

Credit Card Fine Print

Melody Hobson, president of Ariel Capital Management (arielmutualfunds.com) in Chicago, is "Good Morning America's" personal finance expert. Ariel associates Matthew Yale and Aimee Daley contributed to this report.

To Avoid Extra Fees, It's Crucial to Familiarize Yourself With Your Credit Card Agreements

Apr. 18, 2005 - According to the non-profit consumer group Consumer Action, credit card fees cost cardholders about \$13 billion every year. All of these fees can be found in your card agreement's fine print, which many people overlook until it's too late. Here is a quick guide to some of those finely printed fees that can really add-up:

The Fees

Late Payment According to Vertis, a marketing company that researches consumer credit, 2 percent of all credit card holders occasionally miss a credit card payment. This is a costly error, as the average late payment fee is \$29. However, depending on your balance, some banks charge up to \$39 for a late payment. Not only will the late fee hit you directly, but the interest rate you pay will increase as well.

Over the Limit If you go over your credit limit, credit card companies can charge you an over-limit fee of \$29. This \$29 fee is in addition to the \$29 late fee, and it can often come in tandem if the late payment pushes you over the limit!

Inactivity Charges Believe it or not, your credit card company can actually charge you for not using your credit card. Some companies will charge a \$15 fee if your card remains inactive for more than six months.

Universal Default Penalties Credit card companies can increase your interest rate if you are late paying another creditor's bill, even if your payment history is perfect. All the credit card company has to do is check your credit report — something they monitor regularly. According to Consumer Action, 44 percent of credit cards have universal default penalty provisions.

No-Balance Fee Believe it or not, paying off your balance in full can cost you. Some credit card companies will charge you a fee of \$2 when you eliminate your balance.

Teaser Interest Rates A fixed interest rate is not necessarily in stone — it too can change like a variable rate. Credit card companies are allowed to change your rate for any reason (within the stated rules of your cardholder agreement).

What You Can Do:

Read the Fine Print Your credit card agreement is one document you can't afford to not read. Everything the credit card company is entitled to do with your card will be spelled out in fine print. Pay special attention to verbiage around interest rates, late payment fees and due dates. Additionally, if there are sections or clauses you do not understand, highlight them and call your credit card company before using the card to get clarification on what could be a very costly misunderstanding.

Pay Something While I never advise paying only the minimum on your credit card balance, if you have to choose between paying the minimum or skipping a payment — pay the minimum!

Call Your Credit Card Company The best way to navigate the fee maze and to advocate for the best rate and fairest payment terms is to call your credit card company directly. For example, if you have good credit and a history of paying on time, and then miss a payment for any reason, a call to the card company can usually stave off any finance charges or an interest rate increase.

Keep Only One Credit Card** With thousands of credit card options, it is important to choose the card which best suits your finances. For example, if you know you are definitely going to carry a balance, select a card with a low interest rate or if you are going to be tempted to spend beyond your means, go with a card with a low-set spending limit. Additionally, having only one card makes it much easier to keep track of the rules and allows you to avoid the paper chase of multiple cards.

** A Customer Service Representative for a nation wide Mortgage Credit Reporting Company, states that lenders consider a healthy credit report as one that contains 1 mortgage, 1 automobile loan and 3 responsibly managed revolving / credit cards.