



# Consumer Issues

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## Y2K and You

Y2K is an abbreviation for the year 2000. As the number of months in this century decreases, the interest in what will happen on January 1, 2000 increases. People are speculating about the changes that could occur. The root of the issue may be malfunctioning computer chips used by businesses we depend on. The media has focused on the possible disruption in services such as electricity, public water, medical care, financial services and transportation issues.



Admittedly, today's households are heavily dependent on outside services for daily needs. What can you do other than get excited and distracted by the "hype" created by some reporters? First, calm down and think about your situation. Ask and answer some questions that will get you moving in the right direction to prepare.

What things can you control or influence in your life, in your household? What preparations can you make to ease the "discomfort" that might occur when there is a natural disaster or upset in your normal routine? What alternatives do you have when a "system" or supporting service that you depend on is malfunctioning? Which areas of disruption will have the greatest impact on you or your family in the short term and in the long term? Finally, how many things have you put off doing to prepare for an unknown emergency? Now is

## What's Inside

- ◆ Y2K and You
- ◆ Y2K Caution
- ◆ Credit Card Solicitations by Internet
- ◆ Credit Report Fees
- ◆ Gift Cards
- ◆ Falling Interest Rates
- ◆ PA Personal Bankruptcies Continue to Rise
- ◆ Hours Doing Housework Declines
- ◆ Target Marketing Low Income Consumers
- ◆ Shopping Trips

the time to act. Don't delay making preparations for an emergency or disaster regardless of the year. The Y2K issue may be the knock at the door that makes each of us examine our household and return to standard emergency plans that were common for many households in the 1960s.

For an emergency preparations checklist, see the following Cooperative Extension publication, *Consumers and the Year 2000 (Y2K)*.

## Y2K Caution

Con artists may try to separate you and your money by using scare tactics and fear of the unknown. Stay alert! If someone calls or asks you to reveal financial information like bank account numbers or credit card numbers, hang up the phone or walk away. **Remember, if it sounds too good to be true, it probably is.**



## Credit Card Solicitations by Internet

By 2002, it is estimated that 15% of all credit-card enrollments will be initiated by the Web compared to the less than 1% solicited by the Web today. Britain Associates reports that since 1996, more than 15 million people used the Web to search for a credit card. Consumers with high incomes (\$30,000 or more) are likely to use the Internet but are not likely to apply for a credit card.



Source: ICA Consumer Trends, February 1999.

## Credit Report Fees

For 1999, the Federal Trade Commission has continued the \$8 maximum allowed charge for credit reports issued by credit reporting agencies (CRAs) to consumers who have not been denied credit. The fee CRAs can charge consumers is adjusted yearly. It is based on changes in the Consumer Price Index and then rounded to the nearest 50 cents as stated in The Fair Credit Reporting Act, amended 1996 and effective October 1, 1997. Section 612—Charges for Certain Disclosures.

Source: ICA Consumer Trends, February 1999.

## Gift Cards

Three issuers of credit cards are test marketing gift cards—cards that look like credit cards and contain prepaid cash balances. Gift cards may be used by recipients at any point of sale (POS) where that brand of card is accepted. Current gift cards cannot be used at ATMs, automated machines.

Descriptions of the three programs are below.

- **Keybank and MasterCard** are offering the Swiftgift card available in denominations ranging from \$25 to \$100. The card is good for three months and is embossed with the recipient's name. There is a handling charge that varies with the denomination of the card selected. After three months, unused card balances are lost. For more information, go to Swiftgift's Web site: <http://www.swiftgiftcard.com> or call 1-888-794-3828.
- **First USA** is offering its cardholders a chance to send VISA gift cards. This card is good for six months and unused balances go back to the donor. There is a \$5 handling fee for balances of \$199 or less. For more information, go to: <http://www.firstusa.com/>
- **American Express and Tower Records** are offering a gift card in denominations from \$10 to \$100. Tower gift cards can only be used at Tower Sales counters. For more information, go to: <http://www.towerrecords.com>.

Source: ICA Consumer Trends, January 1999.

## Falling Interest Rates

Data from the Federal Reserve indicates that, except for credit cards, interest rates for other consumer loans declined from 1997 to 1998.

Table 1 reports data as annual percentage rates.

Table 1. Interest Rates on Consumer Loans, November 1997 and 1998  
(Annual percentage rates)

	1997	1998
Commercial banks:		
48-mo. new car loans	8.96	8.62
24-mo. personal loans	14.50	13.75
Credit card plan —		
All accounts	15.65	15.69
Accounts assessed interest	15.62	15.72
Auto finance companies:		
New car loans (buy rates)	6.85	6.79



Source: ICA Consumer Trends, February 1999.

