

# Credit card issuers will soon have to spell out more details on bills

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By PAMELA YIP / The Dallas Morning News

How many consumers really understand their credit card statement and the disclosure notices that come with their bill?

The better question may be: **How many even read them?**

If you don't read your statement closely or if you throw away the envelope stuffers, **you may not know that your interest rate or fees have gone up**, or that your credit limit has been lowered.

Fortunately, federal regulators are eliminating consumers' excuses for not studying their credit card bills by requiring card issuers to make the statements easier to understand.

For example, by February, card issuers must tell you plainly **how long it would take to pay off your bill if you just made minimum payments.**

For some cardholders, it will be a stark reality in print.

**"It will make the statement clearer and if people are just making minimum payments, hopefully it will scare them straight,"** said Ben Woolsey, director of marketing and consumer research at CreditCards.com, a credit card information Web site.

Other federal requirements will take effect in July 2010, including:

- Putting specific annual percentage rates and fees with effective dates in table form.
- Clearly telling consumers the implications of a late payment, including the exact amount of the late fee and penalty annual percentage rate.
- Including information that groups total fees and interest charged.

Here are the crucial parts of your statement that you should understand, besides your total balance and payment due date.

## **Annual percentage rate**

The APR is the way of stating the interest rate you will pay if you carry a balance, take out a cash advance, or transfer a balance from another card. The APR states the interest rate as a yearly rate.

A credit card may have several APRs, including one rate for purchases, another for cash advances and another for balance transfers.

It's critical to be aware of any change in the APR because even a small increase can make a big difference in how much you will pay over a year if you carry a balance.

**"If you're used to the 6 percent interest rate and your next statement is at 15 percent, that has a huge impact on you,"** said Todd Mark, vice president of education at Consumer Credit Counseling Service of Greater Dallas.

Take note that many card issuers are raising interest rates in advance of new credit card regulations taking effect next year.

### **Finance charges**

**The finance charge is the dollar amount you pay to use credit.** The amount depends in part on your outstanding balance and the APR.

Credit card companies use what's called a daily periodic rate to calculate finance charges.

**"Finance charges on credit cards are compounded daily,"** said Odysseas Papadimitriou, chief executive of CardHub.com and former senior marketing director at Capital One. "The credit card companies assess finance charges on your balances every day, and at the end of the month they sum up all the finance charges and send you a statement."

One important thing to remember: Credit card companies figure finance charges based on your balance throughout the month, not on your balance at the end of the month.

**"If you had a \$2,000 balance for the first 25 days of the month and on the last five days, you had a balance of \$500, you would be assessed finance charges for the first 25 days of the statement on the \$2,000 balance,"** Papadimitriou said. **"For the last five days of the month, you would be assessed finance charges based on the \$500. They will not assess finance charges just on the \$500."**

Of course, if you pay off your balance each month, there will be no finance charge.

### **Other fees**

These include an annual fee, which experts expect card issuers to bring back, the cash advance fee, balance-transfer fee, over-the-limit fee and late-payment fee.

Some card companies charge a fee if you pay your bill by telephone.

Read the information in your credit card agreement to see if there are any other fees and charges.

### **Your credit limit**

The credit limit is the maximum amount available to you for purchases, cash advances, balance transfers, fees and finance charges.

If you go over this limit, the card issuer will charge you a fee.

But starting next year, new credit card rules prohibit over-the-limit fees unless cardholders agree to allow transactions to go through that will put them over their credit limit.

### **Grace period**

The grace period is the number of days you have to pay your bill in full without triggering a finance charge. For example, the credit card company may say that you have "25 days from the statement date, provided you paid your previous balance in full by the due date." The statement date is given on the bill.

The grace period usually applies only to new purchases. Most credit cards don't give a grace period for cash advances and balance transfers. Instead, interest charges start right away.

If you carried over any part of your balance from the previous month, you may not have a grace period for new purchases. Instead, you may be charged interest as soon as you make a purchase, in addition to being charged interest on the earlier balance.

All the more reason to start paying close attention to your card statement and those envelope stuffers.