

How to Avoid Credit Card Debt

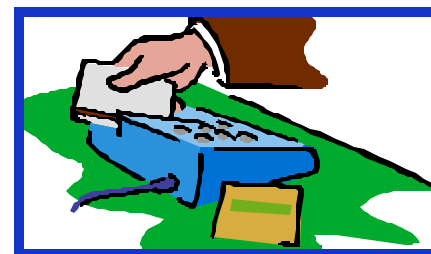
- Only spend what you can afford. Remember that credit is a LOAN -- not a gift. (Credit card companies make their money when you don't pay your bill fully at the end of the month. "Borrowing" money from your credit card company is much more expensive than borrowing from a bank.)
- Don't "max out" or exceed the limit on your credit card. Over-the-limit fees can raise your interest rate, make it difficult to pay down your debt and will reflect negatively on your credit report.
- Avoid using your credit card for cash advances. The fees and interest on such transactions are higher than for credit card purchases.
- Keep credit card receipts to verify that your charges match those on your statement. Contact your creditor immediately if there are any errors. You must send copies of any documents that support your claim and you may withhold payment or the charges while it is being investigated. (The creditor must resolve the dispute in 90 days.)
- Eliminate the temptation to open a new card by calling 1-888-5-OPTOUT. This will remove your name from marketing lists and prevent companies from sending you offers for new credit cards.

What To Do If You Are Overwhelmed By Debt

- Contact your creditors. Many credit card issuers may lower your APR or remove fees if you ask. This may only be an option if you have paid your bills on time and are not over your credit limit.
- Consider contacting a credit counseling service. These agencies provide money management, debt reduction and financial education services. However, many of these services are costly and some may make your problems worse. Free or low-cost consumer counseling can be obtained from the National Foundation for Credit Counseling. Call 1-800-388-2227 or visit www.nfcc.org to find a member agency near you.
- Consider filing for personal bankruptcy as a last resort. Bankruptcy is expensive and the effects remain on your credit report for 10 years and may hinder your ability to obtain credit, a job, insurance and even a place to live.
- Avoid credit-repair companies claiming, for a fee, they can solve your debt problems; clean up your credit report and get you a loan.
- Close out and cut up a credit card on which the balance has been paid in full. Tell the credit reporting agencies that account has been closed.
- Report any problems with harassing debt collectors to the Federal Trade Commission, the New York State Attorney General or the CPB.

The Perils of Plastic

How to Choose and Use Credit Cards Without Falling Into Debt



Overwhelming credit-card debt can happen to anyone: the college student with their first card; an average family that spends too much today and saves too little for tomorrow; or senior citizens living on a fixed income with unexpected expenses.

The New York State Consumer Protection Board has prepared this brochure to help you choose and use credit cards. It provides advice on how to protect you from falling into debt and how to get out of credit-card debt.

**New York State
Consumer Protection Board (CPB)**

**1-800-NYS-1220
www.nysconsumer.gov**

Credit card debt is having a devastating effect on the lives of millions of Americans. The average household now carries 14 credit cards with an average outstanding balance of more than \$9,000.

Choosing the right credit card and using it wisely can keep you from falling into serious, long-term debt.

Shopping tips to find the right card

1. Compare credit card offers. Contact banks or visit www.bankrate.com or www.federalreserve.gov/pubs/shop -- the online survey provided by the Federal Reserve System, among other websites.

WORD TO THE WISE:

Before you sign a contract, ask questions to make sure you understand the terms and conditions such as fees (see next page) and penalties. For example, will your interest rate increase if you are late with your payments or late in paying other bills?



2. Decide how you want to use your card. If you want to carry a balance from month-to-month, use a card that carries a lower interest rate (known as Annual Percentage Rate or APR).

3. If you expect to always pay your monthly bill in full -- and other features such as frequent flyer miles don't interest you -- your best choice may be a card that has no annual fee and offers a longer grace period.

WORD TO THE WISE:

It's always best to pay your credit card bills in full at the end of each month.

Otherwise, you will be paying interest costs and penalties on top of the money you owe.



4. Don't accept credit card offers simply because the issuer thinks you qualify. Only you know how much you can afford to pay. Also, it may be harder to borrow money if you have too many credit cards.

5. Be wary of credit cards where you have to pay a fee in order to get the card. Often these cards can only be used to shop out of a catalog supplied by the credit-card company.

Common Credit Card Fees

- **Annual or membership fee** – Charged for having the card.
- **Cash advance fee** – Imposed when you use the card for a cash advance; may be a flat fee (for example, \$3.00) or a percentage of the cash advance (for example, 3%).
- **Balance-transfer fee** – Assessed when you transfer a balance from another credit card.
- **Late-payment fee** – Charged if your payment is received after the due date.
- **Over-the-credit-limit fee** – Assessed if you go over your limit for charges.
- **Credit-limit-increase fee** – Imposed if you ask for an increase in your credit limit.
- **Set-up fee** – Charged when a new credit card account is opened.
- **Return-item fee** – Assessed if you pay your bill by check and the check is returned because of insufficient funds.
- **Other fees** – Imposed by some credit card companies if you pay by telephone or online; cover the costs of reporting to credit bureaus, reviewing your account; or for providing other customer services.