

## Watch out for these **Common Credit Cards Tricks and Traps**

*Credit card contracts are packed with fine print tricks and traps to increase the likelihood of paying fees and penalties. You will be hard pressed to find a credit card without these terms – at least until our government outlaws them – but if you’re informed and cautious, you have a better chance of steering clear of the traps and saving money.*

**Fees and More Fees** – On any given month, you might pay a late payment fee, overlimit fee, cash advance fee, balance transfer fee, foreign exchange fee, bill payment fee, Western Union fee, and whatever else your lender can devise. Not to mention monthly and annual fees.

**Tricks to Make You Pay Late** – These come in many varieties. If you’re late you’ll pay a hefty fee and your interest rate may go up. Check each statement carefully and pay your bill as soon as it arrives.

**Changing Due Dates** – Your bill will not be due on the same day every month.

**Early Due Dates** – Bills may be due just a few days after you receive them.

**Weekend Due Dates** – If your due date is on the weekend and your payment arrives on the date, it won’t be processed until Monday and you’ll be considered late.

**Morning Due Times** – Your payment may be due at 9am on the due date, not 5pm.

**Approved Overlimit Charges** – If a purchase puts you over your limit, your credit card company will approve the charge then hit you with an overlimit fee and maybe even raise your interest rate. Keep careful track of your balance and know that even approved charges may put you overlimit.

**Universal Default** – Pay Card A on time but pay late to Card B (or anything else monitored by your credit score) and your interest rate on Card A may jump!

**“Any Time For Any Reason” Changes** – Most contracts include this ominous phrase. It means just what it says – they can increase your interest rate on a whim.

**Teaser Rates That Don’t Stick** – An introductory 0% interest rate can jump to 30% with a late payment or if you go overlimit. Don’t bank on keeping that 0% rate for the entire promotional period.

**Retroactive Application of Higher Interest Rates** – To make things worse, if your interest rate increases, they can apply the higher interest rate to the entire existing balance, not just to new charges.

**Allocation of Payments** – If you end up with two or more different interest rates, they will apply your payments to the balance with the lower interest rate first. The rest of your balance will continue to generate high interest charges until the low-rate balance is entirely paid off.

**Tricky Interest Calculations** – For some cards, you can pay interest on purchases from previous cycles. This is known as double cycle billing. Look for a card that uses the “Average Daily Balance” interest calculation method.

**Credit “Protection”** – Services like this may sound good, but they’re usually useless. The fee for the service likely exceeds the minimum payments it would cover if you became sick or lost your job. Avoid add-on products like this.

**Binding Mandatory Arbitration (BMA)** – This provision requires that you resolve any conflict with an arbitrator selected by the lender, which means you give up your right to take the credit card company to court.