Credit Cards:
How to Avoid the Tricks, Traps and Scams

By Linda Lane

Dear Linda,
I transferred my account balance to a new credit card company that offered me a great low rate. I missed one on-time payment, and they raised my rate to two and a half times what it was! What gives?

Big Spender in Atco

Dear Big,
It's tiresome to hear, but you must always read the fine print. Late fees and interest rate increases are frighteningly prevalent in the credit card world today, and there are many ways to be late! They include: not paying on time, a statement being mailed just days before the due date, a due date on a weekend when no one gets and opens the mail, not having received the statement, etc. Regardless of the reason, you are responsible to make your payment on time, or you can incur a late fee and/or a percentage increase. Be mindful of your due date on all of your cards to avoid these traps.

Dear Linda,
I recently made a credit card purchase and inadvertently went over my credit limit. Although I only went over by a few dollars, the sale was approved. How could I go over and how can they charge me such a huge percentage of the amount, more than I even went over?

Furious in Evesham

Dear Furious,
According to Eric Solis, Founder and CEO of Safe252 in Newport Beach, CA, these fees are the credit card companies' license to steal. Your charge gets approved even though your limit has been reached, and you are then charged a huge fee for that over-limit. The fine print says this. Solis says the credit card companies are undermining the American public's financial stability and wherewithal. Debt is being heaped on the public with unfair practices, including this one. I agree with him.

Dear Linda,
I have three credit cards. I have always paid two of them on time. I recently missed a payment on one, and the others raised my rates. How can this happen?

Steaming in Gibbsboro

Dear Steaming,
This practice is known as Universal Default. If you are late on any payment with any creditor, others can raise your rate and on your entire balance at that. This falls under the any time/any reason clause. Get out a magnifying glass and read all credit card offers until you understand them. If not, call and ask for clarification.

Dear Linda,
How can a company offer me such low interest rates? I get offers for zero percent!

Perplexed in Pitman

Dear Perplexed,
These are called teaser rates, though the credit card companies politely call them Introductory Offers. They are extremely low and therefore seem attractive. They have a specific strategy. One late payment or over limit charge can jack them up to 30% or more. If it seems too good to be true, please use your magnifying glass.

Dear Linda,
I transferred a balance to a new credit card with a low interest rate on the transfer balance. When I used the card for a purchase and then made a payment, the whole payment was applied to the lower rate previously transferred balance. How can they do that?

Double-Timed in Deptford

Dear Double,
Tricky interest rate calculations include double cycle billing. You

are charged one rate on old balances and a new rate on new charges. Allocation of your payments will go to the lowest interest rate portion first. This is a big profit center for your credit card provider.

Dear Linda,
I had a disagreement with my credit card company. I believe I'm right and want to pursue it. What do you think will happen?

Crusader in Mt. Laurel

Dear Crusader,
Dust off your cape and be ready. When you agreed to the card terms, you most likely agreed to Binding Mandatory Arbitration (BMA). These arbitrations generally have former credit card executives as your judge and jury, not your peers. Best of luck.

Dear Readers,
Credit card debt is perhaps the worst kind of all. You have read my column and know how against it I am. Use your credit cards only when necessary and be sure to pay off your bill every month by the due date. Revolving credit is like a slow death to your finances. Read, read, read your offers. I also recommend this page on the Federal Trade Commission website to help educate yourself:
www.ftc.gov/bcp/ menus/consumer/credit/loans.shtm.

Also of interest is:
http://finance.yahoo.com/banking-budgeting/credit-cards.

Remember, a credit card is a consumer product. And like all products, the standard advice is "buyer beware!" g

**Names have been changed for privacy*

In addition to her work in financial planning, securities and insurance, Linda is the Founding Mother of The Old Girls' Network - a 300+ member networking organization - and a frequent keynote speaker. She lives in Cherry Hill, has three incredible sons, and is also mom to Bergen, her Shadow Shepherd. Contact her at 856-810-0440 ext. 26 or lindalane@finsvcs.com.