

You and Your Credit Card—*Information you need to know*

Check out the interest rate

The Annual Percentage Rate (APR) is the cost of credit as a yearly rate. The average is about 15%, but some plans can be over 20 percent. Also, check on the Periodic Rate, which is the rate charged for your outstanding balance to figure the finance charge for each billing period. Beware of teaser rates that start out low, but are often jacked up after six months. If you are considering a variable rate card, be sure you know the conditions under which the APR can be changed.

Free period and late charges

The *free* or *grace period* permits you to avoid any finance charges by paying your balance in full before the due date. Be sure you note the *payment date* on your statement. Your payment must reach its destination by the payment due date, and the issuer must credit your account the day payment is received. Otherwise, it is considered a late payment, which is likely to result in an extra fee or finance charge and an increase in your *annual percentage rate*. Be sure to send your payment to the correct address, which should be provided on your monthly statement.

Annual fees

Most credit card companies charge annual membership or participation fees, ranging from \$25-50, although some are even higher. It is possible to find credit cards with no annual fee.

Credit limit and missing payments

A credit limit of \$1000 is usually enough for most students. Whatever your limit, that doesn't mean you can afford to carry a balance that high. Carrying a balance can be very costly, especially if you only make the minimum payment. It takes 12 years to pay off a \$1000 bill on a card with 18 percent APR, and you'll pay \$1,115 in interest during that period. If you fall behind on credit card payments, this can get you a bad credit rating which can come back to haunt you when you go to rent an apartment, or buy a car. The rating can stay on your record for seven years. Contact the card issuer if you cannot make a payment *before* the payment is due. Special payment options or arrangements often can be made that will protect your credit record.

Errors on your bill

Your credit card issuer will provide you with the procedures for reporting errors—file this information in a safe place in case you need it. If you decide to dispute a charge, send the creditor a letter right away at the address indicated on your statement for “billing inquiries” and be sure to include your name, address, account number, and a description of the error. The creditor must acknowledge your complaint in writing within 30 days of receipt, unless the problem gets resolved.

Lost cards and unauthorized charges

Report the loss or theft of your credit card immediately. Many companies have toll-free numbers and 24-hours service for such emergencies. Follow up with a letter, providing your account number, date you noticed your card was missing and date you reported the loss. If you report the loss or theft *before* the card is used, the Fair Credit Billing Act (FCBA) says the card issuer cannot hold you responsible for any unauthorized charges. If someone uses your card before you report it missing, the most you will owe for unauthorized charges is \$50.

Keep in touch

Notify your card issuer immediately if you change your name, address, or your job. By the time the statement is forwarded to a new address, you could be in a late payment situation.

Tips for using your credit card

Do:

- Shop around for the card that best fits your needs.
- Make sure you understand APR, annual fee, and other terms before you accept the card. Sign the card as soon as it arrives.
- Keep a record of your account number, expiration date, address and phone number of the card issuer in a safe place separate from your card.
- Keep your receipts and reconcile your account as soon as your statement arrives, just as you would your checking account. Pay your bill promptly to keep finance and other charges at a minimum.
- Report questionable charges promptly in writing to the card issuer. Call and write immediately to report loss of your card.

Don't

- Lend your card to anyone; leave it or your receipts lying around.
- Give your account number over the phone unless you know the company is reputable. Don't put your account number on a postcard or the outside of an envelope.
- Sign a blank receipt or leave blank spaces on charge slips (draw a line through them) and be sure to tear up copies and void any incorrect receipts. Keep an eye on your card during transactions and get it back as quickly as possible.
- Carry lots of cards; carry only the cards you will use.

For more information

Students are encouraged to consult the Web site of the Federal Trade Commission for additional consumer information at www.ftc.gov/bcp/online/edcams/credit/index.html.

Acknowledgement

This information was prepared by the Office of the Dean of Student Affairs at Virginia Commonwealth University to assist students with the management of their credit cards. Information contained herein was gleaned from online publications of the Federal Trade Commission (www.ftc.gov/bcp/online/pubs/credit/choose.htm) and the Intelligent Life Corporation - now known as Bankrate, Inc. (www.bankrate.com).