

## FACTS ABOUT CREDIT CARD DEBT

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

- 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.

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

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