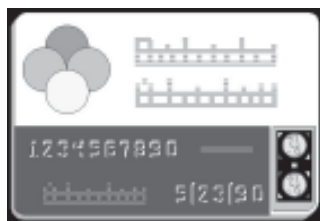


# Credit Cards

## Staying Clear of Credit Card Debt



*Credit Card: A plastic card, issued by a bank or business authorizing the holder to buy goods or services on credit.*

### The Plastic Bandit

Studies have shown that people spend more when they buy with credit cards. When you put down plastic, somehow it just doesn't feel like real money.

If you're anything like the average, you're probably pretty popular with banks. Do you regularly receive offers of "pre-approved" credit cards in the mail? Do not accept them without checking them out first. Most people with less than four or five credit cards (who have debt on most of them), and pay their bills on time, will get offers regularly. Remember that the best customers in the bank's eyes pay them interest every month! So even if you are scraping up against your credit limits on several cards, banks love you as long as you pay that minimum payment on time.

If you are tempted to apply for and/or use a credit card, there are some basic tips you should keep in mind to help you avoid increasing your debt by paying more than necessary.

### How to Avoid Being Trapped into Credit Card Debt

#### \$ Minimum Payment

Although banks make attractive offers of minimum payments, supposedly for your benefit, always pay as much as you can.

#### \$ Skip-a-payment

Credit card companies sometimes allow you — as a special customer — to skip your payment. Remember the interest on your debt won't take a break while you do. Decline the offer and send in a payment as usual.

#### \$ Low teaser rates

You've probably seen ads with really low rates. If you read the fine print, it is probably for a limited time only and may apply only to balance transfers. Then the rate could double or triple.

#### \$ Grace period

Many cards offer a 25-day grace period before they start charging interest. But the grace period will *not* be in effect unless you pay off your balance monthly.

#### \$ Stolen cards

If you report your credit card has been lost or stolen within 2-4 days (check the card agreement for the exact time-table), you will only have to pay up to \$50 if charges are run up on your card. If you wait longer, it could cost you up to \$500.



## Re-Establishing Your Credit Rating

Did a period of unemployment or a divorce mean you paid your bills late? Have you had to declare bankruptcy? Then you may need a **secured card**. A secured card requires you to open and maintain a savings account as security for your line of credit; an unsecured card does not.

You make a cash deposit into an interest paying bank account. In exchange, the bank gives you a credit card. The card's credit limit will probably be low and the interest rate high. It gives you a chance to re-establish your credit rating, but be sure that the lender reports to a credit bureau.

*Never* answer ads that make promises like "Get a Visa Card, \$25. Bad Credit — No Problem." All these companies do is send you an application for a secured card and pocket the \$25 fee. You are *not* guaranteed a card.

The following companies keep lists of low rate, low or no annual fee and secured credit cards:

### **RAM Cardtrak Research & Publishing**

P.O. Box 1700  
Frederick, MD 21702  
(301) 631-9100  
<http://cardtrak.com>

### **Microsoft Money Insider**

<http://moneycentral.msn.com/home.asp>

## What's a Good Credit Card?

**Do you pay off your bill each month?** Then you want a card with a grace period during which no interest is charged and no annual fee. If you occasionally spread out your payments over a few months, the interest rate is important too.

**Do you have more debt than you can pay each month?** Then a low interest rate is the most important. Remember banks that issue low interest cards are picky — they only want the best credit risks.

## When Credit Card Debt Has You on the Run

Find out if you have a debt problem by answering these questions.

- Ø Is your savings cushion too little or not there at all?
- Ø Are you using credit cards for items you used to buy with cash?
- Ø Are you at or nearing the limit on your credit cards?
- Ø Are you unsure about how much you owe?
- Ø Is an increasing percentage of your monthly income going to pay off debts?
- Ø Are you only able to make the minimum payments on your credit cards?
- Ø If you lost your job, would you be in immediate financial difficulty?

If you answered "yes" to two or more of these questions, you could be in financial trouble. The **National Foundation for Credit Counseling** is a nonprofit organization that offers free or low-cost financial counseling to help you control and lower your credit card debt. To get the phone number of the nearest office, call 1-800-388-2227 or visit their web site at [www.nfcc.org](http://www.nfcc.org). *\*See our Credit Report tip sheet at [www.womenwork.org](http://www.womenwork.org) for more information on getting a credit report.*