

HOW TO AVOID CREDIT CARD DEBT

- ✓ Only spend what you can afford. Credit is a LOAN- not a gift. Credit card companies make their money when you don't pay your bill in full at the end of the month. Borrowing money from a credit card company can be more expensive than borrowing from a bank.
- ✓ Never "max-out" or exceed the limit on your credit card. Over-the-limit fees can raise your interest rate, add to your overall debt, and reflect negatively on your credit report.
- ✓ Avoid using your credit card for cash advances. The fees and interest on such transactions are excessively high.
- ✓ Keep credit card receipts to verify charges on your statement. Contact your credit card company immediately if there is an error. You must dispute the error within 60 days of the billing statement. The creditor must resolve the dispute in 90 days or within two complete billing cycles, whichever is earlier.
- ✓ Eliminate the temptation to open a new card by calling 1-888-5-OPTOUT. Your name will be removed from marketing lists and prevent companies from sending you pre-approved credit card offers.

COMMON CREDIT CARD FEES

- **Annual or membership fee-** Yearly charge for having the card.
- **Cash advance fee-** Extra fee when you use the card for a cash advance; usually a percentage of the cash advance, for ex. 3%.
- **Balance transfer fee-** Added fee when you transfer a balance from one credit card to another.
- **Late payment fee-** charge if your payment is received after the due date.
- **Over-the-credit limit fee-** Extra fee if you go over your credit limit.
- **Credit limit increase fee-** Added fee if you ask for an increase in your credit limit.
- **Finance charge-** Monthly charge for carrying a credit card balance beyond the grace period.

CHOOSING AND USING CREDIT CARDS



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Overwhelming credit card debt can happen to anyone, a person who spends too much and saves too little, a person with their first credit card, or a person who is living on a fixed income with unexpected expenses. This brochure will help you choose and use credit cards wisely to keep from falling into serious long-term debt.

Credit card debt has a devastating effect on the lives of millions of Americans. The average consumer carries four (4) credit cards with an average \$9,000 in debt!! Don't let this happen to you.

FINDING THE RIGHT CARD

- Compare credit card offers, contact banks or go to the Federal Reserve System at www.federalreserve.gov/pubs/shop for an online survey.
- Decide how you will use your credit card. If you want to hold a balance from month-to-month, look for a card that has lower Annual Percentage Rate (APR).
- If you want to pay off your balance each month, choose a card that offers a reward program, no annual fees, or a longer grace period.
- Don't accept credit card offers simply because the issuer says you are prequalified. Only you know how much you can afford to pay.
- Be careful of credit cards where you have to pay a fee to get the card. These cards often have high fees and low credit limits.
- Be careful of how many credit cards you have, it may be harder to borrow money if you have too many cards.



TIP 1:

Before you sign a credit application, ask questions to make sure you understand all the terms and conditions such as fees and penalties. For example, will your interest rate increase if your payment is late?



TIP 2:

It's always best to pay your credit card bills in full each month. Otherwise you will be paying interest costs on top of the money you owe.

WHAT TO DO IF YOU ARE OVERWHELMED BY DEBT

- ✓ Contact your creditors directly. Many credit card issuers may lower your APR or remove fees if you ask. Paying your bills on time and not exceeding your credit limit improves your odds.
- ✓ Consider contacting a credit counseling service. These agencies provide money management, debt reduction and financial education services. Contact the National Foundation for Credit Counseling, 1-800-388-2227, www.nfcc.org for free or low-cost counseling.
- ✓ Consider filing for personal bankruptcy only as a last resort. Bankruptcy is expensive, will negatively impact your credit report for up to 10 years, and may hurt your ability to get a loan or credit, a job, insurance or a place to live.
- ✓ Avoid credit-repair companies that claim they can solve your debt problems for a fee. Only you can repair your debt problems.
- ✓ Stop using the credit card and pay the balance off in full. If you need to use the card again be careful and spend wisely and pay off the balance at the end of each month. You may also choose to close out and cut up credit cards on which the balance has been paid in full. Notify the credit card company in writing that you are closing the account.
- ✓ Report any problems with harassing debt collectors to the Federal Trade Commission or your State's division of Consumer Protection. You have rights against harassment from debt collectors.