



Be \$mart About Credit Cards

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We've all heard some horrifying credit card debt stories - whether you saw it on television, read it in a magazine or heard it from someone you know. Some of you may personally live with credit card debt or know someone who does. Many people owe \$20,000, \$40,000, even \$50,000 or more in credit card debt. Shopping is easy, so it's not hard to reach those balances. To be a responsible credit card holder, know the following about the card(s) you have. Read up and follow these tips to lead you to a healthy relationship with your credit card(s).

What is the APR?

APR stands for Annual Percentage Rate. It is the interest rate you will pay if you carry a balance, take out a cash advance or transfer a balance from another card. The lower the APR, the better! There are probably different interest rates on the same card for your purchase balance, cash advances and balance transfers, so beware of what you're doing with that card!

Is there an introductory rate or "teaser" rate?

Most homes receive at least five credit card offers in the mail each week. No matter what the outside of the envelope says - read the fine print inside. Many cards will increase your nice little "introductory" rate if you are late with a payment, miss a payment or if you go over the limit - no matter what date the introductory rate is good until.

What is the grace period?

If a grace period is 22 days, this means you have 22 days after the statement date to get your payment in before you'll get hit with any finance charges.

Is there an annual fee?

Many cards do. If it does, ask yourself - is having the ability to use this credit card worth paying the annual fee? If not, then don't apply for that card.

Is there a late fee?

Pretty much all credit cards have a late fee. It's the dollar amount of the late fee that you should be looking at.

Is there an over-the-limit fee?

Being over the limit means that you have charged more than the dollar limit your credit card allows. When you do this, most companies will apply an over-the-limit fee to your account.

Are there balance transfer fees?

Sometimes these can be as much as 4% of the balance you are transferring. Some companies may have a cap on their fees so they don't charge more than \$35 - \$50, but other companies don't have a cap at all.

What is your credit limit?

Credit limits are the maximum amount in charges you can carry on your credit card and are set by the credit card company. They figure your ability to pay based on what your credit history shows. Your credit limits should reflect what you can realistically pay off in a few months time. You can, however, ask for a change in your credit limit - higher or lower.

Lenders view your unused credit lines as potential outstanding debts. So, if you have five credit cards in your wallet with credit limits totaling \$25,000 but you only owe \$3,000 - your potential additional outstanding debt is \$22,000. These potential debts can affect everything from getting another credit card to getting a home loan.

If you can manage your debt responsibly, opt for a higher limit. If on the other hand, responsibility is a problem, then you should keep your credit limit lower.

Making Payments

Always make your payments on time! Missing a payment or making a late payment can result in late fees, interest rate hikes or worse - both! It is common for many credit card companies to charge a \$30 late fee even if your payment is only one day late. They may also increase your interest rate, without notice, even if you're late just once. Making late payments to your credit cards also negatively affects your credit report and score. Because of this, your other credit card companies may increase your interest rate on their card, even if all your payments with them have been timely.

Many credit card companies will set a specific due date if you request it. This is a nice idea if you find that your payment always seems to be due at the time of the month when you are running low on cash. Call your credit card company to request a due date right after your paycheck so you'll have the cash to pay it.

A good rule of thumb is to always send out at least the minimum

payment as soon as you get the bill. Once you have extra cash to pay more, you can send that in at anytime.

Many card companies will waive your late fee if you have been a good customer with good payment records. It never hurts to ask; so make that call if it's your first time.

How much of a payment should you make?

Definitely more than the minimum! Monthly payment example on a \$2,000 credit card balance:

	Making the Minimum Payment:	Making DOUBLE the Minimum Payment:
Payment:	\$50/month (2.5% of balance)	\$100/month (5% of balance)
APR:	18%	18%
Payoff in:	18 years 5 months	2 years
Interest Paid:	\$2,615.43	\$395.65

In this example, doubling your monthly payment will save more than 16 years of payments and \$2,219.78 in interest paid to your credit card company. Although, if you continue to use the credit card, the balance will probably never get paid in full if you continue to only make minimum payments.

Be realistic about your expenditures

If you're covering routine expenses with credit cards, you are living beyond your means. If you can't keep up with one credit card, it's foolhardy to add more. More credit cards does not mean more money, it means more payments, and more interest for a much longer time.

Did You Know ?

Credit card companies are legally required to post payments to your account the day your payment is received - but - can hold it for up to five days for a number of reasons including:

- Your check is illegible.
- You didn't use the pre-printed envelope they sent with the bill.
- You included notes on the bill in "wrong" areas.

Each bill you receive should have payment guidelines listed on the back - follow them!

If you're in credit trouble now

Visit www.nfcc.org or call 800-388-2227 to find a non-profit affiliate of the National Foundation for Credit Counseling (NFCC). This organization helps people get a handle on their bills and repair their credit while also meeting their other financial obligations. We are fortunate to live in an area where we have a NFCC Member Agency. Financial Information and Service Center (FISC) is a program of Goodwill Industries. For more information, visit their website at www.fisc-cccs.org or any of their locations in Menasha, Green Bay, Oshkosh, Waupaca, Sturgeon Bay, Manitowoc or Wisconsin Rapids.

Beware of credit card debt consolidation companies. Many times your first payments go directly to them and not towards your debt. Get all of their information up front before you sign on, such as their fees, how payments are applied, how much they charge, etc.

You may consider nationally known companies for a credit card but local credit unions or community banks are a good place to look too. Their fees may be lower and penalties not as harsh.

Many also accept payments the same day they are due and give you longer grace periods for payments received after the due date.

Wherever you go to establish and maintain your credit, make sure you do your homework. Ignorance is not bliss where you credit and debt is concerned, and it's the fine print that can get you in trouble. Have questions? Contact your local financial institution for more information.