## PA Personal Bankruptcies Continue to Rise

The number of bankruptcies continue to rise each year. There are two types of personal bankruptcies: Chapter 7 and Chapter 13. With Chapter 7 bankruptcy, most of your debts are cancelled. Chapter 13 bankruptcy allows debtors to repay part of their debts under court supervision. To get an idea of the bankruptcy filings in PA by bankruptcy court district, see Table 2.

<b>Table 2. Personal Bankruptcies in Pennsylvania by Judicial District</b>			
	Total Filings as of ...	% Change during 12-month period	% Chapter 7 as of ...
6/30/97 - 6/30/98	6/30/98		6/30/98
<b>Pennsylvania</b>	43,312	18.77%	76.00%
East	22,010	14.70%	63.50%
Middle	9,475	25.13%	87.82%
West	11,827	21.87%	89.81%
9/30/97 - 9/30/98	9/30/98		9/30/98
<b>Pennsylvania</b>	44,180	13.28%	74.51%
East	22,402	10.41%	62.39%
Middle	9,749	19.88%	85.35%
West	12,029	13.71%	88.30%

Sources: ICA Consumer Trends, September 1998 and January 1999.

### Table 3. Pennsylvania Counties in Each Bankruptcy Judicial District

<b>East -- Philadelphia Division</b>		<b>East -- Reading Division</b>	
Bucks	Montgomery	Berks	Northampton
Delaware	Philadelphia	Lancaster	Schuylkill
		Lehigh	
<b>Middle -- Harrisburg Division</b>		<b>Middle -- Wilkes-Barre Division</b>	
Adams	Mifflin	Bradford	Monroe
Centre	Montour	Cameron	Pike
Cumberland	Northumberland	Carbon	Potter
Dauphin	Perry	Clinton	Sullivan
Franklin	Snyder	Columbia	Susquehanna
Fulton	Union	Lackawanna	Tioga
Juniata	York	Luzerne	Wayne
Lebanon		Lycoming	Wyoming
<b>Western -- Erie Division</b>		<b>Western -- Pittsburgh Division</b>	
Clarion	Mercer	Allegheny	Fayette
Crawford	Venango	Armstrong	Greene
Forest	Warren	Beaver	Indiana
Jefferson		Bedford	Lawrence
McKean		Blair	Somerset
		Butler	Washington
		Cambria	Westmoreland
		Clearfield	

## Hours Doing Housework Declines

According to researchers on the Americans Time Use Project at the University of Maryland, Americans are spending less time cleaning than they did in previous decades.



The most recent results are for 1994-95 and were released in late 1998. Weekly hours doing housework are shown below. Married women with children and no paid employment outside the home spent the most time cleaning, about 25.5 hours a week.

Year	Women	Men
1965	27.0	4.6
1975	22.5	7.5
1985	19.3	9.6
1994-95	15.6	9.5

Source: Consumer Reports, March 1999.

## Target Marketing Low Income Consumers

Household International, a leading provider of consumer loans and credit cards in the United States, Canada and the United Kingdom, recently announced plans to discontinue issuing credit cards to middle class markets. Instead, they will focus on low income consumers they can identify as satisfactory credit risks. Household expects to improve its business by issuing credit cards to approved customers at its branches that reach about 30 million households with incomes below \$35,000.

Two businesses under Household International that were common in many communities were Household Finance Corporation (HFC) and Beneficial Corporation. With the recent merger with Beneficial Corporation, Household International has 1,500 branch offices in the United States. Household Beneficial Finance is the new name and there are about 100 branch offices in Pennsylvania.

Source: ICA Consumer Trends, March 1999 and personal communication with Household International.

## Shopping Trips



How many times did you go shopping to various stores in the past year? Most of us have no clue as we are not that consistent with when we shop. If you are a typical consumer, according to *American Demographics*, in 1997, you made the

following number of trips to stores:

- 94 --- supermarket (about two times a week)
- 27 --- discount stores
- 16 --- drug stores
- 13 --- convenience stores-gas stations
- 9 --- warehouse clubs

Source: ACCI Consumer News and Reviews, Vol 47. No.1.

Cathy F. Bowen, Assistant Professor  
Consumer Issues Programming  
Department of Agricultural and Extension Education  
323 Agricultural Administration Bldg.  
University Park, PA 16802-2601  
(814) 863-7869 Internet: cbowen@psu.edu

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