

FACTS ABOUT CREDIT CARD DEBT

Revolving debt (most of which is credit card debt) has ballooned from \$54 billion in January 1980 to over \$750 billion currently.	
January 1980:	\$ 54 billion
January 1984:	\$ 79 billion
January 1990:	\$214 billion
January 1994:	\$313 billion
January 2004:	\$753 billion
<i>Source:</i> http://www.federalreserve.gov/Releases/G19/hist/cc_hist_sa.html	

- About one-twelfth of this debt is paid off before it incurs interest, so Americans pay interest on an annual load of about \$690 billion in revolving debt.
- According to the Federal Reserve, the most recent average credit card interest rate is 12.4% APR. At simple interest, with no compounding, then, consumers pay at least \$85 billion annually in interest on credit card and other revolving debt.
- Just about 55 percent of consumers carry debt. The rest are convenience users.
- From PIRG/CFA analysis of Federal Reserve data, the average household with debt carries approximately \$10,000-12,000 in total revolving debt and has approximately nine cards.

FACTS ABOUT THE EFFECT OF MINIMUM MONTHLY PAYMENTS

- A household making the monthly minimum required payments on this debt (usually the greater of 2 percent of the unpaid balance or \$20) at the very low average 12.4% APR (many consumers pay much higher penalty rates than this FRB-reported average) would pay \$1,175 in interest just in the first year, even if these cards are cut up and not used again.
- This household would pay a total of over \$9,800 in interest over a period of 25 years and three months. That fact is not disclosed.
- A household or consumer who merely doubled their minimum payment and paid 4% of the amount due would fare better. A household or consumer that paid 10% of the balance each month would fare much better. Here is a comparison.

Minimum Payment Warnings Would Encourage Larger Payments and Save Consumers Thousands of Dollars In High-Priced Credit Card Debt			
Credit Card Debt of \$10,000 at Modest 12.4% APR	Monthly Payment (% of unpaid balance)		
	2%	4%	10%
First Year Interest =	\$1,175	\$1,054	\$775
Total Interest Owed =	\$9,834	\$3,345	\$1,129
Months To Pay	303	127	52
Years To Pay	25.3	10.6	4.3
Calculations by U.S. PIRG. Also see http://www.truthaboutcredit.org/lowerapr.htm for additional comparisons and amortization tables.			

Giving consumers a minimum payment warning on their credit card statements is the most powerful action Congress could take to increase consumer understanding of the cost of credit card debt.

FACTS ABOUT WHO OWES CREDIT CARD DEBT

- **Credit card debt has risen fastest among lower-income Americans.** These families saw the largest increase—a 184 percent rise in their debt—but even very high-income families had 28 percent more credit card debt in 2001 than they did in 1989. *Source: Demos*
- **Thirty-nine percent of student loan borrowers now graduate with unmanageable levels of debt,** meaning that their monthly payments are more than 8% of their monthly incomes. According to PIRG analysis of the 1999-2000 NPSAS data, in 2001, 41% of the graduating seniors carried a credit card balance, with an average balance of \$3,071. Student loan borrowers were even more likely to carry credit card debt, with 48% of borrowers carrying an average credit card balance of \$3,176. See “The Burden of Borrowing,” 2002, Tracey King, the State PIRGs, <http://www.pirg.org/highered/BurdenofBorrowing.pdf>

While less likely to have credit cards than white families, data show that African-American and Hispanic families are more likely to carry debt			
	% With Credit cards 2001	Cardholding % with debt 2001	Average Credit card debt 2001
All families	76%	55%	\$4,126
White families	82%	51%	\$4,381
Black families	59%	84%	\$2,950
Hispanic families	53%	75%	\$3,691

Demos calculations using 2001 Survey of Consumer Finances. See [Borrowing To Make Ends Meet](http://www.demos-usa.org/pubs/borrowing_to_make_ends_meet.pdf). Demos, http://www.demos-usa.org/pubs/borrowing_to_make_ends_meet.pdf

Seniors (over age 65):

- Credit card debt among older Americans increased by 89 percent from 1992 to 2001. Average balances among indebted adults over 65 increased by 89 percent, to \$4,041.
- Seniors between 65 and 69 years old, presumably the newly-retired, saw the most staggering rise in credit card debt—217 percent—to an average of \$5,844.
- Female-headed senior households experienced a 48 percent increase between 1992 and 2001, to an average of \$2,319.
- Among seniors with incomes under \$50,000 (70 percent of seniors), about one in five families with credit card debt is in debt hardship—spending over 40 percent of their income on debt payments, including mortgage debt.

Transitioners (ages 55 – 64):

- Transitioners experienced a 47 percent increase in credit card debt between 1992 and 2001, to an average of \$4,088.
- The average credit card-indebted family in this age group now spends 31 percent of their income on debt payments, a 10 percent increase over the decade.

*Source: "Retiring in the Red: The Growth of Debt Among Older Americans"; <http://www.demos-usa.org/pub101.cfm>
Other fact sheet sources include "Deflate Your Rate," MASSPIRG, 2002, see <http://www.truthaboutcredit.org> and other reports by Demos. See <http://www.demos-usa.org/page38.cfm>*