

North Carolina Cities Lead the Pack in Highest Credit Card Debt Ratio



For Immediate Release: October 24, 2011, Charlotte, NC

A recently released study by Equifax, the consumer credit reporting giant, has indicated that six of the 20 U.S. metro areas with the highest credit card debt ratios were located right here in North Carolina. People in Wilmington, North Carolina, owe an average of 17.26 percent of their income to credit cards—more than any other city in the United States. Asheville came in sixth, Fayetteville ninth, and Winston-Salem tenth. Hickory and Greensboro also made the top-20 list.

In North Carolina and nationally, credit card use has exploded over the past two decades, as consumers have turned to the cards' convenience and immediate access to credit. The North Carolina Commissioner of Banks' legislative report noted that, in 2010, 63 percent of North Carolinians had used a credit card in the previous two years.

The commissioner's report also noted the observation by Federal Reserve Bank economists that credit cards have largely supplanted traditional small installment loans. This represents a historic shift in borrowing culture. The report cites George Mason University's Todd Zwyicki's statement that, "When consumers in earlier generations purchased furniture, new appliances or consumer goods, they typically purchased those items 'on time' by opening an installment loan. . . . Today, many of these purchases and short-term loans would be financed by a credit card."

Chris McKinley, President of Green Cap Financial and a member of RLNC, a traditional installment loan industry group in North Carolina, discussed the impact of credit cards on personal debt. He sees both reports' findings as evidence that many people are having difficulty keeping their financial obligations under control. He believes this difficulty has much to do with the changes in the way people borrow money. "Here in North Carolina," he said, "the RLNC has made a strong case for the benefits of traditional installment loans and why it is so important to keep them available to consumers. As they have for over 100 years, these loans provide high-quality features that help keep consumers from falling into endless cycles of debt. Recent economic events have driven home the need to provide access to these more disciplined forms of credit that many consumers could use and benefit from."

McKinley points out that, while a traditional installment loan often carries a higher interest rate than credit cards, the disciplined structure of their amortizing-principal reductions can actually result in the customer paying lower amounts of interest. In addition, installment loans, which are typically provided through brick and mortar offices, require an application and underwriting process that promotes responsible borrowing.

RLNC president Vic Barr concurs, "While credit cards can offer convenience and easy access to credit, they are not always the best option when it comes to certain financing needs for consumers. Credit cards require considerable self-discipline to pay off. For many people that can be difficult. That's why so many consumers who use installment loans for their credit needs are very satisfied. They feel that they have more control in managing their debt. Here in North Carolina, statistics from the Commissioner of Banks' surveys and the Attorney General's office bear that out."

For information contact: crproduction@charter.net, 828-230-8137