CREDIT CARD ABUSE

In the United States today everyone seems to have at least one credit card. You will find credit card booths set up at colleges, in the malls, at the beach during spring break, and other numerous places, all with some incentive to sign up, such as free t-shirts, or 10% off of that purchase. With credit cards being used so much in the United States today, credit card abuse has become a very common story.

Mike, the average college student, received his first credit card after signing up for one on the first day of school. He signed up for the card to get a free t-shirt. Much to his surprise, the credit card company gave Mike a credit line of $1500 even though he had no income. He found himself without money one evening and the credit card in his pocket. He purchased the CD he wanted with the credit card. This started a chain of small purchases. When the bill came, he found it just too easy to pay the minimum balance, which was usually around $15. He didn’t pay any attention to the 18% interest rate on the card. Before he knew it, Mike had charged $1000 to this card. He decided to stop using the credit card. But what he did not know was that if he just made the minimum payment, then it would take him over 12 years to pay off the $1000 on his credit card!

Many people fall into the same credit card trap. They find it very convenient to pay with a credit card when they don’t have any cash on them. A lot of these people only make the minimum payment and pay little attention to the interest rate. People need to realize the consequences of credit card abuse.
Using credit cards without a plan can lead to unfortunate consequences.

1. How does bad credit affect you?

- Bad credit can affect you when you go out and try to buy a car. A bad credit score will often exclude you from getting those good financing deals you see in TV ads. Bad credit means higher rates and therefore more money you will have to pay to get the car you want.

- A majority of landlords look at your credit report before they decide to rent out an apartment. If you have bad credit you will often not be able to get the apartment or will have to pay a very substantial security deposit to get the apartment.

2. What are some signs of having too much debt?

- If you are having a hard time making your minimum payments, you likely have too much debt.

- If you need to borrow money from parents or take out another loan such as student loans to pay off debt, then you likely have too much debt.

3. What are some ways to stay away from the credit card trap?

- You should use cash or a debit card whenever possible. A debit card works much like writing a check, in that money is deducted directly from your checking account.

- You should try to have just one credit card and try to pay it off regularly.

- You should try to use your credit card only in emergencies, and that does not mean: “Oh my gosh I gotta have this CD”!

4. What do I do once I fall into the trap?

- There are a number of things that you can do. First assess your situation and list your expenses and any income you have coming in. Second you should figure out what expenses you can do without. Next you should talk to a consumer debt counselor, who can help you get back on track and help you form a budget that fits your needs.