Choosing a Credit Card

INFORMATION YOU SHOULD KNOW:

- Is there an annual fee? If so, how much? Can it be waived?
- What is the interest rate on any balances?
- If there is a low introductory rate, how long is it in effect? What rate will be charged after the introductory period?
- What is the grace period on purchases?
- What are the terms for balance transfers and cash advances?
- What additional fees apply, such as late payment fees, over-limit fees, and others? Are there other hidden charges, such as an increase in the interest rate in the event of a late payment?
- Are other "services" tacked on to your account for which you will have to pay? (Avoid high-priced add-ons such as credit life, credit disability, or credit unemployment insurance.)
- How widely is the card accepted and what are the overseas transaction rates?
- Does the card have a rewards program?

MANAGING YOUR CARD:

- Pay on time.
- Aim to pay more than the minimum amount due.
- Keep your balance low.
- If you have a high balance, consider a plan to pay off or reduce your credit card debt by using a power payment schedule.
- Call the credit card company and request that they lower your interest rate and eliminate your fees. It costs nothing to ask.
- Are you eligible for rate-reduction benefits under the Servicemembers Civil Relief Act (SCRA)?
- Check your statements monthly and report suspicious or fraudulent charges to your credit card company immediately.

CREDIT TERMS

Annual Percentage Rate (APR): APR is a measure of the cost of credit, expressed as a yearly rate. It must be disclosed before you become obligated on the account and shown on your account statements. The card issuer also must disclose the "periodic rate," the rate applied to your outstanding balance to calculate the finance charge for each billing period.

Average Daily Balance: If you do not have a grace period, this is the most common finance charge calculation method. This calculation uses the average of your balance during the billing cycle to calculate your finance charges.

Balance Transfers: Many credit card companies offer incentives for balance transfers (i.e., moving your debt from one credit card to another). Many credit card issuers offer transfers with low introductory rates that rise significantly after the introductory period, and some issuers also charge balance-transfer fees.

Delinquency Rates: Some cards with low rates for on-time payments apply a very high APR if you are late a certain number of times in any specified time period. Information about delinquency rates should be disclosed in credit card applications.

Grace Period: The grace period lets you avoid finance charges by paying your balance in full before the due date. Without a grace period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

Variable Rates: Some credit card plans let the issuer change the APR when interest rates or other economic indicators change. These rate changes also can raise or lower the finance charge on your account.

If you are considering a variable-rate card, the issuer must tell you that the rate may change, how much it may change and how frequently, and how the rate is determined.

USEFUL WEBSITES:

Bankrate.com: www.bankrate.com (comparison shopping for rates)

Consumer Financial Protection Bureau: www.consumerfinance.gov

Consumer Reports: www.consumerreports.org/cro/credit-cards/buying-guide.htm (card-buying guide)

Creditcards.com: www.creditcards.com (credit card industry ratings)

Federal Trade Commission: www.consumer.ftc.gov/topics/credit-and-loans