

Credit charges to grow for millions as stores, banks drop interest-free period

By LOUISE COOK
The Associated Press

NEW YORK — Millions of credit card users who pay their bills a little at a time will pay more interest, as a growing number of retailers and banks change the way they calculate finance charges.

Two of the nation's largest retailers, Sears, Roebuck & Co. and J.C. Penney Co. Inc., are eliminating the interest-free grace period for new purchases on all accounts that have an outstanding balance.

A spokesman for MasterCard said yesterday that more and more banks

are doing the same thing, although he had no specific figures.

Here's what it means: Suppose you have an outstanding balance of \$100 at the beginning of a billing period. You make a \$20 purchase during the billing period. Under the old system, you would not be charged interest on the extra \$20 until the start of the next billing period. Under the new system, interest charges begin immediately.

The idea of unpaying interest from the date of purchase isn't new. Magnum Ward & Co. has been doing it for several years. In some banks, it is becoming more common, however,

because rising interest rates mean lenders have to pay more for the money they loan. Eliminating the grace period is one way they can increase income without violating many laws that limit the annual rate of interest.

Timothy J. Conner, a spokesman for MasterCard, said banks "are trying different ways to kind of ease the crunch." A few have stopped accepting new credit card applications, others have decided to offer either Visa or MasterCard instead of both.

The elimination of the grace period has no effect on customers who pay their bills in full each month. They still

pay no interest. The amount of the increase for customers who "revolve," or pay only part of the balance each month, will vary depending on the timing and size of purchases. Here is a hypothetical example:

You have an outstanding balance of \$100 at the start of a 30-day billing period. On the 10th day of the billing period, you make a \$20 purchase. Assume the lender uses the average daily balance method of calculating interest and charges 1½ percent a month or 18 percent a year. Previously, the monthly finance charge would have been \$1.50 on an average daily balance of \$100.

Now, the average daily balance will be \$113 — 10 days at \$120 and 20 days at \$100. The finance charge will be \$2.

Bob Shoop, a spokesman for Chicago-based Sears, the nation's largest retailer, said the change would go into effect March 1. He said the company has 40 million charge accounts, of which 30 million are active. Shoop said he had no estimate of how much money would be collected as a result of the new system.

Duncan Muir of Penney, the third-largest retailer, said the change would be effective there June 1. He said the company, which collected \$236 million

in finance charges on its 18 million accounts in 1979, would get an extra 4 percent under the new system. Muir said that Penney loans money on credit accounts, costs in 1979 were \$200 million.

Creditors are limited by law as to the methods they can use to increase charges. A new state prohibition elimination of the grace period. A recent announcement by the First National Bank of Rhode Island that it would charge an annual fee to credit card holders brought reaction from several lawmakers who said they would introduce bills to make the practice illegal.

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Lynn Oakley of Napa, Calif., tries without success to get a steer's head and body in the same direction

First rodeo? Look for lots of beef, bravery

By PAUL TURNER
The Arizona Daily Star

To the uninitiated, rodeo may seem like little more than a bunch of guys in cowboy hats rolling around in the dirt with some irritable livestock. If you are from the East, you probably think of football, hockey and lacrosse as the value-laden sports. Rodeo is something to bet on, and cattle are just the wholesome version of the things you buy at the "billions sold" sign.

Good Morning

Top of the News

Weather

At last, sunshine. There may be a few high clouds today, but the skies will be sunny. The high will be in the upper 60s and the low near 40. Yesterday's high and low were 61 and 41.

A mixture of snow, sleet and freezing rain hit portions of New England yesterday.

Showers are expected today along the northern and central Pacific Coast, while snow will extend over the Northern Plains area.

Yesterday's national temperature extremes were 90 at Laredo, Texas, and 21 below zero at Houston, Maine. Details on News 14.

"We didn't know." Rodeo man Danny A. Moreno, who escaped from the Pima County Jail five days before his absence was discovered, is a suspect in at least four crimes since his escape, authorities say. Page 1B.

The taxing subject of roads. Arizona will have to raise the tax on a gallon of gasoline by at least 20 cents if Pima County is to meet its transportation needs over the next 10 years, the county's highway director tells the Governor's Transportation Task Force. Page 1B.

*** There's something about Tucson** that brings out the best in rodeo. **Larry Cochran, Page 1E.**

The reason for mentioning this is quite simple. A lot of out-of-towners visit Tucson at this time of year, and it probably is safe to assume that many of those attending La Fiesta de los Vaqueros have never seen a rodeo before.



Breathnew makes an offer. 22-year-old President Leland Breathnew tells an audience of 6,000 at the Palace of Congress in Moscow, "I want to state very definitely: We will be ready to commence the withdrawal of our troops in areas as all forms of outside interference directed against the government and people of Afghanistan are fully terminated." Page 1A.

Police slowdown. Uniformed police officers represented by the Phoenix Law Enforcement Association begin a slowdown to emphasize wage demands. Page 1B.

White-collar crime. Arizona's businessmen aren't complaining enough — at least not about white-collar crime, a spokesman for the state Attorney General's Office says. Page 1B.

In fact, hard to believe as this may sound, even some people who have lived out their lives in rodeo have never bought a ticket to see a live version of the television western. Which is really too bad, because rodeo can be quite interesting. At the very least, it is an experience — a bit of Americana everyone probably ought to stick in his saddlebag sooner or later. But to prevent you from going out there this weekend totally unaware, here are a few tips on what to expect:

Shrinking wilderness. The Interior Department says it is dropping 9.9 million acres of public land in Arizona and five other Western states from further consideration as wilderness areas. Geologists believe the land could contain major oil and gas deposits. Page 1A.

