new accounts

Every new initial limit cut by 4.53%, the estimated median response. The same households open the same accounts.

Withdrawal from existing lines

Every cardholder's limit cut by 0.10%, balances fixed. Cardless households have no line to cut.

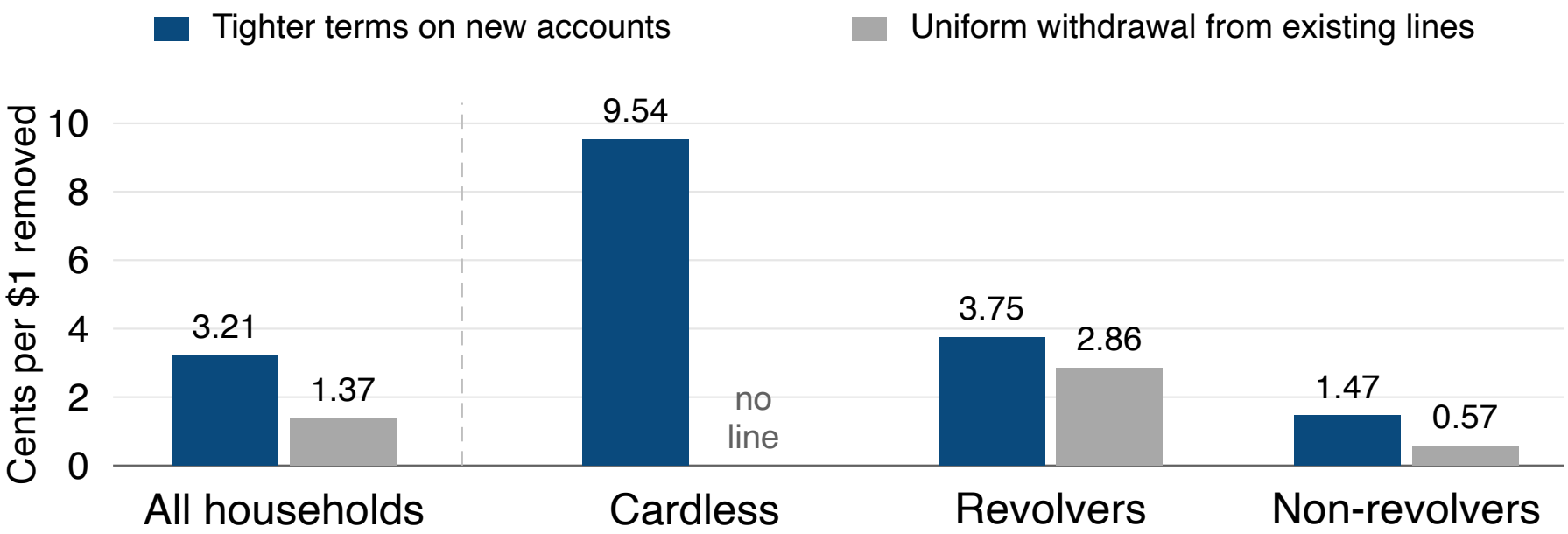
Both remove **$27.48** of authorization per household-quarter: 4.53% of the $607.06 of new authorization.

$$\eta_g = \frac{\text{spending lost by group } g}{\text{authorization removed from group } g}$$

Same dollars, so the ratio of the two margins' η is the ratio of their spending losses.

New authorization: 2.21% of the authorized stock per quarter (Y-14M, 2024). New-account opportunity per quarter: cardless 5.81%, cardholders 11.15%. Calibration

