

### **IT'S IN THE "FINE PRINT"...**

Credit card companies do a great job at disclosing all of their terms and conditions...but do so in an exceptionally hard to read font and verbiage, designed to dissuade you from really reading the infamous "fine print". But failing to understand the terms can be costly.

Most people know that when your bill arrives, it needs to be paid on time or you'll be hit with a hefty late fee - but many don't know that paying late usually entitles the credit card company to raise your rate immediately and significantly. And worse yet - did you know that paying late on one of your credit cards also entitles all your other credit card companies to raise the rates you are paying them as well? You bet - it's called the "Universal Default Clause", and it basically means that if you are late on one credit card account, all other credit card companies that you have accounts with can increase the interest rate too, even if their accounts have been paid completely on time.

### **But the plot thickens further - this goes beyond late payments on credit cards alone.**

If one of your credit card companies has the Universal Default Clause noted in their disclosure - and most of them do - this clause states that they have the right to penalize a consumer with an increased interest rate if a late payment is reported to ANY other creditor, including utilities, car loans, and home loans. Better believe that credit card companies with this clause sit back and wait for the opportunity to increase the interest rate...and continually monitor their customer's credit reports, just waiting for the opportunity to do so.

### **And just when you thought it couldn't get any worse...**

...it's not just late payments that trigger the Universal Default Clause; interest rates can be increased if a consumer exceeds a credit limit, bounces a check, or applies for additional credit. All of these signs may be read by the credit card company that a consumer is "high risk". The penalty? You guessed it - a higher interest rate.

Further, if an offer seems too good to be true, it probably is. This popular phrase rings true for many consumers that sign up for zero percent interest offers. Although these offers sound great and every consumer goes in with the best intentions of paying the balance in full before the zero percent interest term expires, the vast majority of people do not pay off the bill before the offer ends. And what consumers do not realize is if the account is not paid in full, the creditor does not start charging interest from the date the deal expires, the creditor goes back to the day the purchase was made and

charges interest on the balance for the entire period.

Or - back to the Universal Default Clause, if you are late on another credit card payment during the introductory time period with the zero percent rate offer - the card issuer of that sweet deal could prematurely break it off and force a steamed up interest rate, retroactively charged back to the original date of purchase. That smoldering rate could mean paying double or even triple for the purchased merchandise.

**Try your best to only charge what you can afford to pay off in full, on a monthly basis. Beyond being just good advice, here's another little known credit card fact that could cost you.**

If you charge and then pay the account in full, there is no interest due. But if you charge and choose to only pay half of the bill when it arrives, guess what - you get charged interest not just on the remaining balance, but for the entire charged balance, regardless of your paying half the bill in full. If the bill is not paid in full the following month, this game continues until the account is paid in full.

So although the fine print can be a real snoozer to read, taking the time to become familiar with credit card terms and conditions can save you some serious dollars. Review your current credit card terms and conditions and take the time to find a credit card company that truly matches your spending habits and needs. You will save yourself a few sleepless nights - and more importantly, save yourself a lot of money too!