

Thursday, December 10, 1987 O&E

By Philip A. Sherman  
staff writer

I distinctly remember getting my first VISA card.

It was in 1977, about a week after I'd mailed in the application. In answer to the question "Who is your employer?" I'd written The Detroit News, where I used to be an editorial assistant.

I was scheduled for the afternoon shift that week, which meant showing up for work around noon. As I climbed the stairs, I could hear a telephone ringing in the newsroom. Everyone was out for lunch. I walked in and answered the phone.

"This is VISA calling," the voice said. "We have an application from a Philip Sherman, and we're verifying his employment. Is he an employee in good standing?" I said he certainly was. The voice thanked me for my time and hung up. I received my card about a week later.

Ten years later, I am but one of 104 million VISA card holders. That's just for the United States. There are also 80 million MasterCard holders in this country. Those figures are from VISA and MasterCard, respectively.

That means there are, without counting American Express, Diners Club, Carte Blanche and Discover, at

**'The baby boomers have very high expectation levels. They want things now.'**

— Jane McNamara  
Credit Counseling Centers

least 184 million credit card holders running around in a country of about 260 million. And the holidays are upon us.

So here is a primer on credit card lore; best read before venturing out into the gaping maw of temptation.

**Q. Who are VISA and MasterCard?**

A. They are associations owned by local banks, properly referred to as VISA USA Inc. and MasterCard International. VISA is a for-profit association, said Dan Brigham, media relations manager. MasterCard is non-profit, according to Julie Dittman, vice president of public affairs.

Both credit card companies work for their members — the local banks with which we do business. The companies perform services for their members, such as providing them with a globally recognized trademark and approving transactions before they're completed.

**Q. So they're the people who issue cards, right?**

A. Wrong. Local banks issue cards, which accounts for the wide span of interest rates. Dittman, for example, said MasterCard rates range nationwide from 16 percent APR (annual percentage rate) at some Connecticut banks to 20 percent. In the Detroit area, the standard rate is 18 percent, according to representatives at National Bank of Detroit, Manufacturers National Bank and Comerica Bank. All three banks of-

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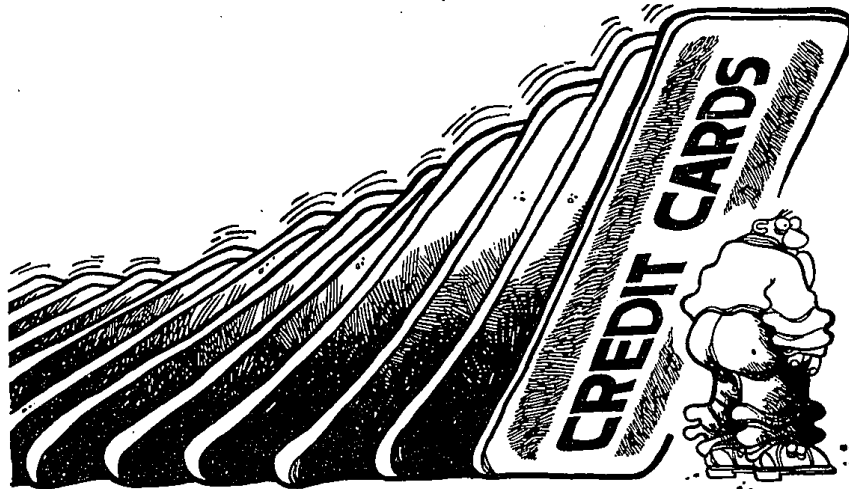
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# 'BALANCED' spending

Knowing credit card rules can pay big dividends



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**Q. Then there are these other differences between cards and banks?**

A. Absolutely. Check annual renewal fees. That 14.9-percent card mentioned above has no annual renewal fee, but it doesn't have a grace period either. The grace period refers to the amount of time you have before interest is charged on your outstanding balance. With this card, interest is calculated from the time you make your purchase. Most cards charge an annual renewal fee

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but have a grace period of at least 25 days. That means if you pay off the balance when billed, then you are not charged interest. Carrying any part of the balance over to the next month means paying interest on that balance.

The Michigan Association of CPAs, based in Farmington Hills, warns consumers to find out how they're paying interest. APR is the best way, they say, because even small payments decrease the balance, which decreases the amount of

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interest that can be calculated on that balance. The worst way is called previous balance, which means you get no credit for payments made during the billing period, they add. In that situation you're paying interest on the previous month's balance.

**Q. How many people really pay off their cards every month?**

A. Ninety-eight percent of VISA card holders do, according to Brig-

ham. Dittman at MasterCard said "the majority do" but didn't have figures available. That's nationwide. Local trends don't quite match up. McMurray at Manufacturers said two-thirds of its card holders do not pay off balances monthly. Curt Willner, public relations representative at NBD, said "one's washing out the other," meaning outstanding debt and payoffs are about equal.

