**The History of Personal Debt in America**

High personal debt has been prevalent in American society dating back well before the Great Depression. Over the course of the last hundred years, Americans have accrued massive amounts of personal debt including home mortgages, car loans, student loans, credit card bills, and various other forms of debt. This has taken a significant toll on Americans – leaving them with debt that either equals or exceeds their current income level.

**Lending in the Early 1900’s Reserved for the Upper Class**

Looking at the historical implications of debt in America, lending was at one time reserved only for those that were considered to be in the upper class. The lending agencies believed that these people constituted the lowest risk in terms of who would be able to pay the loans back, but as time has passed, people of all walks of life have been able to apply for the same loans – even if a considerable financial strain would be put on them to repay the loans.

**The Great Depression – Removing the Barrier for the Middle and Working Class**

In the early twentieth century, the middle and working class were not eligible for loans, and this created a demand for ‘loan sharks’ that would allow people to borrow money with extremely high adjustable interest rates. In an effort to put an end to this practice, the New York State Attorney General pressured the banks to offer loans to people in the working and middle class. Once the banks began to offer loans to more people, they saw a tremendous upsurge in profits, which encouraged them to extend their lending practices.

Once the Great Depression hit, many people were in dire straights and needed a loan in order to simply survive. People began taking out loans for modest homes and inexpensive vehicles so that they could weather the financial storm. By the 1970’s, several prominent banks guaranteed home mortgage loans, and credit card debt had also begun to take its toll on American households.

**Racking up High Personal Debt with Credit Cards and High Interest Rates**

Credit cards gained popularity as people began to realize that they could take out a credit card to in turn purchase the things that they had immediate need for, and in some cases, things they wanted but could not afford. The credit card companies went through a short period of crisis but quickly resolved it by lobbying to remove limits on interest rates. Once this occurred, credit card agencies were able to make unprecedented profits, and they continued to increase their profits by encouraging people to pay less so that the loans would be extended over a few decades instead of a few years.

Looking at the history of American debt since the early 1900’s, it is clear that people have become more willing than ever to take out loans. For many people, they have no other choice but to take out loans in order to buy a house, a car, and basic necessities.