

50 Fun Facts About Credit Cards

by Jim Wang

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I was a little bored one day and thought I'd try to find fifty fun facts about credit cards that I didn't know before hand and put them all in once place for you all to munch on and enjoy over the weekend. Some of the things I already knew, like the AMEX Centurion card has a \$2500 annual fee and a \$250,000 annual spend requirement, but others I didn't, like how American Express started off as a shipping company and later branched out into financial services.

I broke the fun facts into these general categories: Historical Nuggets (with subcategories for each major card company), Useful Things That Make You Go Hmmm..., Technobabbliciousness, Legal Ways You've Been Hosed & Un-Hosed, and Department of Holy Crap They Make A Ton of \$\$\$\$\$. **Historical Nuggets** obviously covers the history of cards and the various companies. **The Useful Things That Make You Go Hmmm...** covers some useful consumer information that may one day come in handy in your daily life. **Technobabbliciousness** covers some interesting facts about the technology behind credit cards. **Legal Ways You've Been Hosed & Un-Hosed** covers various court rulings and other legalese that explain why the environment is the way it is (like ridiculous fees and interest rates!). Finally, **Department of Holy Crap They Make A Ton of \$\$\$\$\$** is just a collection of mind-boggling statistics that should make you think twice about starting your own credit card company.

Historical Nuggets

1. In the beginning, credit cards were just charge accounts, offered by individual stores and only usable at those stores. The first credit card that could be used at multiple locations was offered by The Diner's Club in 1950. ([full story](#))
2. Diners Club issued that first card to only two hundred customers and it could only be used at twenty seven restaurants in New York City.

American Express History

3. American Express started off as a shipping company in 1850, shipping products across the United States and capitalizing on the limited reach and slow speed of the United States Postal Service. Their main customers were banks and they shipped various financial instruments like stock certificates and other notes. They began selling money orders and traveler's checks in 1882 and issued its [first credit card](#) in 1958. ([full history](#))
4. In 1984, American Express billed their Platinum Card as extremely exclusive and it had an annual fee of \$250 (\$484.84 in 2006 dollars). Today, the extremely exclusive card for American Express is their [black Centurion card](#) with a \$2,500 annual fee! (and requirement to spend \$250,000 a year)

MasterCard & Visa History

5. MasterCard and Visa are networks of banks and financial institutions. American Express is its own company and Discover Card is a subsidiary Morgan Stanley (who is spinning off the business).
6. Visa was originally called BankAmericard, a card offered by Bank of America in 1958 in California. By 1970, they had created an association, called the National BankAmericard, Inc., of all the US Banks that issued the BankAmericard. It wasn't renamed to Visa until 1976. ([full history](#))
7. Visa actually stands Visa International Service Association.
8. The Visa logo colors were chosen because the blue represented the sky and the gold represented color of the hills in California where Bank of America was founded. (from [Wikipedia](#)).
9. Originally formed under the name Interbank Card Association and they acquired the MasterCharge brand and logo in 1969. MasterCharge was originally formed by four California banks in 1967, who joined together to form the Western States Bankcard Association to battle the BankAmericard of Bank of America. MasterCharge was renamed MasterCard in 1979.
10. In 1984, MasterCard was the first to use a [hologram on its cards](#) to deter fraud.

Discover Card History

11. Discover Card was introduced by Sears in 1985 and gained notoriety because it charged no annual fee.
12. At the time, Sears also owned the brokerage Dean Witter Reynolds Organization and the Discover brand was integrated into that organization. When Dean Witter merged with Morgan Stanley in 1997, Discover went along for the ride.

Useful Things That Make You Go Hmmm...

