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Credit Card Facts and Stats

- Americans owe approximately $850 billion in revolving credit card debt.[i]
- As of 2007, 73% of all American households had credit cards and 60% of these households carried a balance. The average balance for households that carried a balance was $7,300, up 30.4% from 2004.[ii]
- Low- and middle-income households have an average of $8,650 in credit card debt.[iii]
- The total amount of credit made available by issuers in 2007 was about $5 trillion, or $43,007 per household.[iv]
- Even as the economy worsens, Americans continue to be inundated with offers of credit. In 2008, issuers sent 4.2 billion credit card offers in the mail - nearly four times as many as the 1.1 billion sent in 1990.[v]

Credit Card Industry Profits

- The industry is dominated by a few major players. Just six companies - Bank of America, JPMorgan Chase, Citigroup, Capital One, Discover, and American Express - account for about 90% of all credit card debt.
- Credit card companies collected $115 billion in revenue in 2006, about two-thirds from interest payments, one-fifth from fees paid by merchant who accept the cards, and about 15% from consumer fees. Profits were $18 billion.[vi]
- Banks specializing in credit cards have been much more profitable than banks in general. According to FDIC data for 2007, the return on equity was 15.1% for credit card banks, compared to 8.2% for all banks.[vii]

Credit Card Industry Practices

In a study of the 12 largest credit card issuers[viii], all engaged in one or more practices that would violate the recently issued Federal Reserve Rule, which goes into effect July 2010.

- 100 percent of cards allowed the issuer to apply payments to low-rate balances before paying down balances with high rates. This maximizes interest charges to the cardholder.
- 93 percent of cards allowed the issuer to raise any interest rate at any time by changing the account agreement.
- 87 percent of cards allowed the issuer to impose penalty interest rate increases even for the most minor infraction. The median allowable penalty interest rate was 27.99 percent per year. 92 percent are issuers impose penalty rates indefinitely.

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- The median penalty rate of 27.99 percent, would add charges of between $100 and $180 annually for every $1,000 in revolving purchase debt. For the average household with a balance, this would amount to between $730 and $1,314 per year.

- 72 percent of cards included offers of low promotional rates which issuers could revoke after a single late payment.

- 92 percent of cards include a fee for exceeding the credit limit. The fee is $39 on most cards.

- 84 percent of cards include binding arbitration agreements which limit cardholder's legal rights.

In a survey of recent activities (since the Fed Rule was released in December 2008) by the top eight credit card issuers: [ix]

- All of the top eight issuers have increased interest rates on existing balances for many of their account holders on an "any time, any reason" basis, not counting penalty rate increases.

- An estimated 10 million cardholders have been given a rate hike in the last six months.

- Seven of the eight top issuers have increased the amount of the penalty rates that they impose on balances.

- Five of the eight top card companies are known to have raised fees on cardholders in the last six months.

College Students and Credit Cards

- A study conducted by Sallie Mae in 2008 revealed that 84% of undergraduates had at least one credit card, up from 76% of undergraduates in 2004. The average number of credit cards per student has grown to 4.6.[x]

- In 2008, the average balance on undergraduate credit cards was $3,173, and the average senior graduated with $4,100 in debt.[xi]

- Nearly one-third (30%) of all students put tuition on their credit cards in 2008, up from 24% in 2004. [xii] When asked why they were charging tuition to their credit cards, 31% of students surveyed said they did so because they didn't have enough savings or financial aid to pay for their educational expenses. [xiii]

- Only 17% of undergraduate students in 2008 paid off all credit card balances each month, and less than 1% said that someone else is paying the bill. Only 7% admitted to paying less than the minimum each month. Meanwhile, more than three-quarters of all undergraduates are making minimum required payments while incurring finance charges, making it much harder for them to get out of debt.[xiv]

- Eighty-four percent of undergraduates in 2008 indicated that they needed more education in financial management. In fact, 64% would have liked to receive financial education in High School, and 40% would have liked to receive financial education during their freshman year of college. [xv]

