

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., are eliminating their interest-free grace period for new purchases on all accounts that have an outstanding balance.

A spokesman for Master Charge said yesterday that more and more banks

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

Master Charge, the nation's largest credit card issuer, says you have an outstanding balance of \$100 at the beginning of a billing period. You make a purchase during the billing period. Under the old system, you would not be charged interest on the extra \$100 until the start of the next billing period. Under the new system, interest charges begin immediately.

The idea of imposing interest from the date of purchase isn't new. Montgomery Ward & Co. has been doing it for several years. So have many banks. It is becoming more common, however,

because raising interest rates means they are less likely to pay money that they loan. Eliminating the grace period is one way they can increase income without violating laws that limit the amount of interest they can charge.

Thomas J. Connor, a spokesman for Master Charge, says they are trying different ways to kind of ease the transition. Some banks are using a new grace period; others have decided to offer either Visa or Master Charge instead of both.

The changes in 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 in consumer who "revolve" or pay only part of their bill on the time and size of purchases. Here is a hypothetical example:

You have an outstanding balance of \$100 at the beginning of a billing period. On the 30th day of the billing period, you make a \$100 purchase. Assume you pay only \$50. Under the old grace period method of calculating interest and charges $\frac{1}{4}$ percent a month or 15 percent a year. Previously, you would have been charged \$1.50 on an average daily balance of \$100.

Now, the average daily balance will be \$100 for 29 days and 30 days for \$100. The new average daily balance is \$95.50.

Bob Sheep, a spokesman for Chicago-based Sears, the nation's largest retailer, said the change would go into effect in March. Sears has about 40 million charge accounts, of which 30 million are active. Sheep said he expected the change to cost Sears \$10 million a year, which would be collected as a result of the new system.

Duncan MacLennan of Penney, the third largest retailer, said the change would be effective there June 1. He said the company, which collected \$300 million

in finance charges on its 10 million accounts in 1979, would collect \$10 million more under the new system. MacLennan said that Penney loses money on credit accounts; costs in 1979 were \$300 million.

Creditors are limited by law as to the methods they can use to increase charges. A few states prohibit elimination of the grace period. A recent action by the Rhode Island legislature of Rhode Island that it would charge an annual fee to credit card holders was defeated. Several congressional 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 Associated Press

To the uninitiated, rodeo may seem like little more than a bunch of guys in cowboy hats rolling around in the dirt with some irrelevant hardware.

If you come from the East, you probably think of football, hockey and lacrosse as the valor-testing sports. Westerns are just that, and the rodeo and cattle drive just the wholesale 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 clear. The high will be in the upper 60s and the low 40s. Yesterday's high and low were 66 and 43.

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.

Yesterday's national temperature extremes were 90 at Laredo, Texas, and 31 below zero at Houston, Maine. Details on Page 64.

News

"We didn't know," Hopke says. Danny A. Morris, who escaped from the Phoenix County Jail five days before his scheduled execution for the killing of at least four critics since his escape, authorities say. Page 1B.

The tax subject of roads. Arizona will have to raise the tax on a gallon of gasoline by at least 20 cents if the state 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.

Then's something about Tucson that's bringing out the best in rodeo. Larry Cohorn, Page 1E.

The reason for mentioning this is quite simple. A lot of out-of-towners visit Tucson at this time of year, and that probably is a good thing. Tucson is a great place to visit.

At the very least, it is an experience—a bit of American culture that you might not get in his unfulfilling source of leisure.

But to prevent you from getting out a rodeo before this weekend totally unsafe, here are a few tips on what to expect:

In fact, hard to believe that this many people ever go to a rodeo. I have lived out here for several years have never bought a ticket to see a live version of television westerns. Which is not to say, I am not a fan of the genre. I am, but I am not a fan of his unfulfilling source of leisure.

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The first thing the novice rodeo watcher should know is how to spot a genuine cowboy. Although a good-looking, slim, athletic rodeo is apt to be decked out like Roy Rogers' tailor, but clothes alone do not make a cowboy.