A dollar removed at origination costs 2.35× as much spending

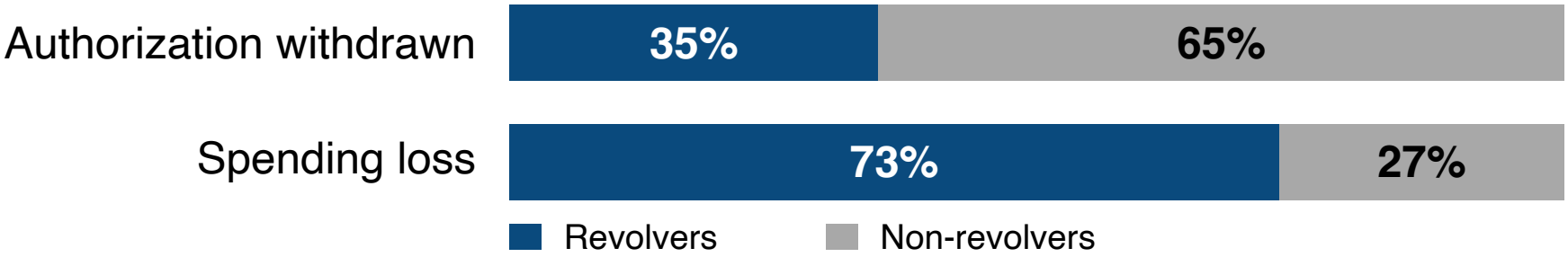


Same $27.48 removed: spending falls **$0.882** vs **$0.376**, a ratio of **2.35**.
Within revolvers 1.3×; within non-revolvers 2.6×; all cardholders 1.8×.

Holds in all 50 cross-survey pairings and 57 alternative populations (1.41–3.87). Slack responses

Line cuts bite revolvers, not non-revolvers

Cut every existing line by 1% (CF0 = CF1 + CF2):

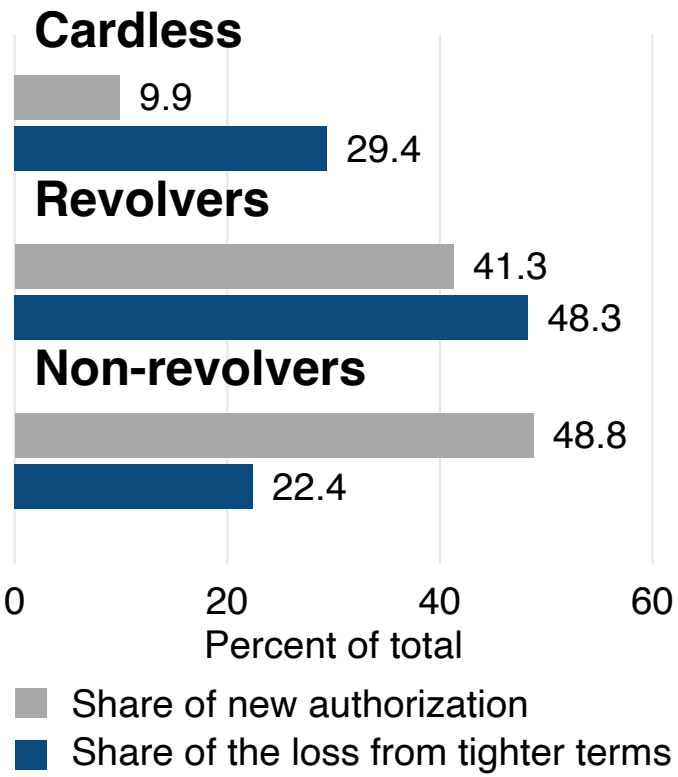


Per household-quarter	Revolvers only	Non-revolvers only
Authorization withdrawn	$96	$178
Spending loss	$2.77	$1.02
Cents lost per $1 withdrawn	2.89	0.57
Households whose spending falls (%)	3.8	1.9

Non-revolvers hold most existing authorization, mostly as slack.

After a 100 bp cash-flow shock (Appendix C). The $27.48 cut splits the same way (35% / 73%).

New authorization reaches households without slack



New authorization is spread across new accounts, regardless of the limits households already hold.

A new card for a cardless household can cover a shortfall that no existing line covers.

Recipients whose spending falls: cardless 18.4%, revolvers 6.5%, non-revolvers 2.4%.

Cardless: 9.9% of new authorization, 29.4% of the loss.

Loss per dollar: cardless 2.5× revolvers and 6.5× non-revolvers.

Implications for monetary transmission

1. **Commitments insulate card credit, depending on the shock.**
   Under monetary surprises the committed stock holds; under bank funding shocks, issuers do cut existing lines (Chava et al. 2023).

