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7 things to look for in the fine print

A low interest rate. No annual fee. Sounds like a great credit card, right?

Not necessarily.

While those are still the most important factors to consider, credit card issuers have been busy changing other terms and conditions that can make their cards much more expensive than you expected.

To avoid the sneakiest and most costly clauses you've got to get out a magnifying glass and scour the fine print.

Here are seven things you want to see -- or in some cases, don't want to see-- from any credit card:

No universal default clause.

You may be religious about making your credit card payments on time, but one late payment on your cable bill or unpaid DVD club account and your card company may double or triple your interest rate without notice.

In fact, anything that lowers your credit score -- a bounced check, late payment to any creditor, or appearing to take on too much debt -- can be an excuse for the credit card company to zap you into universal default.

Check the card's terms and conditions for the default rate (usually under Other APRs) and anything that mentions changes in your interest rate. If you see a phrase similar to "if card holder is reported as delinquent on an account with any other creditor, we may increase the APRs on your account up to the maximum Default APR," look elsewhere.

Limited "change-in-terms" provisions.

Most major issuers deny that they have universal default clauses, but they sneak around it with "change-in-terms" provisions that allow them to hike interest rates "at any time" and "for any reason."

Look for where it discusses the issuer's ability to change the terms of its agreement with you. Because the "any time, for any reason" language is so prevalent, it may be hard to avoid.

But if all else is equal, go for the card that spells out the reasons they can raise your rates and fees without written notice -- and preferably limits it to things like going over the credit limit, or bouncing a payment check for just that account. (Which almost all credit cards will do anyway.)

Citibank announced in early 2007 that it was adopting this more limited language for its change-in-terms, as well as dropping its universal default practice.

Average daily balance or adjusted balance billing.

Banks typically calculate finance charges based on your average daily balance during that month's billing cycle.

Even better are those few banks that use adjusted balance billing, which calculates interest based on your balance at the beginning of the billing cycle -- not including any purchases made during the month -- minus any payments made or credits received during the month.

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But stay away from cards with "two-cycle" billing that calculate finance charges based on your average daily balance over the last *two* months.

They're essentially charging you interest on credit card debt you paid off last month. That's a particularly bad deal for consumers who carry a balance only occasionally.

In early 2007, Chase announced it would no long use two-cycle billing. But Discover and Washington Mutual still do.

No pseudo annual fees.
Everyone knows you shouldn't pay an annual fee for a credit card unless you're getting rewards or other benefits that make it worthwhile.

But some "no-annual-fee" credit cards have found a sneaky way to get one anyway by charging either a monthly service fee, or a minimum finance charge, of $2 to $6. No matter what you call it, you're paying $24 to $72 a year for the privilege of owning the card.

Look for these fees buried in the cardholder agreement sections on fees and finance charges.

Grace period of at least 22 days.
A grace period is the amount of time between buying an item and having to pay interest on your purchase, if you aren't carrying a balance from the previous month.

Thirty days used to be the standard, but the average has shrunk to 22 days -- and some issuers have brazenly eliminated grace periods for purchases all together. In short, the longer the grace period, the longer the interest-free loan if you're the type that pays off your balance every month.

(Don't expect to find a grace period for cash advances. Virtually every card begins charging interest the second you take the money from an ATM.)

Late fee of $28 or less.
Everyone slips up sometime, so aim for a credit card with late fees below the national average of $28.

A late payment can trigger a penalty rate as well, so be sure to read the fine print about default rates and favor a card that charges no more than the national average of 24.5%.

A handful of cards stand out in this regard. American Express Clear and First Command Bank's Classic and Platinum have *no* late fees.

No balance transfer fees.
A 0% APR on balances transferred from other credit cards sounds great until you're charged 3% for the privilege of moving your debt to their credit card.

What's worse, a growing number of cards no longer cap the transfer fee at $50 or $75, and some even have the gall to charge interest on those fees. So you could wind up paying $300 plus finance charges to transfer $10,000.

If you plan to transfer a balance from a higher interest-rate card, try to sign up for one that doesn't charge (or will waive) a balance transfer fee. At the very least, make sure the fee is capped and that the length of time you'll get the lower interest rate is worth the fee that you'll pay.

When you transfer a balance with your card application, American Express usually offers low interest rates (without fees) that remain in effect until you pay off the balance, instead of the usual three to 12 months.

Pulaski Bank & Trust's Classic MasterCard or VISA is currently offering 0% balance transfers for six months with no transfer fees, and a standard interest rate of 7.99% after the introductory period on all purchases and cash advances.

Finding the fine print.
It's not easy.

Most cards include only a portion of their terms and conditions with the application. The rest don't arrive until you've already signed up and receive the "cardholder agreement" with your cards.

To check these critical terms before it's too late you may have to visit the bank's Web site (sometimes you have to click on "Apply Now" to get access to them) or call their 800 number and ask.

But with credit cards increasingly relying on fees and penalties to fatten their bottom line, it's definitely worth your while to do so.

B**y Tracy Needham**
Interest.com Contributing Editor

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