A good pony, a trickling pouch and a loud, boisterous manner is more than likely a salesman taking a day off. The

(See FIRST RODEO, Page 1A)



Bradshaw makes an offer. So

President Leonard Bradshaw tells an audience of 4,600 at the Palace of Conventions in Phoenix that he has a deal for the state's 100th birthday.

We will be ready to commence the withdrawal of our troops as soon as all forms of the model international documents of the government and the people of Afghanistan are fully terminated." Page 8A.

Police slowdown. Uniformed police officers represented by the Phoenix Law Enforcement Association begins a slowdown to emphasize wage demands. Page 8A.

White-collar crime. Arizona's homicide rate is the highest in the nation, at least not about white-collar crime, a spokesman for the state Attorney General's Office says. Page 1B.

Entertainment

Opera in trouble. If the Arizona Opera Company can't raise \$20,000 by March 15, it may have to shut down, its artistic director says. Page 1C.

Lifestyle

Plants aplenty. Ron McPhail of Plants aplenty, Inc. says cuttings and some spring weather can get this year's gardens off to a great start. Page 1D.

Index

Bridge 1C Lifesyle 1-40
Classified 7C-7G Marion 1C
Comics 1C-11A Mexican 1C
Crossword 1C Public records 7C
Dear Abby 1C-2C Religion 1C
Editorial 1-2C Science 1C
Financial 3-20 Times today 1C
Horoscopes 1D TV-radio 1C
Obit and 1D World 1C



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 to win the first gold medal for the Americans since 1960.

The young U.S. players tucked each other in and jogged in a dazed crowd and hoisted their sticks to the air when the clock ran out in the third period.

The triumph, before 6,000 spectators who served the United States here five times in the medals round, which also includes Finland and Sweden.

Details in Sports Section

Inflation takes biggest jump in 6½ years

WASHINGTON (AP) — Consumer prices surged upward 1.4 percent in January, the worst rate in 6½ years. The surge is the top administration official to warn yesterday that "inflation is starting to reappear."

And it prompted one congressional lawmaker to call for a freeze on wage and price controls. The economy yesterday's bleak report, the White House stood firmly against mandatory controls.

The January rate of 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 heating costs. The January rate of inflation was 4.6 percent, the most ever, to an average of \$1.11 a gallon of regular.

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

Meanwhile, reacting to worsening inflation and the higher money policies of the Federal Reserve Board, banks and savings and loans increased their prime lending rates to 16½ percent, a record. Morgan Guar-

ant 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 16½ percent yesterday, and observers said other state banks will follow.)

(Mortgage interest rates are expected to go higher here following the latest increases in prime rates, said John D. Polak, an economist with Valley National Bank of Arizona. Mortgage rates statewide already had risen to an average of 13 percent this week, up 0.2 to 0.5 per-

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

(That is because most businesses borrow at short-term rates to pay for inventories and the higher money policies of the Federal Reserve Board. And the higher interest expense will be passed to buyers, he said. Businesses also can expect customers to pare down purchases be-

(See PRICES, Page 2A)

Social Security funds may run short in '80s

WASHINGTON (AP) — Continuing inflation has cut sharply into the projected revenue Social Security had expected to receive, meaning the trust funds may run short of cash temporarily during the early 1980s if the current projections of Social Security and yesterday.

But a House spokesman, while supporting the call for a freeze on wage and price controls, argued that the short-term steps proposed by the administration were "Band-Aids" that will not stop the long-term disease of recklessness."

President Jimmy Carter suggested the temporary Money market accounts on gasoline were needed to finance the short-term deficit problem in the funds.

The trust funds came as the projected revenue of the trust funds was cut sharply even though the cost of payroll taxes that go into the Social Security fund to make up shortfalls in another.

Driver suggested that the projected deficit in the trust funds could be covered by borrowing from the disability-insurance fund, another part of the Social Security system.

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 trust fund, the trust funds would be in better shape.

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