2. **Quantities move slowly; the price moves fast.**
   New authorization is 2.3% of commitments per quarter; the APR adjusts within the quarter.

3. **Borrowing limits with a vintage structure.**
   Not one common limit: the stock holds while new terms tighten. The aggregate response is smaller and slower, and concentrated on new entrants and households with little unused capacity.

Next

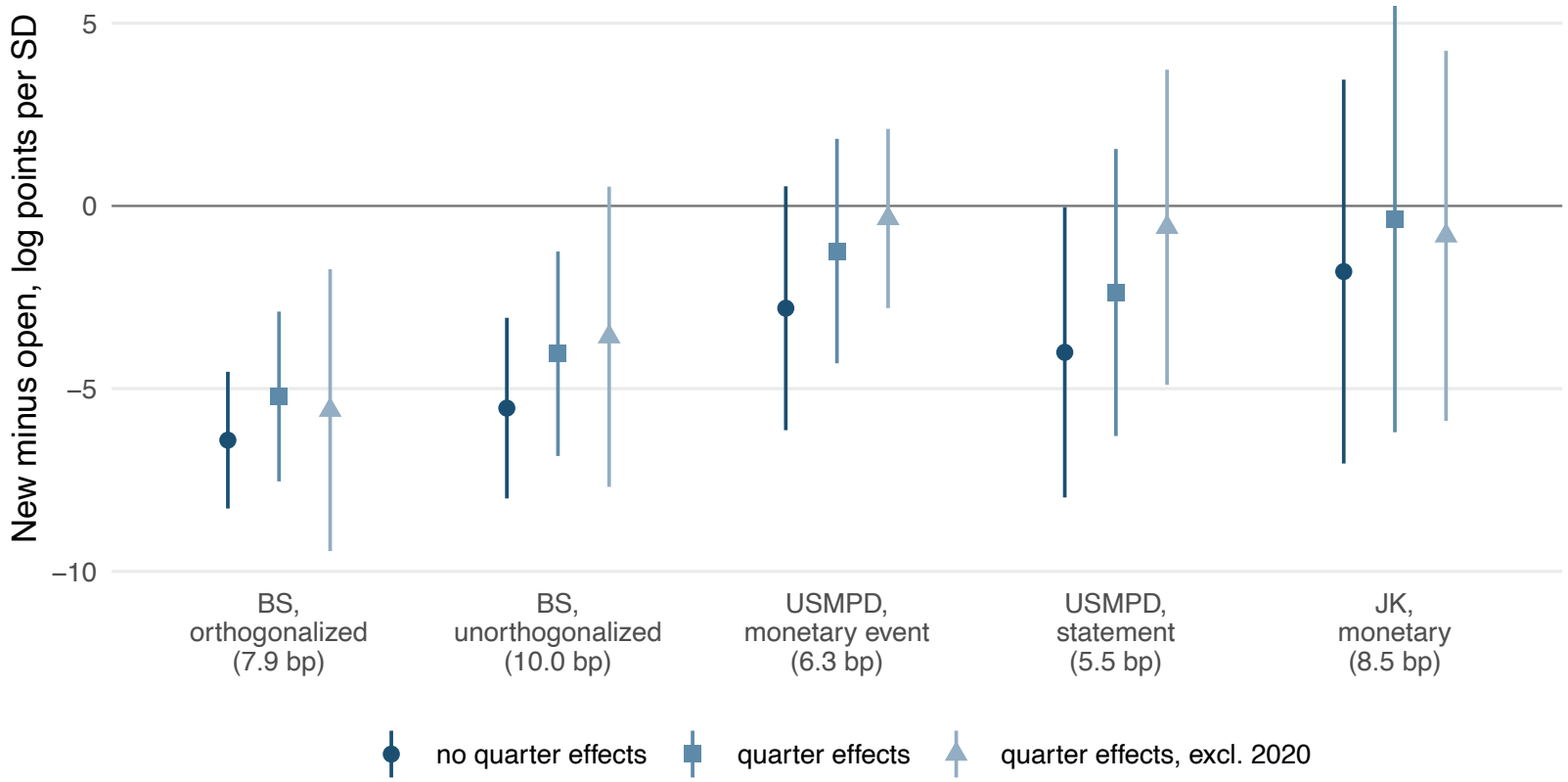
Account-level data linking new accounts to borrowers' existing lines and spending would turn the incidence calculation into estimates.

