5 Things Bank and CU Marketers Should Consider Before Responding to Rate Cuts

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With the U.S. Federal Reserve initiating interest rate cuts in pursuit of an economic soft landing, consumers and businesses are expected to recalibrate their financial strategies accordingly. Some may purchase the new car they have been putting off, prioritize consolidating credit card debt, and there could also be an increase in mortgage activity as a result.

This sounds positive, but for financial institutions (FIs) the monetary policy shift reflects rising risks, from both new competitive pressures as well as the risks of serving debt-strapped consumers. A range of Federal Reserve Bank studies tell the story:

The delinquency rate on credit cards for commercial banks is hovering at 3.05% as of Q2 2025. The trend is more notable in the lowest-income 10% of ZIP codes than it is in the highest-income 10% of ZIP codes: From the second quarter of 2021 to the first quarter of 2025, their delinquency rates grew by 63% and 44%, respectively. Meanwhile, Debt.com's 2025 Credit Card Survey found that 32% of Americans have maxed out their credit cards.

5 Suggestions for FIs as Interest Rates Fall

1. Rebuild Trust

Now is the time to lead with transparency, empathy, and education. Personalized offers and data-informed communications not only help consumers make confident decisions, but they also differentiate your FI as a true partner in progress. You want your approach to be personalized and relevant, using tools that help consumers understand their options and achieve long-term goals. Banks and credit unions can differentiate through relationship-driven transparency and helpful, data-informed communications, and need to be ready to step in with value-driven products.

Begin outreach to high-value customers and members as soon as possible. As they get oriented and start to weigh options, your messaging—not just products and rates, but branding and voice— should be in the mix, to the right person, at the right time, with the right message.

2. Dynamic Tools For Dynamic Markets

Banks and credit unions face increasing pressure to be selective when approving loan and credit applications. This environment makes it more crucial than ever to leverage big data and analytics to target the right customers with the right products. By using such resources, financial institutions can navigate these challenges while keeping an active hand in the market.

Propensity models are an essential weapon in your arsenal. These AI-powered models analyze vast amounts of customer data — including credit applications, loan payments, and demographic and geographic information — to identify patterns and predict future behavior. By applying these insights, banks can determine which customers are most likely to borrow via a specific loan product over the next 3 to 6 months. This allows for highly targeted marketing campaigns, focusing efforts on those with a higher likelihood of engagement.

3. The Power of Proactivity

With consumers already weighed down with unsecured credit card and personal loan debt,now is a great time for FIs to shift to secured loans. It makes sense to educate customers and members—who have amassed large amounts of credit card debt at high rates—about the merits of taking out a home equity loan or home equity line of credit. Encouraging consumers to move from high-interest credit card debt to secured options can enhance asset quality and stability, which likely contributes to balance sheet discipline and capital requirements.

As interest rates decline, educating customers about these benefits positions the institution as a trusted partner while supporting long-term portfolio health. By concentrating pre-approval campaigns on a specific loan type, financial institutions can swiftly address consumer demand and reclaim market share through targeted refinance offers—especially in the face of competition from captive lenders. Pre-approvals can make the lending process for a consumer seeking this type of product less daunting by taking away the fear of being declined.

4. Adjust and Adapt

As your institution looks to compensate for narrowing net interest margins, incentives still matter, but not at the cost of your bottom line. Now is the change to use education and personalization to boost loyalty while avoiding "rate specials". That's where flexibility—and creativity—can play a role. Lenders need to stay flexible with lending offers and options to meet the ever-shifting economy. End point, FIs will need to weigh risk against portfolio growth on how they market these products.

5. Knowledge is Power

Your customers are looking all over for insights. And what seems that a good deal may very well not be.

Consider the auto-buying market as an example. Many dealerships are promoting their "pre-tariff" inventory with aggressive incentives and low interest rates. While these offers may seem attractive on the surface, they may come with hidden costs. Financial institutions have an opportunity to educate consumers about the long-term costs that may be hidden behind those deals.

By providing pre-approved financing or refinance options, you empower your customers and members to take control of their financial decisions. This not only helps them avoid potentially costly dealer financing but also positions your institution as a trusted partner in helping them save money throughout the car-buying journey.

In a rapidly evolving financial landscape, the ability to adapt, educate, and empower is what sets successful institutions apart. Success lies not only in portfolio growth, but also in building lasting, trust-based relationships with consumers. Institutions should rise to this by seizing the moment and leading with insight, integrity, and innovation.