

## Common Credit Card Questions

Do you understand the credit industry's goal?

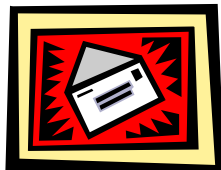
The goal of the credit card industry is to make money from you because they hope you will not pay off your balance due each month. For example, if you as a cardholder have a debt of \$1500 and you choose to reduce this balance by making only the minimum payment, it will take you approximately 12 years and nearly \$3,500.

Are you wondering why the vendor says you have reached your limit?

When using your credit card to rent a vehicle or check into a hotel, be aware that you may not be able to use it anywhere else, even though you may not be anywhere close to your credit limit. The reason is that car rental companies and hotels may hold a portion of your credit line for up to two days after your final bill is paid. Inquire of clerks if they are blocking your credit card and insist that this be removed the moment you check out of the hotel or return the rental vehicle.

How do you close a credit card account?

If you choose to follow the advice given earlier in this article and decide to close your excess credit card accounts, here is what you need to do: First, make sure you have a zero balance on these accounts. Then cut the cards up and send them to your credit card companies, each with a certified letter which should read something like this: "This letter is to serve notice to you that as of (date) I am terminating this credit card account: (account number). Please send me a written confirmation that my account has been closed and that the appropriate credit bureaus have been notified."



If, after two weeks, you have not heard from your credit card company, call their customer service department to follow up on your request. Once the credit card company has sent you written confirmation, order a copy of your credit report from the credit bureaus to verify that each account has been closed.

"The credit card holder is indebted to the credit card company."  
*Proverbs 22:7*  
*(Editor's paraphrase)*

# the Stewpot

A potpourri of practical ideas to help you become a better steward

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## CREDIT CARD FACTS AND FOLLIES

by Gordon Botting



Americans are addicted to plastic. Our purses and wallets are bulging with numerous cards, some of which we can't do business without, such as our drivers license. Others we depend on for our healthcare, such as prescription or medical insurance cards.

But other cards can be downright dangerous to the average consumer. These are our charge and credit cards, and if you don't realize how treacherous they can be, here are a few facts you should know:

- Currently, there are over one and a half billion active cards in the United States.
- There are over 160 million cardholders who have approximately 10 cards each with an average balance of over \$8,500.
- The average interest rate for a fixed-rate credit card is 14-16 percent.
- The average family pays between \$1,000 and \$1,500 in credit card interest each year.
- Forty percent of the United States credit card market is controlled by the "Big 3" (Citibank, MBNA and Bank One). In the first three months of this year they made, after business expenses, an aggregate profit of close to \$3.5 billion. One third of credit card company profit is a result of the numerous penalties imposed on customers such as annual, late and over-limit fees. During the last 12 months, credit card companies have increased their late fee rates by over six percent and over the last nine years by over 140 percent.
- In a report published by the National Center for Education Statistics, nearly three quarters of undergraduate college students had at least one credit card in their name, with the average balance due being \$3,100 and 45 percent of the students carrying a balance from month to month.

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Stewardship is a total life-style. It involves our health, time, talents, environment, relationships, spirituality and finances.

## Using Your Credit Card Wisely

Credit card companies will mail out over 50 solicitations per person this year. Before you respond to this avalanche of card offers, stop and consider the following guidelines.

1. Have only one credit card account — or perhaps two, with the second one being specifically for purchases on the web if you are concerned with internet security.

There are at least three good reasons for having only one credit card account per household:

- Reviewing five, ten or more credit card statements each month for erroneous items or for correct dollar amounts can take a considerable amount of your evening or weekend leisure time.
- Having to keep a long list of the toll free numbers of your many credit cards at home in case your purse or wallet is stolen is a nuisance, not to mention the extended time, effort and money to remedy a theft situation. Fortunately, most banks or credit card companies don't hold you responsible for items on your statement that you have not signed for. If you have made a purchase over the telephone or on the Internet, most companies will have documentation or a recording of such a transaction.
- If you are applying for a home mortgage loan, nothing will sink that application as fast as having too many credit cards. For example, if you have 10 cards, each with a \$5,000 limit for a total of \$50,000, there is a good chance the mortgage lender will turn down your application, even if you have paid each card in full at each statement



"I have enough money to last me the rest of my life, unless I buy something (on a credit card)." Jackie Nason (Editor's emphasis)

period for the last two years. Why? Because the lender does not know that you and/or your spouse won't, on the day your application for that new home loan is approved, go out and charge up that \$50,000 on furniture, appliances and other home furnishings. So the amount that you *could* spend counts against you.

### 2. Pay Your Card in Full Each Month

The best way to avoid paying unnecessary amounts in interest fees is to pay your card in full before the end of each grace period. But remember, if you don't want to be penalized for a late payment, you should allow at least five days if sending payment by mail and at least 72 hours if paying on-line or by phone. Currently, cardholders who regularly pay late or miss payments will be stung with interest rates close to 30 percent. Some of the bank and credit card company late penalties are as high as \$35.



### 3. Purchase Only What is in Your Budget

There is nothing wrong with paying for necessary household items or utility expenses with plastic. In fact, over 60 percent of U.S. households currently do so. The key is making sure you have already set aside the amount in your family or individual budget.

### 4. Keep Your Card Limit to the Minimum

After you have been a cardholder for a time with a certain bank or credit card company, they may send you a nice letter indicating that because you are such a valuable customer they have done you a great service by automatically increasing your card's limit. Do not procrastinate, but call your card insurer and ask that your card be returned to your original limit.



Credit card facts resources: CNN/Money.com; *Cheapskate Monthly*; cardtrack.com.

Resource left off April 2003 issue: *The Art of Staying Married*, Phil Callaway, Marriage Partnership, p.16