

CREDIT LIMIT:

What's the maximum the card allows you to borrow?

But the best long-term strategy for consumers and their credit ratings is to have lower limits because have less potential debt.

LATE FEE:

This is a fee you pay the bank or credit card issuer if your monthly payment is received after the due date. Also, another bad thing about late payments is that they show up on your credit report.

The late penalty averages from \$29 to \$35 per month.

OVER-THE-LIMIT FEE:

If you charge beyond your limit, or if late fees take you over the limit, you get hit with this charge each month until you bring your balance down to your allowed amount. Generally it ranges from \$29 to \$39.

MISCELLANEOUS FEES:

Sometimes there are fees on the bill for things consumers don't recognize, like credit insurance.

BOTTOM LINE

If you see an item you don't recognize, whether it's a charge or a fee, call the company and ask for an explanation.



Financial Literacy for the consumer provided by:

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Understand Your Credit Card Statements



Credit card statements are the ultimate math-class word problem. Get one wrong and the bad mark will stay with you a while - on your credit report. To make it even more challenging, nearly every credit card has a slightly different set of requirements and a slightly different statement.

PURCHASES/NEW CHARGES:

This is where the statement should spell out what you purchased and how much you borrowed. It's also the first thing you want to check. Save all charge receipts for the month and match them with the bill when it comes in.

The new charges on your credit card are the unpaid amount or what you still owe. It is usually determined by:

- Starting with the previous month's balance
- Subtracting any payments or credits
- Adding new charges, miscellaneous fees and finance charges for the current billing cycle

Be sure to look over your statement to make certain that the numbers are correct.

PAYMENTS AND CREDITS:

Did you get credit for that return on Dec. 26? Or for the last check you sent? Look to make sure they applied the last payment as they should have and if you sent in a check to pay off last month's cash advance.

CASH ADVANCES:

This will tell you how much you've borrowed. Many cards charge a higher interest rate on a cash advance than on purchases. They may not offer a grace period. And some don't automatically apply your repayment to the cash-advance debt.

If you have to take a cash advance, find out the rules for borrowing and repaying ahead of time. And track this balance until it's paid off in full.

FINANCE CHARGES:

Finance charges are also known as interest. This is what you pay a lender for borrowing money from their credit card. The finance charge on your monthly credit card statement is the interest you pay on the balance of your account – that is why you should always try to keep a very low balance.

The company will use one of several formulas to calculate your finance charges. Basically, they look at your average balance over the billing period and multiply it times one-twelfth of your annual percentage rate (APR). You may have several different finance rates on one card -- one for balance transfers, one for cash advances, etc.

APR:

The APR, annual percentage rate, is a measure of how much your debt is costing you. It is expressed as an annual rate or by the amount of interest you would pay annually. Remember, the APR is a major key to calculating your monthly finance charges -- the higher the APR, the more money that will come out of your pocket to use this card. Credit companies can change the APR, which is one reason to check it when the bill comes in each month.



GRACE PERIOD:

Your grace period is the number of days you have before you trigger a finance charge from your credit card company.

But keep in mind, on most credit cards the grace period only benefits those whose previous month's balance has been paid in full. Using a credit card for cash advances, there is no grace periods, even if the previous balance was paid in full.

MINIMUM PAYMENT:

Minimum payments usually cover the finance charges and fees for the month plus a small amount of principle. It's usually 2 percent to 2.5 percent of the balance, though some could be as high as 3 percent to 4 percent.

You must make at least the minimum payment by the due date. If you fail to make the minimum payment you will be putting your financial health in jeopardy. Creditors can charge outrageous late fees and raise your APR even if you are one day late. Also, payments made 30 days or later are recorded on your credit report, which is something that can affect your ability to get new credit.

DUE/PAY-BY DATE:

This is the date that your payment has to be recorded in the credit card company's computer. Remember, it's not the date your bill has to be postmarked, or even the date it arrives at the company's office. The typical bill cycle is 29 to 31 days, and the payment is usually due 20 to 30 days from when the bill was printed.

To play it safe, mail payments 10 days to two weeks before they are due. Another option is to pay the bill online.