

Credit Resources:

Federal Trade Commission

<http://www.ftc.gov>

Experian

<http://www.experian.com>

Transunion

<https://www.transunion.com>

Equifax

<https://www.equifax.com/personal>

Consumer Financial Protection

<http://www.consumerfinance.gov>

HOURS OF OPERATION

Legal Assistance

(Attorney consults by appointment only)

Will Appointments

Please complete Will worksheet BEFORE you make a will appointment! Stop by or call our office for more information.

Italian Legal Assistance

(Attorney consults by appointment only)

Powers of Attorney/Notaries

Mon-Fri 0745 - 1630

You can complete power of attorney & will worksheets, and read information at

<https://aflegalassistance.law.af.mil>

31 FW/JA

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**UNDERSTANDING
CREDIT CARD
TERMS**



**31ST FW LEGAL
OFFICE**

Current as of April 2022

UNDERSTANDING CREDIT CARD TERMS

If you're running short of cash, a credit card can help by allowing you to buy now and pay later. But, this "see-it-spend-it-pay-for-it-later" mentality can later lead to significant financial problems. If consumers better understood the actual meaning of all the fine print on the back of a credit card bill, then their credit card behavior might be different. Therefore, when you are shopping for a credit card, it's important to compare the following terms from each potential issuer:

Revolving Credit: Most credit cards operate as revolving credit, which means that you're provided a line of borrowing that you can access as needed, and pay back the amount as quickly or slowly as you want---as long as you pay the minimum amount required each month. Sometimes if you pay your balance in full each month, the lender may increase your credit line, giving you even more borrowing power.

Annual Fees: Annual fees can range anywhere from \$0 per year to as much as \$300 per year. Banks defend these annual fees by pointing to the services the banks offer, such as discount travel, 24-hour service, and rebate and reward programs. Typically, the higher the annual fee, the larger the credit line.

Tip: If you're the type of person who pays off your balance in full each month, choose a card with *no annual fee*.

Annual Percentage Rate (APR): The APR is a measure of the cost of credit, expressed as an annual interest rate percentage. This rate is applied to the money you have borrowed through a "finance charge" (see below). Some lenders charge a fixed APR, while others levy a variable charge that changes based on an index, such as the prime rate. Interest rate charges may be as high as 21 percent or more, or as low as 5.9 percent.

Finance Charges: Credit issuers use various measures in calculating their finance charges. The most common way is through the *average daily balance level*, in which each month's daily balances are added together, then divided by the number of days in the month. Some issuers include new purchases in their calculations, others do not. Still others calculate the average daily balance for *two* billing cycles---the current and the previous---while some calculate the balance based only on the current period.

The *adjusted balance method* is used by other issuers, where they subtract all payments made during the month, then add the finance charges. ***Tip:*** Get a credit card that calculates charges based on the most recent cycle and that

excludes new purchases. The only way to avoid these finance charges is to pay off your balance in full each month.

Grace Period: The *grace period* is the amount of time a lender allows before charging you interest on the balance due. The standard is 25 days from the date of the bill before assessing finance charges. If there is no grace period, finance charges will accrue the moment you make a purchase. ***Tip:*** Choose a card with a longer grace period so you can stretch your payments out over several weeks. Record when your bank usually sends out its bills and charge items on an account immediately after the bill goes out. If your bill is sent out on the 10th of each month and you make a purchase on the 11th, then that item will appear on next month's bill---allowing you almost a two-month grace period.

Over The Limit Fees and Late Fees: Many issuers charge you an "over the limit fee" to penalize you for exceeding your allowable credit. Also, if you are late with your bill, you will be charged a fee.

Minimum Payment: Some issuers set a high monthly minimum payment if they are uncertain of your ability to pay. Most issuers require you to pay a minimum payment of two percent of the outstanding balance.