

PERSONAL HOUSEHOLD DEBT IN AMERICA



THE ASCENDANCY OF THE CREDIT CARD INDUSTRY

Not only are their nations, their state, and their cities and towns in debt but they themselves as individuals and as family units also find themselves going deeper and deeper in debt to finance their present lifestyle. Most now have and use a credit card from their bank which allows them to purchase their nations goods and services without using cash or the money in their bank account at the time of purchase. The Credit Card Industry is now the most profitable sector in American banking. In 2004 it generated nearly 30 billion dollars in net revenue. The standard industry interest rate on any outstanding unpaid balance is 18%.

The average household credit card debt has tripled since 1990 - from \$2,500 to \$7,500. Last year, penalty fees alone generated \$12 billion in revenue.

THE LAWS OF USURY

Four Urgent Telephone Calls From New York

In 1980 Usury Laws were still on the majority of State Law Books. These State Usury Laws held 12% as the maximum interest limit a bank could charge for consumer loans - any thing more than 12% was subject to these usury laws and the penalties that attended the law.

In 1980 one of America's largest banks, based in New York, was being squeezed between New York State's Usury Laws and national double-digit inflation rates. The bank employed 3,000 people in its Long Island credit card unit, a fact that the bank used to entice New York State to offer relief from their Usury Laws. The state's answer to this proposal was negative.

These N.Y. bankers were aware that The Marquette Bank Opinion permitted national banks to export interest rates on consumer loans from the state where the credit decisions were made to borrowers nationwide.

At that time South Dakota's economy was in financial distress - "we are in the poor house" said the Governor. The price of wheat had fallen sharply and greatly impacted the states economy. The president of the New York Bank, hearing of South Dakota's dire economic needs and mindful of his own bank's interest rate predicament with the several million cards they had distributed, thought of a proposal he would make to the Governor who needed money and people to save his economy. That day the Banker called the Governor four times and in effect told him that if South Dakota would amend their State Usury Laws the bank would move its credit card business unit to South Dakota, bringing hundreds of high-paying jobs to the State. The Governor agreed to the proposal and South Dakota changed their Usury Laws to suit the needs of the bank. Those four 1980 telephone calls were a pivotal moment in the ascendancy of

the American credit card industry. Other states soon followed suit allowing bank to operate in their states without any Usury Laws to worry about.