People of Color

- Eighty-four percent of African American credit cardholders carry a credit card balance, compared to 75% of Hispanics and 51% of whites. This makes people of color more vulnerable to arbitrary interest rate increases and other industry profit-boosting tactics.[xvi]

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[i] REGARDING MODERNIZING CONSUMER PROTECTION IN THE FINANCIAL REGULATORY SYSTEM: STRENGTHENING CREDIT CARD PROTECTIONS, Hearing Before the Banking Housing and Urban Affairs Committee of the United States Senate, 111 Congress, n.16 (February 12, 2008) (testimony of Travis Plunkett, Consumer Federation of America), *available at* http://www.consumersunion.org/pdf/Travis-testimony-credit-card.pdf.

[ii] FEDERAL RESERVE BOARD, CHANGES IN U.S. FAMILY FINANCES FROM 2004 TO 2007: EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES 45 (2009), http://federalreserve.gov/pubs/bulletin/2009/pdf/scf09.pdf.

[iii] CTR. FOR RESPONSIBLE LENDING & DĒMOS, THE PLASTIC SAFETY NET 7 (2005) (mean balance calculated using data from own survey), http://www.responsiblelending.org/pdfs/DEMOS-101205.pdf.

[iv] H.R. 5244, the Credit Cardholder's Bills of Rights: Providing New Protections for Consumers, Hearing Before the Subcommittee on Financial Institutions and Consumers Credit, House Committee on Financial Services, 110 Cong. 109, 226 (April 17, 2008) (testimony of Travis Plunkett, Consumer Federation of America), *available at* http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:42721.pdf.

[v] This is actually a decrease from the peak of 6.06 billion sent in 2005. *See* Synovate Mail Monitor, http://mailmonitor.synovate.com/news.asp?txtDate=11/10/2008&txtTarYr=2008

[vi] H.R. 5244, the Credit Cardholder's Bills of Rights: Providing New Protections for Consumers, Hearing Before the Subcommittee on Financial Institutions and Consumers Credit, House Committee on Financial Services, 110 Cong. 100, 157 (Mar. 13, 2008) (testimony of Prof. Elizabeth Warren), *available at* http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:41731.pdf.

[vii] Cardtrak.com., Card Fees (last updated Jan. 18, 2008), http://www.cardtrak.com/news/2008/01/18/card_fees.

[viii] PEW CHARITABLE TRUST, SAFE CREDIT CARD STANDARDS: POLICY RECOMMENDATIONS FOR PROTECTING CREDIT CARDHOLDERS AND PROMOTING A FUNCTIONAL MARKETPLACE, (2009), HTTP://WWW.PEWTRUSTS.ORG/OUR_WORK_REPORT_DETAIL.ASPX?ID=50550

[ix] CTR. FOR RESPONSIBLE LENDING, SELECTIVE INTERPRETATION? TOP CREDIT CARD ISSUERS APPEAR TO FOLLOW OWN RULES (2009), http://www.responsiblelending.org/credit-cards/research-analysis/selective-interpretation.pdf.

[x] SALLIE MAE, HOW UNDERGRADUATE STUDENTS USE CREDIT CARDS 3 (2009), http://www.salliemae.com/NR/rdonlyres/0BD600F1-9377-46EA-AB1F-6061FC763246/10744/SLMCreditCardUsageStudy41309FINAL2.pdf.

[xi] *Id.*

[xii] *Id.*

[xiii] *Id.* at 12.

[xiv] *Id.* at 14.

[xv] *Id.* at 3.

[xvi] JAVIER SILVA & REBECCA EPSTEIN, DĒMOS, COSTLY CREDIT: AFRICAN-AMERICANS AND LATINOS IN DEBT 1 (2005), *available at* http://archive.demos.org/pubs/Costly%20Credit%20final.pdf.