

## CHOOSING A CREDIT CARD

Like dandelions in a spring lawn, credit card offers pop up everywhere—stuffing your mailbox, flashing on the Internet, even falling from the magazines in your doctor’s waiting room.

And they all sound so attractive. “0% APR until next year!” “No fee if you transfer a balance now!” “Low fixed rate!” You’re thinking of applying for a card, but how do you decide which offer is best for you?

### Learn the lingo

In order to evaluate credit card offers, you’ll need to learn the language they use. Here are some of the more important terms.

- Annual percentage rate (APR): The cost of credit as indicated by a yearly (fixed or variable) interest rate. This rate and the periodic rate (the APR expressed as a daily or monthly factor) must be disclosed to you before you become obligated on the card.
- Balance computation method: The formula used to determine the outstanding balance on which you’re charged interest for the billing period.
- Finance charge: The cost of credit for the billing cycle, expressed as a dollar amount and determined by multiplying the outstanding balance by the periodic rate.
- Fees: Charges (other than the finance charge) that may be levied against your account. Common examples include an annual fee, cash advance fees, balance transfer fees, late payment fees, and over-the-limit fees.
- Grace period: The length of time prior to your payment due date during which you may pay off your account without incurring any finance charge.

### Once you can talk the talk, ask questions

Any credit card will cost you something, but depending on the terms and conditions, some are more costly than others. When evaluating a credit card offer, here are some points to consider:

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- What's the interest rate? Is it fixed or variable? If variable, how is it calculated?
- Will you be charged different interest rates for purchases, balance transfers, and cash advances?
- What method determines the outstanding balance used to calculate the finance charge?
- Is there an annual fee, and what other fees may be charged?
- What's the length of the grace period (if any)?

What you should look for depends in part on how you'll use the card. If you intend to pay off the balance each month and won't incur any finance charges, obtaining a low interest rate is less important than finding a card with no annual fee, minimal transaction fees and a long grace period. If you'll carry a balance from month to month, you'll want a low interest rate and a balance calculation method that minimizes your finance charges.

### **A word about balance transfers**

Perhaps you're not currently using your credit card, but you want to minimize the finance charge on your existing balance. One way to do so is to transfer your balance periodically to a new card with a low introductory "teaser" rate of interest. If you choose to "surf" in this fashion, be cautious. Watch out for:

- A low interest rate on new purchases, but a higher interest rate on balance transfers
- A low introductory interest rate that applies only for a very short period of time
- Balance transfer fees, particularly uncapped amounts calculated as a percentage of the balance transferred
- Termination fees and retroactive interest charges levied if you decide to surf the next wave and close the account or transfer the balance to another card before a specified time period has elapsed

When you transfer a balance from an existing card to a new one, it's a good idea to close the account you're leaving. By doing so, you won't be tempted to use the card again (at a higher rate of interest once the introductory offer period has expired), and you'll minimize the potential for fraudulent use or identity theft. What's more, if you don't close such accounts and later try to transfer your balance again, a new card issuer might turn down your application, afraid you'll incur too much debt by running up new balances on dormant, but open, credit card accounts.

### **Voice your concern if you're turned down**

If you're turned down for a credit card, the issuer must inform you specifically why you were turned down or tell you how to get this information. When the rejection is based even in part on information contained in your credit report, you're entitled to a free copy of the report from the credit bureau that issued it. Get the report and review it; if you discover incorrect notations on it, dispute them. Then contact the card issuer to plead your case, informing the issuer of any corrections made to your credit report. With persistence, you may be able to convince the issuer to approve your credit application.

### **Speak up for your rights**

Your consumer rights related to credit cards are protected by various federal laws.

- The Fair Credit Reporting Act (FCRA) protects your right to know what's in your credit file and sets up procedures to ensure that credit reporting agencies or credit bureaus furnish correct information about you.

- The Fair and Accurate Credit Transactions Act of 2003 (FACTA) amends and strengthens the FCRA, provides protections against identity theft, improves resolution of consumer disputes, improves the accuracy of consumer records and makes improvements in the use of and consumer access to creditor information.
- The Equal Credit Opportunity Act (ECOA) ensures that when you apply for credit, you won't be discriminated against because of your gender, race, marital status or age.
- The Fair Credit Billing Act (FCBA) offers protection against billing errors (including limiting your liability for unauthorized purchases) and may help you reverse the purchase of inferior goods or services charged to your credit card.
- The Fair Debt Collection Practices Act (FDCPA) spells out what practices collection agents may and may not use to collect a debt.

If you feel your rights have been violated and you can't resolve the issue with the creditor, you may file a complaint with one of the federal agencies responsible for enforcing consumer credit laws, including the Federal Trade Commission (FTC), or you can contact your state's attorney general.

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