Conclusion

- Monetary tightening adjusts the **terms of new card credit**; the committed stock shows no measurable contraction.
- New authorization is a small flow, so card credit changes **slowly and by little**.
- The dollars it moves reach households with **little unused capacity**: per dollar, 2.35$\times$ the spending effect of a cut to existing lines.

Thank you

The contrast across series and specifications



New-minus-open contrast per 1 SD of each series, 95% intervals. BS: Bauer & Swanson (2023); USMPD: Acosta et al. (2025); JK: Jarociński & Karadi (2020).

◂ Main talk

Table 1: impact responses

	Estimate	95% CI	*N*
A. Credit at origination			
Median initial limit, new accounts	–4.63	[–6.98, –2.28]	45
Median limit, open accounts	0.58	[0.06, 1.11]	45
New minus open (estimated directly)	–5.22	[–7.54, –2.89]	45
Mean initial limit, new accounts	–1.40	[–3.08, 0.28]	45
Number of new accounts	0.08	[–2.26, 2.42]	45
Newly authorized dollars	–1.32	[–4.86, 2.22]	45
B. The committed stock			
75th percentile limit, open accounts	0.02	[–0.27, 0.30]	45
90th percentile limit, open accounts	–0.12	[–0.29, 0.06]	45
Total authorized commitments	0.01	[–0.16, 0.18]	45
Number of open accounts	0.01	[–0.19, 0.21]	45
Share of accounts with a line decrease (pp)	0.03	[–0.03, 0.10]	44
Share of accounts with a line increase (pp)	–0.05	[–0.20, 0.09]	44

Per 1 SD orthogonalized Bauer–Swanson surprise (7.89 bp), log points unless marked pp; quarter-of-year effects except the line-action shares (2013Q1–2023Q4).

Main talk

Responses away from the constraint narrow the gap

Add a common response ϕ per dollar of capacity removed beyond what binds:

	$\phi = 0$	$\phi = 0.05$	$\phi = 0.11$
Origination / existing lines	2.35	1.28	1.14
Lowest across populations	1.41	1.08	1.04
Cardless / non-revolvers	6.5	2.2	1.6

What would reverse the ordering (one at a time):

- slack responses larger for existing-line cuts by 1.9 cents per dollar;
- households with a shortfall getting new accounts at under 43% of their group's rate;
- outside financing of 62% of every measured shortfall.

$\phi = 0.11$: first-quarter estimate of Aydin (2022). Absolute losses rise with ϕ on both margins; only the ratios fall.

Main talk

The synthetic population before any policy change

	All	Cardless	Revolvers	Non-revolvers
Population share (%)	100	17.4	37.9	44.8
With a shortfall, $d_i > 0$ (%)	12.6	36	12	4

- Among households with a shortfall, it equals 39.5% of recorded expenditure (46% for the cardless).
- Shortfalls combine financing pressure and cross-survey matching: the CEX unit did finance its spending, by means the SCF record may not show.
- Excluding housing from D_i: 5.8% have a shortfall; the origination/existing ratio stays between 2.1 and 2.7 across expenditure definitions.

D_i: total quarterly expenditure in the matched CEX record.

◂ Main talk

Calibrating new-card opportunities

Object	Value	Source
Annual entry into card ownership, cardless	21.3%	Diary panel, 2021–2024
Quarterly opportunity, cardless	5.81%	constant hazard
Quarterly opportunity, cardholders	11.15%	residual
New authorization / lagged stock	2.21%	Y-14M, 2024
Mean and median initial limit	\$5,941, \$3,663	Y-14M, 2024
New accounts per 100 households a quarter	10.2	implied
Cut in every new limit, δ	4.53%	median response
Authorization removed, both margins	\$27.48	per household-quarter

Initial limits are log-normal, matched to the 2024 mean and median.

◂ Main talk