13. Wonder why minimum payments are so low? It allows consumer to carry more debt while keeping to the same low minimum payment. You can give someone with the ability to pay \$100 per month a credit limit as high as \$5,000 if they only had to pay 2% a month. If the minimum payment were 5%, they could only have a credit limit of \$2,000. The lower the minimum payment, the deeper in debt someone could be in.
14. It is against the merchant agreements of MC, Visa, and AMEX, for a vendor to require you to provide your phone number, home address, or other personal information for credit card transactions. In fact, some states make it illegal for them to require it. (It's not illegal to ask, but it is if they refuse to process the transaction without that information)
15. Under the merchant agreements of MC, Visa, Discover Card and AMEX, you do not need to present a driver's license in order to complete a credit card transaction.
16. Under the merchant agreements of MC, Visa, and Discover Card, vendors may not require a minimum purchase amount. Under AMEX, it's more of a hint that the vendor shouldn't put up any barriers to use but AMEX also has a discrimination rule, so if there

is no minimum amount for MC/Visa, there cannot be a minimum amount for AMEX.
([Consumerist has all the relevant merchant agreements consolidated](#))

17. Under the merchant agreements of MC, Visa, and Discover Card, vendors may not charge a surcharge for using the card (the anti-discrimination rules still apply for AMEX). In some states, it is actually illegal to charge a surcharge for credit card purchases. This rule does not apply to government agencies.
18. On the flip side, offering a discount for cash payment (over credit card payment) is permitted by all of the card companies (loooooophole!).
19. A merchant may, on taking a personal check, require that you offer a credit card number. It is against merchant agreements to charge a credit card in the event of a bounced check (and it's also very dangerous to have all that juicy information on one little slip of paper, plus this may also be illegal in your state).
20. You can lower your interest rate with a phone call. Credit card companies are like cell phone and cable companies, they're afraid you'll leave and join with one of their competitors. Use this to your advantage by comparing offers from other credit cards and bringing this information to your credit company.
21. When you use your card, you agree to the cardholder agreement, you don't have to sign anything. If you get an update to the agreement, you also agree to the updates once you use your card.
22. A fixed interest rate on a credit card can change with only 15 days of notice. Fixed is not fixed in the sense that a mortgage loan is fixed, it's fixed in the sense that the credit card company can change it with only 15 days notice!
23. If you have multiple balances with different interest rates on one card, payments are generally applied to the balance with the lower interest rate. You will have no choice in the matter and you cannot request it be made to the higher balance. So if you have a \$100 balance at 19.99% and a \$5,000 balance at 4.99%, your payments apply to the \$5,000 at 4.99% first. A note about this will be in your agreement.
24. The credit card sale process works as follows: The vendor sends an authorization request for the value of the sale. The credit card company checks the card limit and reduces the credit limit by that amount (it puts a "hold" or a "block") and sends the vendor electronic confirmation that the card is good. The vendor sends a deposit transaction or a sale transaction. The credit card company sends the money. This process is usually quick and painless... with the following exceptions:
25. Hotels and rental car agencies usually send an authorization request for the estimated cost of your stay or rental and they keep this "block" on your card for 10 to 15 days (independent of how long you actually stay there) even if you pay with something else.
26. When you use a credit card at a gas pump, the pump authorizes the purchase for something in the neighborhood of \$50 first. So if you have less than \$50 left on your limit, the pump will reject your purchase attempt.
27. Restaurants typically will authorize a credit card purchase for the amount of the bill plus 25% (for gratuity), so again, if your limit can't handle the extra 25%, the purchase transaction will be rejected.

Technobabbliciousness

28. Ever notice all your credit cards are of uniform shape and size? Their dimensions are governed by the ISO 7810 standard, an international standard for identification cards. Banking cards, as well as driver's licenses and retail cards, follow ID-1 (passports follow ID-3). If your card has a smart chip, it follows ISO 7816, and if it has RFID, it follows ISO 14443.
29. The expiration date on the card is "fake." You can still use the card after its expiration date because the card number on your replacement will be the same. The reason why cards do expire varies from company to company but mostly it's because the credit cards take a lot of abuse and just need replacing (they estimate the magnetic strip is good for only about three or four years of swiping).
30. Interested to know what's on the magnetic stripe? Check out this breakdown of the [three tracks on Wikipedia](#) (the rest of the page explains other magnetic stripes).
31. There are generally two types of magnetic strips, high-coercivity and low-coercivity, with the high-coercivity being stronger and more durable (also requiring more expensive equipment to handle). (from [Wikipedia](#))
32. Higher-coercivity are usually black and low-coercivity strips are a dark brown, but there are special cases such as American Express' patented silver colored magnetic strip.
33. Hotel keys and other low-coercivity stripped cards are susceptible to being scrambled by a weak magnetic force, including cell phones.
34. Credit card numbers conform to the [Luhn algorithm](#), which is just a simple checksum test on the number. What you do is start from the right and double each second digit (1111 becomes 2121), then add them all together, and you should end with a number evenly divisible by ten. If it doesn't, it's not a valid credit card number.
35. The first digit of the number is the Major Industry Identifier. 1/2 are for airlines, 3 is for travel/entertainment, 4/5 for banking and financial, 6 for merchandizing and financial, 7 for petroleum, 8 for telecommunications. 0 and 9 are for other assignments but you'll likely never see them. If you look at an American Express card, you'll see it starts with a 3, a throwback to their travel/entertainment roots.
36. The first six digits will correspond to the issuer, including the major industry identifier. 34xxxx/37xxxx are for American Express, 4xxxxx is for Visa, 51-55xxxx is for MasterCard, and 6011xx is for Discover.
37. The rest of the digits (except the last one, which is a checksum digit) is your account number.

