

Credit Card Crisis: A Crash Course

by Sandra Bostwick, PassPorter Guest Contributor

The credit crisis is here! Why do you care? Because credit card companies are changing terms, raising rates, adding fees, and making it harder to play by the rules. Make one mistake, and you'll have the right to remain silent because anything you say won't matter anyway! Here are two ways to stay ahead of the game.

The Sudden Rate Increase Fight Back Strategy

Cara, a full-time New Jersey mom of three children ages 7, 5, and 3, fought back when a sudden rate increase tried to take her money and run! She'd managed to pay all her bills on time and follow all the rules. Imagine her surprise when she saw her monthly minimum credit card payment jump from \$166 to \$250. That's with no new purchases…just an interest rate hike!

"I made the minimum payment every month for years and I never missed a payment. One month I made the minimum payment plus the finance charge, and the next month my interest rate was raised from 14.9 to 24.9! I don't know if that was a coincidence," she said. "I called because there was no explanation. I spoke to customer service, then a rate counselor, who told me they could raise my rate as long as my balance was over half the credit limit. They said they sent me a notice, but I never saw that notice, and I read everything! First they said I'd have to pay the higher interest rate until my account was below half because I hadn't frozen my account. They said I could call again and negotiate the rate when the balance was paid down. I kept insisting that I'd never seen the notice until they finally gave me the option of freezing my account at 14.9%."

When Cara called later to ask if the \$100 in interest charges would be refunded retroactively, SURPRISE! There was no record of the first call. No lowered rate as promised, no account freeze…nothing. Just interest ticking away at 24.9%. Another mystery! "I had to go through the whole process again to get frozen," she said. "If I had not called right away to check on the \$100, who knows what would have happened!"

Here's the plan if you get a sudden rate increase:

- Read and understand all notices.
 - Call and ask questions. Be careful of "scripts" that sound like they are being read from a screen. Misunderstanding these will most likely cost
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you.

- If your rate increases, freeze your account before the deadline to keep your old rate. You cannot use that card until the balance goes below a certain limit, but you will save money.

- When you call, write the name, date and times for each call. If you are transferred, make sure to get the new person's name.

- Call the next day to confirm the change. Personal experience and many first-hand stories from trustworthy friends and acquaintances suggest that data entries in favor of the consumer are often lost. Don't rest easy if they assure you they've fixed the problem. You **MUST** call back until a new person says they see the change on their screen at the start of the call. While calling several times is annoying, being cheated feels much worse.

The Pay Ahead Elimination Notice Decoded

Do you rely on tried and true routines and automatic systems to pay bills on time? If you've been hoping for a little bill paying excitement, you could be in luck. Paying on time could be more of an adventure if you get a Pay Ahead Elimination Notice. Strategies you've been using to avoid interest and late fees may no longer work because, well ... I guess someone figured out they help you avoid interest and late fees!

These are actual phrases from different notices:

- *You may no longer make minimum payments in advance.*
- *You must pay the Total Minimum Due each billing cycle.*
- *A minimum payment will be required for every statement with a balance, even if you paid more than the minimum payment or made multiple payments in a previous billing period.*
- *We will no longer apply any portion of payments in the current billing cycles to Total Minimum Amount Due.*

Here is what it means:

Paying too early is just as bad as paying too late! If a billing cycle runs from November 1 to November 28, your payment must be recorded between those dates to count for that billing cycle, **NOT EARLIER**.

Here is what you need to do:

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- Be alert to any notice that changes the number of days in your billing cycle.
- Fill in a calendar for a whole year with the due dates. In a 28 day cycle, you can't count on paying on the same day each month.
- Don't pay even one day earlier than the start of the next billing cycle. Credit card companies aren't big on paying it forward. You'll end up with multiple payment for one billing cycle and a zero payment for the following month. Then you'll have fees, higher interest rates and lower FICO scores for a long time.
- Don't trust the US mail OR the person opening the mail at the credit card company. Use online bill paying from your checking account. You can sit down once and schedule future payments for the whole month. This gives you a confirmation of the payment date and gives you control of timing. You also save on stamps!
- Sign up for email payment reminders. Good credit card companies offer this for free.

My December 2007 article, [Credit Card 101: What The Fine Print Really Means](#), gave some basic strategies, defined some terms and hopefully prepared some people for the meltdown that has taken almost a year to materialize. Forcing yourself through the tedium of that piece might not be a bad idea. With companies raising rates and changing rules for card members who have a perfect track record, the penalties are even worse if you make a mistake. Fight back with a few smart moves of your own! The winner of this game gets to keep YOUR money! Good luck and be careful out there!

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.

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