# The History of Credit Cards

Have you ever wondered how credit cards got their start? According to Encyclopedia Britannica, the use of credit cards originated in the United States during the 1920s, when individual companies, such as hotel chains, department stores, and oil companies began issuing them to customers for purchases made at those businesses. This use increased significantly after World War II.
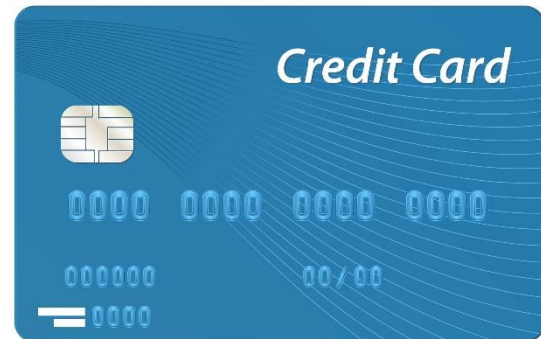
In 1950, the Diner's Club card emerged and became the first card accepted at a multitude of locations. The American Express card followed in 1958. Under this new system, credit card companies charged their customers an annual fee for using the card and billed them monthly. They also charged merchants, or companies, fees to accept the credit cards as payment. These service fees averaged 4-7% of the total amount charged.

When the bank credit card system was established, consumers could pay their charges when the monthly bill was received or in monthly installments with interest. In 1958, Bank of America began offering cards on a state-by-state basis, meaning that the cards could only be used in the state issuing the card. This evolved into a national system allowing individuals to make a purchase anywhere, regardless of the location. Eventually the effort grew into an international system and is now available all over the world

Store credit cards are another form of credit cards. These cards are issued by a retailer, like the original credit cards of the 1920s, and they have similar restrictions as those original cards, such as only being valid at participating stores or locations.

It wasn't until the late 20th century that credit card usage significantly increased. Unfortunately, that led to many consumers spending more than they were earning. Users who could not pay off their monthly balances incurred high interest rates, sometimes penalty rates, and their accounts became delinquent. The Global Recession, beginning in 2008, further added to the problem. As unemployment rates increased, consumers relied more heavily on their credit cards to make necessary purchases. In 2009, the Credit Card Holder's Bill of

Sources: Encyclopedia Brittanica, Experian, The Federal Reserve Bank

Rights Act was created to protect consumers. It also restricts unfair or abusive practices by credit card companies.

Use of plastic cards has become a regular routine for many consumers in the United States. On average, individuals have three credit cards and carry an average of thousands of dollars across all on their cards. According to the Federal Reserve Bank, credit card debt in the United States topped $1 trillion in 2017.

Credit cards continue to evolve with technology and have become quite sophisticated. In the 1980's, magnetic strips were placed on the back of cards which allowed special computer equipment to read the card and process the transaction. Since then, credit cards have evolved. Cards now use embedded computer chips, called EMV smart chips, that allow for data to be encrypted each time the card is used. The credit card industry continues to change as it adopts newer technologies, such as mobile wallets, wireless payments, and countless other items. One question remains: will consumers become as smart as the technology and reduce their reliance on credit cards?

Here are some good credit card habits to keep in mind:

1. Sign your card as soon as you receive it.

2. Never give your credit card number over the phone unless you called a number you know is secure. Certainly, never give it to anyone who calls you.

3. Ignore any credit card offer that requires you to spend money up front or fails to disclose the identity of the credit card issuer.

4. Make certain to get your card back after you make a purchase.

5. Always keep a list of your credit cards, credit card numbers, and toll-free numbers from the issuing bank just in case your card is lost or stolen.

6. Check your monthly statement to make certain all the charges are accurate. Immediately notify the issuer if there are any errors or unauthorized charges.