The paying over time trend also is common at Hudson's. Candace Barker, communications manager, said they've seen no major trend in paying off cards this year. Quite the contrary. She said Holiday Money, a deferred credit plan at Hudson's that postpones payments on purchases until February, already has increased 35 percent.

**Q. Where is all this information available?**

A. A lot is included in the Terms and Conditions document that comes with each card; a condensed version of that document usually is printed on the back of each monthly statement. Neither bank nor credit card company representatives know if anyone really reads those pages of tiny type, but they suspect someone must because that's where their cus-

tomers service numbers are printed. If you've ever called to question a bill, you know those lines are popular.

**Q. Is this really big business?**

A. Brigham at VISA said the average transaction is \$65. VISA processes 150 million transactions per month worth \$8.2 billion. That's not for the year, just for last September.

**Q. What are the busiest times of the year for both companies?**

A. For VISA, it's as you would expect — the holiday season. Dittman at MasterCard said their busiest time is the third week in May, around Mother's Day.

**Q. What does it all mean?**

A. Lower-interest cards are better for people who intend to carry balances; higher interest are designed for those who pay them off monthly. The national trend of paying off balances means people use the cards as a convenience instead of carrying money, Brigham said. Dittman at MasterCard said it also means consumers are paying more attention to interest rates and finance charges.

Local banks won't release information on how many cards they've issued, saying that's competitive information. Happy shopping.

**'I think credit cards offer us convenience but become a problem when we let them manage us . . .'**

— McNamara

## Credit: problem or convenience?

By Philip A. Sherman  
staff writer

There are those who pay off credit cards every month. And there are those who put friction burns on their cards until they're \$15,000-\$20,000 in the hole.

That's according to Jane McNamara, assistant to the president of Credit Counseling Centers in Southfield. They have 13 offices statewide; McNamara says this is the best year they've had since '79.

Credit Counseling Centers

"helps people in dealing with their finances. They generally come to us through referrals," she says. Their clients range from low income, low skill to high education levels, McNamara adds. All have one thing in common.

"Fifty percent want help setting up spending plans and 50 percent want more help — we negotiate terms of repayment with their creditors" when they slide into debt, McNamara says.

McNamara says the typical client is in his or her early 40s and it's not uncommon for them to

carry a debt load of up to \$20,000, not including a mortgage. She sees several reasons for this problem.

"The baby boomers have very high expectation levels. They want things now. Pre-approved credit applications also are a problem because the responsibility for determining how much credit is available has fallen to the consumer instead of the lender," she says.

"I think credit cards offer us convenience but become a problem when we let them manage us

through impulse purchases," McNamara adds.

To stay off her client list, McNamara advises planning purchases and spending on a budget. Making spending decisions before snapping down a credit card also will help keep control of accounts, she adds.

But for those in need, McNamara says their offices do not charge for counseling services. If they set up a program for you, fees are based on your ability to pay. "We've never turned anyone away," she adds.

## Ad agency thrives on catalogs

By Carolyn Cerman  
staff writer

Simons Advertising and Associates is carving its niche in an area of the medium where few area agencies have dared to tread — catalogs. Incomp Computer Centers, based in Troy, recently selected Simons to handle its first venture into catalog marketing. The sleek 67-page catalog displays everything from Incomp's software to ribbons.

"When a local business concern like Incomp Computer does not have to go outside Detroit to have a major catalog produced, it's beneficial for all concerned," said Steve Simons, founder and president of Simons Advertising. "Enabling a company like Incomp to keep its business and marketing dollars in the Detroit area is very rewarding."

The Farmington Hills' full-service retail agency offers its retail clients a wide range of services including newspaper, broadcast, direct mail and marketing projects in addition to catalog production.

Founded 13 years ago by Simons in the basement of his Southfield home, the company has grown to 23 employees. From his basement office, Simons moved to a 2,000-square-foot office in Southfield. The current location on Commerce Drive in Farmington Hills is a 10,000-square-foot facility, which accommodates a



Steve Simons displays some of the catalogs his advertising agency produces.

professional retail creative and graphics team as well as an adjacent photographic studio.

"This allows for total in-house production, including photography, layouts, keylining, typesetting, copy writing and camera-ready artwork," Simons said.

THE COMPANY has about 25 ma-

for catalog programs for products ranging from fruit and nuts to menswear.

Catalog production began about nine years ago when one of Simons' clients asked him to put together a catalog to send to people in the restaurant uniform business.

Please turn to Page 2

## The Official Car of the U.S. Ski Team is coming to town!



SUBARU AND HONDA. A Subaru 4WD Ski Team Wagon provides a backdrop for Ski Team jumper Chris Hastings during the Subaru World Cup Ski Jumps in Lake Placid, NY. Subaru has been the Official Car of the U.S. Ski Team since 1976.

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