Prompt

Credit cards are useful instrument; however, they are a big problem in America. What causes this problem?

Response

The article "The Debt Debate," discusses our nation's problems with credit card debt and clearly points out that people are significantly more in debt to credit card companies today than they have ever been. Several possible reasons for this debt are explored. Warren believes that "increasing costs without an increase in wage is the culprit while Manning blames people who currently think of credit cards as "an entitlement." I personally have to agree with the article's notion that credit card debt is a serious problem in America because, unfortunately, I can relate to this issue. Currently I have five credit cards adding up to over three thousand dollars of debt. This may not be a huge amount, but it does create a burden for me. I put a significant amount of blame for this debt on the ridiculous number of credit card offers flooding everyone's mail boxes, the high interest rates and fees some credit card companies charge, and America's obsession with having a good credit score.

My favorite place to put the blame for America's problems with credit card debt is on the excessive number of credit card offers. No matter where you go, you will probably be invited to apply for a credit card. Many stores at the mall have their own credit card with great promotions to reel you in. It is hard not to apply when you're being promised up to 30% off your first purchase. I'm ashamed to say that I was a sucker for this ploy. I went to Macy's to buy my fiancé a couple of purses and was told I would save over $50 if I signed up for a Macy's card. I didn't think then about how I might have to pay back that amount in finance charges and fees; I just signed on the dotted line. There is no safe haven from other offers, either. Every week I probably get four or more offers mailed to my house. The internet is also flooded with banners, pop-ups, and ads raving about great credit card offers. Sadly, for most of us, something is going to catch our eye.

Once you've signed up for a credit card, it's time to start blaming the high interest rates and fees for our nation's credit card debt problem. For example, the Macy's card I discussed earlier charges a 19.95% interest rate. With an interest rate like that, I'll definitely pay back not only the $50 I saved on my first purchase, but I might even end up paying more. Some cards even charge an annual fee that can range from $25 to over $100. Then, if you're ever late on a payment, the credit card company will charge an outrageous late fee and bump you up to the highest interest rate possible, which can be around the 30% mark. When you add it all up, you will find many people paying mainly for those charges and fees which keep them in debt for much longer then they would have anticipated.

Unfortunately, in America, you need credit cards to build up your vital credit score. America is obsessed with credit scores which determine whether you can buy a car or a house, rent an apartment, or even get hired for a job. In order to build up your credit score, there are some guidelines that must be followed. These guidelines include such debt promoting rules like: Having several credit cards, using those credit cards regularly, having a balance on those credit cards, and

not canceling credit cards. With rules like these, you have to be in debt in order to have a good credit score so that you can be approved to become more in debt.

I want to cancel my Macy's card as soon as I pay off my balance, but I've been told that doing so is bad for my credit score. To improve my score I actually need to make purchases occasionally. That seems completely absurd to me because that will only increase my already high credit card debt. This vicious circle of credit card debt is nearly impossible to break out of given today's cultural pressures and marketing schemes.