Entertainment

Opera in trouble. If the Arizona Opera Company can't raise \$200,000 by March 15, it may have to shut down, its artistic director says. Page 1C.

Lifestyle

Plants aplenty. Rex MacLain of the Plantation says a few cuttings and some spring watering can get this year's garden off to a great start. Page 1D.

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Inflation takes biggest jump in 6½ years

WASHINGTON (AP) — Consumer prices surged upward 1.4 percent in January, the worst rate in six years. The surge led a top administration official to warn yesterday that "inflation is starting to escape."

And it prompted one congressional leader to call for a fresh look at wage and price controls. But despite yesterday's bleak report, the White House stood firm against mandatory controls.

The January price increase, an annual rate of more than 18 percent, compared to 13.3 percent for all of 1979, was partly due to another steep jump in fuel and housing costs. The price of gasoline rose 7.4 percent, the most ever, to an average of \$1.11 a gallon for all types.

"It is beginning to appear that the underlying rate of inflation is starting to escape," said Robert Russell, director of the administration's anti-inflation agency. He said "an explosion of wage increases" also is probably inevitable.

Meanwhile, reacting to worsening inflation and the tighter money policies of the Federal Reserve Board, several major banks increased their prime lending rates in 1980, a record. Morgan Guar-

anty Trust Co., the nation's fifth largest, went first and was quickly followed by Bankers Trust Co. and Crocker National Bank.

(Major Arizona banks copied the move to 19½ percent yesterday, and observers said other state banks will follow.)

(Mortgage interest rates can be expected to go higher here following the latest increase in prime rates, said Elliott D. Pollack, an economist with Valley National Bank of Arizona. Mortgage rates statewide already had risen to an average of 11 percent this week, up 1.2 to 6.5 percent.)

(The higher interest rates also mean Arizona consumers can expect to pay more for nearly everything they buy, said Kenneth Ross, an economist with First National Bank of Arizona.)

(That is because most businesses borrow at short-term rates to pay for inventory and other expenses, and much of the higher interest expense will be passed to buyers, he said. Businesses also can expect consumers to pare down purchases be-

(See PRICES, Page 1A)

Social Security funds may run short in '80s

WASHINGTON (AP) — Continuing inflation has cut sharply into the revenues Social Security had expected to receive, meaning the trust funds may run short of cash temporarily during the early 1980s, the administrator of Social Security said yesterday.

But a Harvard professor, while agreeing the funds are in trouble, argued that the short-term steps proposed by the administration were "Band-Aids" that will "only postpone the day of reckoning."

Professor William C. Hsiao suggested that a temporary 30-cent-per-gallon tax on gasoline was needed to finance the short-term deficits projected in the funds.

The testimony came as the Senate Finance Subcommittee on Social Security held hearings on the financial status of the trust funds.

Social Security Commissioner William J. Driver said that even with the projected increases in Social Security taxes, the old-age and survivors-insurance trust fund will experience cash problems by the end of next year.

He suggested the problem could be solved by "borrowing" revenues from one

fund to make up shortfalls in another.

Driver suggested that the projected deficit in the old-age and survivors-benefit fund could be covered by borrowing from the disability-insurance fund, another part of the overall Social Security program.

While this would mean both funds would be short of cash in 1982, Driver said if you looked at the two funds plus the hospital-insurance fund, the total would be sufficient to meet all benefit commitments.

He said the shortage of revenues resulted even though Congress in 1977 sharply increased the amount of payroll taxes that go into the Social Security funds.

"These projections were based upon an economic forecast which did not foresee the high rate of inflation which we have experienced over the past three years, caused in large part by the continuing escalation in the price of oil," Driver said.

He said the increased cost of oil has had two effects: It has caused the consumer

(See SOCIAL SECURITY, Page 2A)

California welcomes sun after 9-day ordeal by rain

By DAVID L. LANGFORD
The Associated Press

The sun finally broke through in Southern California yesterday and ended a nine-day Pacific deluge that deluged mountains and flooded cities at a cost of a half billion dollars and at least 10 lives.

Thousands, evacuated from such places as Palm Springs, San Diego and Pasadena began returning home, many to find little left.

Builders went to work moving tons of mud that descended on entire neighborhoods and located their slides into the air when the clock ran out in the third period.

The trough before 1980 flooded last over the United States into first place in the mudslide record, which also included Poland and Sweden.

Water was still running down normally dry runs in the desert resort region of Palm Springs, and authorities said there was some concern that rising snow in the mountains might cause more flooding. But for the time being, the slide was clearing.

(See SLIDE, Page 1A)

Yanks celebrate a goal

U.S. ices Russia

LAKE PLACID, N.Y. (AP) — The determined United States hockey team beat the Soviet Union 4-3 yesterday at the Winter Olympics in a stunning upset that kept alive the Americans' chance for a gold medal.

The young U.S. skaters tactically snatched a goal, scored in a defensive error and located their sticks into the air when the clock ran out in the third period.

The triumph before 1,000 frenzied fans over the United States into first place in the mudslide record, which also included Poland and Sweden.

Water was still running down normally dry runs in the desert resort region of Palm Springs, and authorities said there was some concern that rising snow in the mountains might cause more flooding. But for the time being, the slide was clearing.

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