

**COUNTY CORP**

# CREDIT REPAIR PROGRAM

## IS THIS YOU?

- \* **Do you have a high interest rate on your first mortgage (8% or higher)?**



- \* **Are you paying more than you should for car insurance and other loans or charge accounts?**

- \* **Have you been told your credit is the problem but you don't know why?**

If you answered **YES** to any of the questions above, COUNTY CORP'S Credit Repair Program may be able to help you improve your credit score.

A one-on-one counseling session will be conducted so that we can thoroughly analyze your comprehensive credit report which will contain information from all three major credit bureaus. In addition, we will identify ways to increase your score.

If you want to increase your spending power and gain control over your finances, pick up the phone and **call 225-6328** and ask for

**Stephanie Evans** to get registered for this exciting opportunity.

The confidential private session is free but there is a nominal fee of \$35 for a single person and \$45 for a couple to cover the costs of the reports.

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# Credit Cards: 8 Dirty Secrets

Card companies are getting creative with fees. Here's how to avoid their traps.

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By Annelena Lobb, CNN/Money Staff Writer

**NEW YORK (CNN/Money) - Plastic can be fantastic. Using credit cards responsibly builds a good credit history, so you can land a loan when you need one. Cards let you avoid carrying large amounts of cash, which is convenient when you have to buy something expensive or if you're abroad. They even come with perks like frequent flier miles.** But credit cards work a bit like Dr. Jekyll and Mr. Hyde: they have a hidden ugly side. If your charging gets out of control, you may find yourself handcuffed to a large monthly bill with escalating interest charges. Try putting a dent in that balance with your monthly cash flow, and you may have to charge your way out of a cashless pinch. And if you pay only the bare minimum, the balance on the card never disappears. "From a financial point of view, it's in the company's interest to have consumers carry the largest amount of debt they can possibly repay," said Stephen Brobeck, executive director at the Consumer Federation of America. "They encourage large balances, with offers to send you another card, raise your credit limit, and lower your minimum payment."

The following offers a snapshot of interest-rate and fee strategies the card companies use -- but don't want you to know about:

**Too small a grace period, or none at all.** Historically, credit cards offered a grace period of about 30 days. If you paid your balance in full during that time, you were charged no interest on your purchases. But card companies don't make money on good customers. As such, the length of many grace periods is starting to wane. "Some credit cards don't offer a grace period anymore," said Fritz Elmendorf, vice president of communications at the Consumer Bankers Association. According to CardWeb.com, the average grace period on a card from one of the major issuers is about 22 days. But some cards have shortened the period to 20 days, and others have none at all. With no grace period, you're charged interest on the purchase from the day you make it, probably before the credit card company has even paid the store on your behalf. "Card companies have shaved off the official time from 30 to 25 days or less," said Stephen Brobeck, executive director of the Consumer Federation of America. "These days, we recommend you pay the bill within one week."

## What you pay in interest when you only pay the minimum

	Rate	19%	15%	11%
Balance	\$1,500	\$4,298	\$1,956	\$1,018
	\$2,000	\$6,198	\$2,789	\$1,441
	\$2,500	\$8,098	\$3,622	\$1,864

Total interest charge, with a 2 percent minimum payment. Source: Myvesta.org Free Online Calculators

**Cash advances.** Regardless of your terms, you almost never get a grace period for cash advances, which means you begin paying interest on them right away, Elmendorf said. Adding insult to injury, the interest rates on cash advances are typically higher than the ordinary rate on card purchases. "You may be tempted to put your credit card in the ATM and get cash, but it's very expensive," Elmendorf said. Interest rates on cash advances can climb as high as 30 percent, similar to the fees assessed after a late payment.

**Two-cycle billing.** Your credit card balance is computed using one of three methods: the adjusted balance method, the average daily balance method, and the two-cycle balance method. The adjusted balance method is the most consumer friendly: interest is charged on the account balance remaining after payments and credits during the billing cycle. The average daily balance method is charges interest on your average balance during the billing cycle. The one to watch out for is the two-cycle balance method, where the interest on your average daily balance is computed using both your purchases from that billing cycle and those from the month before. "If I charged a bunch of things in February, even if I paid them off completely, that figure would still be used along with my March purchases in order to calculate my average daily balance for March," said Brad Dakake, a consumer advocate at the Massachusetts Public Interest Research Group (MASSPIRG). "The average consumer probably has no idea -- it's very sneaky."

**Credit card fees.** Fees in general have headed skyward in the past few years. You can be charged onerous fees for misdemeanors such as late payments or overstepping your credit limit. According to CardWeb.com, the average late payment fee in January 2002 was \$28.58, up from \$11.60 in 1994. The average over-the-limit fee during the same period was \$26.92, up from \$12.47. The best solution is to keep an eye on the calendar and pay on time. If you can't make a payment because of extenuating circumstances, call the card company and speak with someone about it before it's due. They may be able to arrange a special payment plan for you.

**Penalty interest rates.** Another nasty result of paying a credit card bill late: your interest rate can soar. More and more card contracts have a clause in which interest rates can be jacked up to hefty "penalty rates" if you don't use a card within the specified terms. The difference in rates can be substantial -- you can be moved from a rate of 12 to 13 percent to a rate of 20 to 30 percent if you miss a payment or go over the credit limit, Brobeck said. "Today, you have lots of offers with very attractive rates -- six months at zero percent interest, and so forth. But if you're late on a payment, you can kiss those generous terms goodbye," Elmendorf said.

**Penalty fees everywhere!** Credit card companies can impose sky-high penalties on any balance that you fail to pay or pay late. It also doles out a hefty fine for going over your limit. But the ramifications of poor credit management don't stop there. If you use even one of your credit cards outside its terms, other card companies may also punish you with penalty rates -- regardless of whether you have missed payments on them. "If you have several cards and miss a payment on just one, you can get penalized on all of them," Dakake said.

**Changing terms on short notice.** It's a good idea to read what your credit card company mails you. "Credit card companies can change your interest rate anytime, provided they give you 15 days notice," said Dakake. "People often think that's not true if they have a 'fixed' rate, set by the card company, as opposed to a 'variable' rate, pegged to the prime rate. Even fixed rates can change."

**Tiny minimum required payments.** Credit card companies have reduced their minimum payments of late. Most cards now only require a two percent minimum payment, said Brobeck, down from five percent. This makes the offer sound more appealing, but it actually isn't. If you pay only the minimum, you'll pay even more interest for a longer period of time. "Mathematically, if you're being charged a penalty interest rate of 24 percent, and only make the minimum payment of two percent, you will never pay off your debt," said Brobeck. You've heard it a hundred times, but the fact still stands. If you pay only the minimum on your credit card, you will be paying for sweaters you bought in college and vacations you took with exes for the next few decades. Sound appealing? We didn't think so.