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CREDIT CARDS

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Quick Facts

The Idaho Uniform Consumer Credit Code sets the maximum finance charge on revolving credit accounts at $1\frac{1}{2}\%$ per month.

Advantages of using credit cards include traveling without large sums of money, simplified bookkeeping and the ability to take advantage of sales.

A disadvantage of credit cards is that the merchant who extends credit incurs additional costs which he passes along to you as a consumer.

The cost of credit can be expensive if you spread payments over a long period of time.

Credit cards often make it easier to overspend.

Some authorities fear that widespread use of credit may encourage inflation.

The credit card is a way for you to purchase goods and services. It may also allow you to borrow money with a minimum of effort. A credit card acknowledges that your credit will be honored by the issuer — usually up to a predetermined amount.

Organizations which issue credit cards include retail merchants, oil companies, commercial banks and travel and entertainment credit agencies.

Credit services vary with the type of credit card held. Some cards offer credit privileges only within a particular store or chain of stores, or for particular services. Others are general purpose cards that can be used to charge a variety of goods and services. Some cards can be used throughout the country and even throughout the world.

Most credit card plans are like revolving charge accounts. As the card holder, you may pay the monthly balance in full or may pay only a portion of

the bill. A finance charge is computed on the unpaid balance. Oil and gas credit card plans are like 30-day charge accounts in which the amount charged must be paid in full every month.

The Idaho Uniform Consumer Credit Code (UCCC) sets the maximum finance charge on revolving credit accounts at $1\frac{1}{2}\%$ per month or 18% per year. The law is designed so the credit card issuer cannot calculate the finance charge without deducting payments you make during the month. A minimum charge of 50 cents may be made on balances below \$33.50.

When you use a credit card, you agree to the terms of the credit card issuer. These terms appear on the back of the card or on the accompanying disclosure statement. Read them carefully before you use the card.

Advantages of Credit Cards

Having a variety of credit cards makes it unnecessary to carry a large amount of money when shopping or traveling. It also eliminates the necessity for estimating how much cash will be needed. In many instances, however, a checking account or travelers' checks will offer the same advantages.

Many persons find it more convenient to write one or two large monthly checks for goods and services than to write many small checks at the time of purchase.

The bill from the credit card issuer may simplify bookkeeping, especially if you use credit cards for expenses which are to be kept separate. Purchases made during the preceding month are often itemized on the credit card statement. This permits a rapid check against budget allowances.

Credit cards allow you to take advantage of sales and also to make necessary purchases when short of cash. You should make sure that finance charges that may be incurred do not eliminate the savings realized by the purchase.

Disadvantages of Credit Cards

The card holder is not the only person who must pay for the convenience of using credit. The merchant who honors a card issued by a separate organization is charged a "discount" which works as follows:

The merchant who sells a product or service to a card holder then "sells" the sales slip to the organization which issued the card. The merchant will receive back from the issuing organization between 3% and 7% less than the amount of the consumer's purchase.

Whether merchants extend credit themselves or through an outside credit card organization, they incur additional costs. These costs usually are included in the price of goods and services. The cash customers then pay for the use of credit even though they may not take advantage of it.

If a credit card holder is dissatisfied after the purchase of goods or services, the law now provides that the purchaser may withhold payment of any balance due on the defective merchandise or on services purchased with a credit card, provided the customer has made a good faith effort to return the goods or resolve the problem with the merchant from whom the purchase was made.

If the store that honored the credit card was not also the issuer of the card, two limitations apply to this right:

- The original amount of the purchase must have exceeded \$50, and

- The sale must have taken place in Idaho or within 100 miles of your current address.

If you cannot resolve the problem in face-to-face meetings with the merchant, put your complaint in writing. Send the original letter to the store; send a photocopy to the credit card issuer and keep a copy for yourself.

Mail the copy for credit card issuer to the same address to which you make your monthly payments. Usually, the credit card issuer will have a representative contact you by letter or telephone, telling you not to pay that part of your bill until the dispute is resolved. You may also be told that there will be no interest charged on that amount, or that if interest is charged it will later be removed from your finance charges.

The cost of credit can be expensive if you use your card to spread payments over a long period of time. You will pay 18% annual interest for the use of money borrowed from the credit card issuer.

A danger connected with credit card use is that the monthly bill can become staggering before you realize it. This is especially true of all-purpose credit cards because they can be used to charge so many everyday items and expenses.

