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Costco's New Visa Credit Card: Here's What We Know

credit.com By Christine DiGangi 21 hours ago



Costco on Monday announced agreements with Citi and Visa to replace American Express as the exclusive co-branded credit card issuer and credit card network in its U.S.

warehouse stores. The 16-year-old relationship between Costco and American Express expires March 31, 2016, so shoppers won't begin to experience the effect of this change until next year.

At this point, there's not a lot of information on what that change will look like.

What We Know

The agreement between Costco and Citi is contingent on Citi purchasing the existing co-branded card accounts — that's something to be worked out between Citi and American Express. That transaction would mean existing cardholders will have their TrueEarnings Card from Costco and American Ex-

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press replaced by the co-branded Citi Visa.

"Assuming the portfolio is sold, and hopefully it will be, Citi will just send you a new card," said Bob Nelson, Costco's vice president of investor relations. "Any balances will just transfer over to Citi."

Emily Collins, Citi's director of consumer public affairs, told Credit.com that Citi is not sharing any more details about the coming card other than it will begin offering the co-branded card beginning April 1, 2016.

Through next March, Costco will continue accepting American Express cards — it's the exclusive credit card network in Costco warehouses — but come next April, anyone wishing to use a credit card in Costco will need a Visa.

American Express has a larger market share of U.S. credit cards than Citi (12.1% vs. 11.8% in 2013, according to February 2014 figures from The Nilson Report), but Visa accounts for nearly twice the purchase volume of American Express. In 2014, American Express's U.S. purchase volume (transactions made with an AmEx) was \$684 billion. For Visa, it was \$1.21 trillion.

What We Don't Know

Even though you don't have to have the TrueEarnings Card to use credit at Costco, you still need an American Express if that's your preferred method of payment. (Costco also accepts cash, check and debit cards in its stores, and it accepts other credit cards online.) Next year, instead of needing an AmEx, you'll need a Visa, but Visa cards are much more common than AmEx ones.

Citi and Costco haven't determined the structure of this new rewards card, but the offerings will have to compete with the cards already in your wallet. Nelson knows this, and he said Costco hopes to work with Citi to come up with a card that is not only better than other credit cards but better than other Visa cards consumers may be considering.

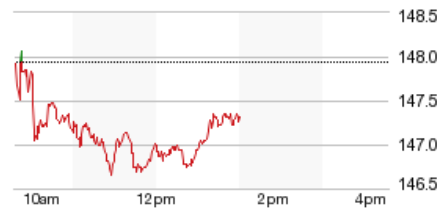
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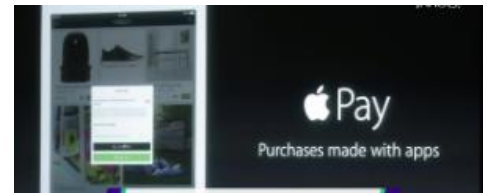


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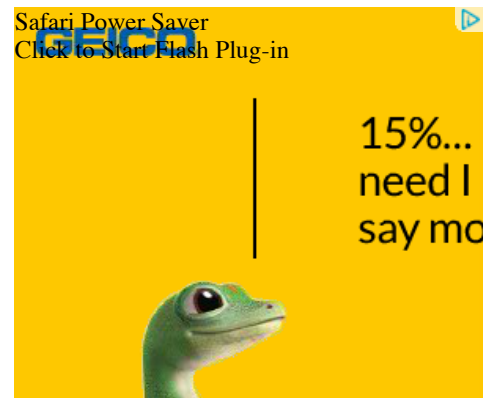
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"There's certainly lots of options out there on all kinds of credit cards, so hopefully the offer we have will be very competitive if not better than most out there, so we'll see," he said.

It's also uncertain what the qualification standards for this card will be. You can still apply for a TrueEarnings Card (American Express has not yet announced when it will stop accepting applications), but because the Citi/Costco card doesn't exist yet, there's no way to know how hard [or easy it will be to get](#).

[Rewards credit cards](#) are generally available to applicants with good or excellent credit and are best used by people who pay their statements in full each month. Rewards cards tend to have higher APRs, making them an expensive financing choice. Again, that's just how these products tend to work — qualification standards, interest rates, rewards and other terms and conditions haven't yet been developed for this new card.

Before you apply for a new credit card, no matter what kind it is, you should have an idea of where your credit stands, because you want to [apply for credit](#) you have a good chance of receiving. Each credit card issuer has different standards, and you have no way of knowing what credit scoring model they use to evaluate potential borrowers, so the best thing you can do is focus on what tends to affect your credit standing most: [payment history](#) and debt use. Make sure you're paying debts on time and using a [very small percentage of your credit card limits](#), and watch how this affects your credit scores. You can get [two credit scores for free every 30 days on Credit.com](#).

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