Legal Ways You've Been Hosed & Un-Hosed

38. Minors, those under the age of 18, are not obligated to pay back any charges to their credit cards (unless a parent co-signs, but then it's the parent who is on the hook) because they are not allowed to enter into a binding contract.
39. If there are unauthorized charges on your card, you're on the hook for \$50 each, maximum (unless your agreement says you are responsible for less, you cannot be responsible for more). If you report your card missing and an unauthorized charge appears after you've reported it, you are liable for **\$0**.
40. By law, you are only allowed to dispute charges for "unsatisfactory goods or services" if you made the purchase in your home state or within 100 miles of your billing address and the purchase was for more than \$50. (and if you've made a good faith attempt to resolve

it with the vendor) While a credit card company may not hold you to this, they are protected by the law for purchases outside your home state/100 mile radius.

41. Credit card companies are prohibited by law from sending you a card that you didn't ask for, unless it's a renewal or a substitute card. If you get a credit card you didn't apply for, contact the Federal Trade Commission and [file a complaint](#).
42. A common clause in most user/member agreements is that the cardholder waives their right to sue the credit card company. The cardholder must instead go through a binding arbitration hearing with the credit card company and cannot take the company to court or participate in a class action suit.
43. Before 1996 and the Supreme Court case *Smiley vs. Citibank* (517 U.S. 735, Thanks j), there were restrictions on how much a credit card company could charge for a late payment. The ruling in *Smiley vs. Citibank* lifted that restriction and fees that were once around \$5-\$10 jumped to \$30 or more today.
44. There is no federal law regulating the rate of interest a credit card company can charge! The federal government use to regulate but repealed those laws during the Great Depression and never put them back in place, they now rely on the states to handle usury.
45. In the Supreme Court case *Marquette National Bank v. First of Omaha Service Corp* (439 U.S. 299, Thanks j) in 1978, the Court decided that national banks only need to follow the usury laws of the state they are headquartered in, not the state in which their customer resides.
46. Credit card companies are all headquartered in states with high or no cap on interest rates. American Express is located in Utah (no cap), Bank of America is in Arizona (36%), Citibank is in South Dakota (no cap), Capital One is in Virginia (no cap), Provident is in New Hampshire (no cap), and JP Morgan Chase, MBNA (now Bank of America), Morgan Stanley/Discover, and HSBC are all located in Delaware (no cap).

Department of Holy Crap They Make A Ton of \$\$\$\$\$

47. Each American household receives approximately 6 offers **a month**. The typical response rate is .33% (one third of one percent). You can opt out of these mailings via [OptOutPrescreen](#).
48. Each direct mailing acquisition costs approximately \$80, according to R.K. Hammer, bank card advisory firm.
49. Credit card companies earned \$90.1B in interest in 2006, up from \$89.4B the year before (according to R.K. Hammer).
50. Credit card companies earned \$55.2B in fees in 2006, up from \$54.8B the year before (according to R.K. Hammer).

Bonus Fun Fact:

Mastercard's market capitalization is a whopping \$14.24B, American Express's stands at \$71.62B, and Morgan Stanley stands at \$86.40B. Visa is not publicly traded (yet). While you can't compare their market caps because such a large part of Amex and Morgan Stanley's businesses are not in credit cards, it's still interesting to look at the numbers. Incidentally, Bank of America has a market cap of \$239.17B. (These figures as of 1/11/07)

