

Credit Card 101: What The Fine Print Really Means!

by Sandra Bostwick, PassPorter Guest Contributor

There's more to charging a Disney resort or cruise vacation than choosing between umbrella drinks on your private balcony or a juice box at the food court. Your PassPorter can help you with those details, but if you are using a credit card, you need to beware of the lending villains and their sneaky lending terms, hidden fees and bait-and-switch interest charges.

With all the attention on predatory mortgage lending and the sub-prime mortgage disaster, credit cards may be the next likely place for lending villains to lure unsuspecting borrowers! The bottom line is that credit cards make their money in late fees, cash advance fees, balance transfer fees, and interest. That sounds fair enough, as long as everyone is honest, right? Well, even if the fine print is visible to the naked eye, what does it mean?

Here are some communication basics to start with. Ask lots of questions and don't stop until you understand. Write down the name of whom you spoke with, the date and time of the call, and take careful, legible, notes. If the representative speaks too quickly, say you are writing and ask them to repeat or speak more slowly. If you feel that someone is reading a script, be careful! Many scripts are unclear and can be misinterpreted in ways that will cost you.

Have an accountant or financially gifted person review your terms. Of course, since credit cards CAN say "We've changed our minds and it will probably cost you" at any time, you should never run up charges that you couldn't pay off with back-up cash sitting in an interest bearing account JUST IN CASE!

The good news is that The Fed is looking into changes that may protect us all from sudden rate changes, tricky wording, and evil credit card tricks in the future. The bad news is, until that happens, you should understand these tips. You are probably thinking that this sounds like as much fun as a time-share salesman's presentation when all you wanted was the free vacation, but try to stick with it! Here are some tips to help you navigate the murky waters of the credit card seas:

* A "fixed" rate is not fixed. That's the simplest way to say it! A credit card company can raise its rates with no reason and a written notice. If you see "fixed rate" on any agreement, and you are counting on that

rate, you are gambling. One major card DOUBLED its "fixed" rate this year, even for card members who followed the rules. This can cost plenty if you carry a large balance and don't have a reserve to pay it off!

* Some low interest promotional offers backfire if other charges are made, creating a second balance which accrues interest at higher rates. Payments can be applied to your low interest balance first while interest adds up on the other purchases until your promotional offer is paid to 0! This is usually explained in the fine print somewhere, but is easy to miss. To avoid this, cancel any automatic payments, get your balance to 0 and put the card in a drawer BEFORE you take advantage of a promotional rate!

* Some good low interest offers will allow you to keep charging and apply your payments to your higher interest balance so you avoid finance charges. This is a great deal, but don't miss a penny in your payments and don't be late!

* A low interest promotional offer with Deferred Interest must be paid IN FULL by the Applicable Expiration Date. Retroactive interest all the way from the date of purchase will be added to your bill if you get your dates wrong or don't pay in full. OUCH! If you pay in full by the due-date, though, all the accrued interest is removed.

* Some low interest promos can have tricky wording for the Applicable Expiration Date, so you don't realize the promo has expired. Applicable Expiration Date is a tricky concept. If your promo expires the first cycle that INCLUDES January 1st, but that cycle BEGINS on December 1st, your true expiration date is December 1st. You must ask the representative two questions: 1: "What is the exact date that STARTS the cycle when finance charges begin?" and 2: "What is the exact date to pay my balance to 0 in order to avoid charges?" If the answer to these two questions don't match, you don't have the date you need. If you are given a phrase that includes a date, but requires interpretation, you are not safe. (This sounds silly, but people I advised to ask these questions endured plenty of scripted double-talk before they got the dates. Be persistent!) Once you get the exact date, mark it on your calendar. If the date is on the first of the month, make sure your mark is at the end of the previous month to avoid calendar page flipping shock. If your card uses two cycle billing, (below) this is an even bigger expense!

* Here's how Two cycle billing takes away your grace period and can cost you interest for up to four months. - Your card balance was paid to 0 on January 1st. - You charge your \$5000 Disney family trip on your card on January 2nd.

- Your February statement does not show interest, since the previous balance was 0.

- You send \$200 payment on time for February payment, but leave a balance.

- March statement surprises you with two months of interest charges

back to January 2nd!

- You pay down to 0 immediately and cut up your card.
- Your April statement comes and STILL charges interest on the average balance of the previous two months.
- You pay that interest to 0 and, with a second month with no balance, you are finally free at a cost of about \$200 if your interest rate was 12% and you made no other charges. If your rate is 24%, the cost goes up big time for the benefit of delaying payment for a short time.

If you've made it this far, pat yourself on the back. You've earned a few extra treats for your vacation. The best news is that Disney has plenty of options to suit most budgets and smart planning should get you your key to the kingdom and plenty of magical surprises. Say hello to Mickey for me!

About The Author: Sandra Bostwick is an occupational therapist, music therapist, and adjunct professor at County College of Morris. She owns Creative Learning Studios and enjoys motivational speaking and writing. She has experience in the travel and entertainment industry on land and sea, but dreams of earning a Walt Disney World cast member pin one day. She is an expert peer reviewer for the PassPorter Guides and can be reached at [Speed of light 2@yahoo.com](mailto:Speed_of_light_2@yahoo.com).

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