Some authorities fear that widespread use of credit may encourage inflation. This is because the extension of credit often results in a price increase to cover the cost of credit service. Also, credit cards, unlike money, are always available, thereby allowing consumers to overspend.

Many credit card agreements contain a clause which states that the issuer has the right to demand full payment of the bill without notice, even if the bill is not yet due and payable. If the credit holder does not make monthly payments regularly, the issuing agency may apply this clause for its own protection.

Federal Credit Card Protection

Since January 25, 1971, the mailing of unsolicited credit cards has been banned by an amendment to the Consumer Credit Protection (Truth-in-Lending) Act. This federal law makes it illegal to issue a credit card unless the consumer applies or asks for it. A credit card issuer can, however, renew or replace a credit card which a consumer has previously had without the consumer's specific request.

If a credit card is used by an unauthorized person after the issuer has been notified, the card holder has no liability. Also, if a renewed card is lost in the mail, the card holder is not held responsible for unauthorized use.

The credit card issuer may recover up to \$50 from the card holder only if it has:

- Given the card holder notice of the potential liability for unauthorized purchases.
- Provided the card holder with a self-addressed, prestamped notice which can be returned to the issuer in case a credit card is lost or stolen.

Accounts for which more than one card has been issued still carry the maximum liability of \$50.

Most credit cards have a place for identification such as the signature of the person authorized to use the card.

Additional Considerations

A credit card should be used for purchases that can be paid off quickly. There is usually no finance charge on credit card purchases paid within 25 days of the billing date. For long-term purchases, such as furniture and major household appliances, you should compare the total cost of borrowing money on a credit card plan with the total cost of borrowing from banks, finance companies or credit unions.

A general recommendation is that the total debt for credit card purchases that cannot be resold or paid off quickly should be limited to one month's income.

Although credit cards have become an accepted part of the American economy, each consumer should consider both their advantages and disadvantages before using them.

Be Alert to Changes

Companies or banks that issue credit cards each have different and changing policies. Be alert to changes in interest rates. Be aware of when your finance charges begin, and whether an annual service charge will be made. Choose the card that costs you the least, yet gives you the benefits you want.

You will be properly notified of your increased costs, so be sure to read all the literature sent with your monthly bill. You may decide that you can do without some of those cards, if you hold quite a few. Or perhaps one major card and more use of your checking account is the answer.

To Find Out More

Creditors must provide you a complete statement of your Fair Credit Billing rights when you first open an account and at least twice annually (or send a shorter version with each billing). If you have any further questions about Fair Credit Billing, you may write to any Federal Reserve Bank or to the Board of Governors of the Federal Reserve System, Washington, DC 20551. If your question is about a particular creditor, you may want to address it to the attention of the appropriate enforcement agency, listed below:

FEDERAL ENFORCEMENT AGENCIES

National Banks

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the area in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Supervising Examiner for the District in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

The FHLBB's Supervisory Agent in the Federal Home Loan Bank District in which the institution is located.

Federal Credit Unions

Regional Office of the National Credit Union Administration, serving the area in which the Federal Credit Union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor.

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks, and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza West
Washington, D.C. 20578

Retail Department Stores, Consumer Finance Companies, All Other Creditors, and All Nonbank Credit Card Issuers

Truth in Lending
Federal Trade Commission
Washington, D.C. 20580



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Service . . . The Cooperative Extension Service has offices in 42 of Idaho's 44 counties under the leadership of men and women specially trained to work with agriculture, home economics and youth. The educational programs of these College of Agriculture faculty members are supported cooperatively by county, state and federal funding.

Research . . . Agricultural Research scientists are located at the campus in Moscow, at Research and Extension Centers near Aberdeen, Caldwell, Parma, Teton and Twin Falls and at the U. S. Sheep Experiment Station, Dubois and the USDA/ARS Soil and Water Laboratory at Kimberly. Their work includes research on every major agricultural program in Idaho and on economic activities that apply to the state as a whole.

Teaching . . . Centers of College of Agriculture teaching are the University classrooms and laboratories where agriculture students can earn bachelor of science degrees in any of 20 major fields, or work for master's and Ph.D. degrees in their specialties. And beyond these are the variety of workshops and training sessions developed throughout the state for adults and youth by College of Agriculture faculty.

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