

Credit Cards Hurt

by
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In the movie classic "It's A Wonderful Life", George Bailey is a benevolent banker who faces personal disaster while his financial institution is on the brink of insolvency. After his encounter with an angel, the banker returns from despair and finds true wealth among family and friends. In the end, grateful customers reward his good deeds by keeping his company afloat.

I smile every Christmas when I watch that movie. As a fellow banker, I wish life could be like that fairy tale. Of course being a banker has changed since the time of George Bailey. However looking out for the best interests of customers is something that I believe has remained timeless at Apollo Trust Company.

Customers often ask me why our bank cannot pay the highest rates on deposits. Conversely I am also asked why we cannot charge the lowest rates on loans. It would be great if every day were Christmas but as the demise of the S&L industry brutally illustrated, prudence is critical not only for profitability but for solvency and customer confidence.

I love to win. I think everybody should bank with us. As a good capitalist, my first commitment is profit maximization for shareholders while providing the best possible service to customers. Apollo Trust Company has historically enjoyed very good success with this simple formula. But as a community banker, I am equally cognizant of civic duty. As in most businesses, there are times when profit can run counter to the economic welfare of consumers.

Some years ago, our bank made the decision to shy away from customer credit cards. The decision was not based on profitability because credit cards are very lucrative for banks. The decision was based on civic responsibility. Many of us could see the onerous burden of high interest credit for people in our community. We painfully watched large corporations cut into our market by issuing credit cards with large lines of credit. But we wanted to facilitate commerce, not financial ruin, so we did not compete.

Today, there is a disturbing trend that has been slowly creeping throughout our region. It is massive credit card debt. This may sound like anathema from a banker but I believe it is absolutely irresponsible for any company to send pre-approved credit cards in the mail to the general public. Credit card telemarketing is equally irresponsible. It is an economic menace. It is a ticking time-bomb. It preys upon hopes, dreams, aspirations and sensibilities.

Unfortunately credit cards are financially addictive to many. While no one is pointing a gun to anyone's head, card issuers (which include many non-banks) tempt potential

customers with every imaginable scheme. Its almost an epidemic. I consider it a good day when I do not have a new card in my mailbox.

Imagine our outrage if tobacco companies indiscriminately mailed packs of cigarettes to hook unsuspecting prospects. The analogy may seem far-fetched but many consumers never escape a vicious recycling of mounting debt through credit cards. Some are forced to pay off credit cards by taking out 2nd and even 3rd mortgages on their homes. Others face bankruptcy.

While credit card indebtedness cuts across all income levels, there is no doubt that mass-mailing, credit card issuers take advantage of low to moderate income people. All too often I have seen it cripple older people trying to get by or single mothers trying to give their kids decent clothing. It even deludes average families that want to keep up with the Jones'. Perhaps it is not surprising that a country which has mortgaged the future with a horrendous national debt has also fostered a self-destructive mindset among its people with credit.

Why do large credit card companies continue this practice? It works. It is big business. It is profitable. Credit card issuers can currently afford the distressing delinquency rate because the rate of interest is usually excessive to offset losses. However it is clear that this trend of behavior is not in the best interest of our nation.

While experts see the economy growing, I see valley residents whose standard of living is declining. Credit cards are a source of desperation for many to maintain what they have. I fear greed and need are heading for a cataclysmic collision.



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