

# Consumer debt 1751

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The reasons we as Americans buy on credit varies, but without it most of us would

probably never be able to purchase necessities such as a home or automobile. The nation's

economy depends on credit, the promise to pay later for goods and services used today;

but along with consumer credit comes consumer debt. With the rise in telemarketing and

commercializing in America it is no wonder why Americans feel the impulse to buy now,

pay later. The most common form of consumer debt is installment debt, which is when a

consumer borrows the money to purchase an item and agrees to repay the loan in equal

installments over a fixed period of time.

Without installment debt most consumers could not afford to purchase items such

as a home. The truth of the matter is that we, as Americans, tend to want to purchase

more than we can afford to purchase when we want it. But, we can afford to pay it out,

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over time, in fixed payments.

Mortgages, a debt owed on real property, are the latest form of installment debt.

Other forms include automobile loans and credit card purchases. Just pick up the

newspaper any time after Christmas and you will find articles on managing your mounting

debt from Christmas.

Not realizing the extent of the consumers' debt is one of the most common types of

credit problems. Denial may play a partial role in this problem, but the lack of education

seems to be the largest reason for consumer debt. Credit card use is up 20% and a large

number of Americans do not know the percentage rate at which the credit card companies

charge. Many credit card companies have started "personalizing" interest rates by not

disclosing the interest rate until after the consumer has received the card.

By not

disclosing the interest rate on the application the credit card companies prohibit the

consumer from shopping around for the best deal.

You could just say they should cancel the credit card, but did you know several

requests for consumer credit could be viewed negatively because the information is

reported to the credit bureaus? This leaves you, the consumer, with a bad credit report.

Household debt and bankruptcy are at record levels and appear to be on the rise. Until we

as consumers begin to educate ourselves and stop living beyond our means, we only have

ourselves to blame.

In conclusion, although consumers are not forced to buy, most feel compelled to

purchase goods and services because they need them and do not want to wait. Rather than

saving they go into debt, the most common of which is installment debt.

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