

Credit Cards: What You Should Know

Watch Out for Hidden Fees

- Select a card that does not charge an annual fee.
- Look for a credit card that has a low annual percentage rate (APR) or interest rate. The higher the interest rate, the more you will have to pay later.
- Ask about additional fees like late payment, charging over your limit and/or simply maintaining a balance.
- Be careful when obtaining a cash advance. Many times, the interest rate for cash advances is higher than the interest rate on regular purchases.
- Watch out for introductory offers. Interest rates can go up considerably after only three to six months.

FastTip: Carry only one card with a low credit limit. A card with a limit of only \$500 to \$1,000 will help you control your spending.

Recognize Risky Credit Card Behavior

You may have a problem with debt if you:

- ...use a credit card to pay off debt on another credit card.
- ...are at or near your credit limit on many credit cards.
- ...can only afford to make the minimum payment.
- ...receive calls from collection agencies about unpaid bills.
- ...hide purchases or lie about your finances to your family and/or friends.
- ...have been declined from making a purchase because of insufficient credit.

If these statements sound familiar, strongly consider **getting help:**

Contact your credit card company. Ask if they can lower your interest rate or set up a more affordable payment plan.

Rethink your spending. Set up a budget. Be realistic about your spending and financial needs.

Get help from a local consumer credit counseling center. Avoid credit groups that charge fees. For more information, contact the National Foundation for Credit Counseling at www.nfcc.org.

Understanding Interest

Paying only the minimum monthly balance over a long period of time will have costly consequences. The chart below is an example of how credit card interest can pile up:

On a balance of \$1,000, this is the interest you'll pay, based on a fixed monthly payment (at an interest rate of 18 percent):

Fixed Monthly Payment	Interest	# Months to pay off	Total You Pay
\$1,000	\$0.00	0	\$1,000.00
200	47.53	6	1,047.53
100	91.62	11	1,091.62
50	197.83	24	1,197.83
30	396.72	47	1,396.72
25	538.62	62	1,538.62
20	862.24	94	1,862.24

Another example: If you pay only the minimum and never make another transaction, it will take **232 months/19 years** to completely pay off a balance of \$1,000. That's a total of **\$2,931.33 for your original \$1,000 purchase** (based on a monthly minimum payment of 2 percent of the remaining principal).

Credit Card Scammers

While filling out a credit card application, don't assume that an official-sounding name means a credit card company is legitimate. What should you watch for?

- If there is not a specific bank mentioned, do not apply. It may be a ploy to gather personal information.
- Check for the bank's address, Web site and phone number. Without contact info, don't send an application.
- Read the fine print! Always look for hidden costs, such as setup fees, monthly service charges and unreasonably high interest rates. If you're still unsure, check with the Better Business Bureau (www.bbb.org).

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