

Avoiding Credit Card Secret Traps

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Sample of Content:

How to avoid secret traps when you compare credit card company terms, interest rates and fees.

Content:

Credit card secret traps are the hidden side of plastic that keeps you in debt that is difficult to pay off. The main objective of credit card companies is for you to carry the largest balance you can possibly repay.

Trying to avoid these credit card secret traps is tricky because credit card companies constantly raise your credit limit, and offer you perks to get you to charge even more.

Credit card companies can get very creative with fees and interest rates and that's where you can get into financial trouble. To avoid this from happening here are some common credit card secret traps to be aware of when you compare credit card company terms.

Two Cycle Billing

The two cycle balance method is where the interest on your average daily balance is computed using both your purchases from that billing cycle and charges from the month before.

Even if you paid off your entire balance from the month before, that figure is still used along with your current month purchases to calculate your average daily balance. This credit card secret trap can keep you in deep debt for decades.

Credit Card Grace Period

A credit card grace period is the number of days before the credit card company starts charging you interest on new purchases. Most cards have a grace period but beware of the cards that don't.

If you have a card with no grace period, you always pay interest on new purchases from the day you make the purchase, even if you pay your bill in full.

Cash Advances

You almost never get a grace period for cash advances, which means you begin paying interest on that advance right away. Also, the interest rates on cash advances are typically higher than the ordinary rate on card purchases. A cash advance is costly and one of the most common credit card secret traps.

Credit Card Late Fees

Credit card companies can impose hefty penalties on any balance that you pay late or balances that exceed your limit. But the penalties of credit card late fees don't end there.

If you violate even one of your credit cards terms, other credit card companies may also punish you with penalty rates even if you have never missed payments on them.

Interest Rate Changes

Credit card companies are allowed to change your interest rate anytime, provided they give you 15 days notice. So read what your credit card company mails you because some companies will sneak this by hoping you won't catch it.

The bottom line is read the small print in the credit card terms provided by the card issuer regarding the credit card company rules concerning the billing method, grace period as well as the interest rates and fees.

Also, think about how you will use the card, especially if you expect to carry a balance. Then, compare credit card company terms and try to choose the card that keeps you from falling into these credit card secret traps.

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