



STATE OF GEORGIA
Governor's Office of
Consumer Affairs

Control Your Credit Card Debt

Credit cards are a convenient way to pay for purchases, especially in an emergency. It's tough to complete some transactions, such as renting a car, buying online, or reserving a hotel room, without one.

Responsible use of a credit card is important. Here are some ideas about controlling your credit card debt.

Don't overspend. The issuer of your credit card will set a credit limit. Could you really afford to accumulate that much debt? If not, ask your creditor to lower the limit. If you're told that your credit limit has gone up, you can refuse part or all of the increase. Keep up with your spending so the total on your credit card statement doesn't surprise you. It's easier to track your spending if you use only one or two cards. Carry an envelope that you put receipts in and keep a running total of what you've charged. You can also use a checkbook register or a PDA to keep up with the charges.

Pay as much as you can every month. Paying your balance in full every month is the best strategy. If you can't do that, pay as much as you can. The card issuer will only require you to make a minimum payment, which may be as little as 4% of the balance. Always pay more than the minimum. If you only pay the minimum, interest charges could be as much (or more) than the original purchase by the time you finally pay off the charge.

Make your credit card payment on time. Allow at least five days for your payment to reach the card issuer by the due date if you mail a check or pay bills online. Paying late is expensive. Most credit card issuers charge a late fee plus interest. And routinely paying late is a negative on your credit history.

Check the terms of credit cards. The Annual Percentage Rate (or APR) is the cost of credit; you can compare the APR across credit cards. Will the APR change? If so, when and by how much? Does the advertised rate apply to all of your charges? (There may be a higher rate for cash advances.) What other fees (annual, late payment, cash advance, exceeding the credit limit) are there?

Know what type of card you have. There are several types of plastic cards that you may carry and they aren't all credit cards.

- An *ATM card* probably doesn't have a credit card logo on it, requires you to use a PIN or Personal Identification Number, can probably be used only at an ATM, and deducts cash from your checking account.
- A *debit or check card* may have a credit card logo on it. If it does you can use it like a credit card to make purchase but the charge comes from your checking account on the day of the transaction. You may be able to use your debit or check card by entering a PIN; the transaction also is subtracted from your checking account. Many debit/check cards can be used at ATMs and to make purchases.
- A *credit card* has a credit card logo. You receive a monthly bill and must pay at least the minimum balance.
- A *stored value card* is like cash. Each time it's used (a phone card, for example) the value of the transaction is deducted from the value on the card. When the value reaches zero, you can toss the card or add more value to it.

Know your credit history. Creditors report your application for and use of credit to credit bureaus (also called credit reporting agencies) that compile the information along with other information (such as judgments against you) into a credit report. Prospective creditors, employers, and insurers may check your credit report before deciding whether to do business with you. They are looking for a past history of responsible credit use and the indicators that you could repay the debts you have now as well as the new one for which you're applying. Many businesses now use your credit score, which is a numerical score, based on the information in your credit history. The higher your credit score, the better.

Check your credit history at least once a year and before you submit an application that will trigger a check of your credit. Even if you don't have a credit card, you may have a credit history. By federal law, consumers have a right to a free annual credit report from each of the three national credit bureaus. To order, go online to <http://www.annualcreditreport.com>. There are also directions at the website to order your credit report by phone (877.322.8228) or by mail.

Georgia residents also have a right to two free credit reports a year. You can request those at:

Equifax
1-800-685-1111
www.equifax.com

Experian
1-888-397-3742
<http://www.experian.com/freestate>

Trans Union
1-800-888-4213
www.transunion.com

Take care of your credit card. Don't leave your credit card or receipts lying around where someone can see it. Don't read your account number to someone on the phone in a public setting where someone might hear it. Don't give your credit card number over the phone to someone who calls you unless you're certain who you're talking to. Don't use your credit card number to make online purchases unless you're sure it's a legitimate transaction.

Know your credit rights. You have many rights as a user of credit cards.

- All lenders must disclose the APR. All lenders must use the same method to calculate the APR so you can compare them.
- If your credit card (or number) is lost or stolen and used fraudulently, you are responsible for no more than \$50 of the charges. If your ATM or debit/check card (or number) is lost or stolen, you must report the loss within two business days to limit your liability to \$50. You are responsible for up to \$500 in fraudulent charges if you report in two to 60 days after the loss, and all of it if you don't report within 60 days. Keep your receipts and check your statements!
- You have a right to know what's in your credit report and to question any information you think is wrong.
- Lenders can't discriminate on the basis of race, color, religion, natural origin, gender, marital status, age, or because an applicant receives income from a public assistance program. You must be told why you were denied credit. If your credit history was a factor, you have a right to see your credit report at no cost.
- The Fair Debt Collection Practices Act prohibits collectors from calling you at your workplace if you ask them not to and calling you at home after 9 p.m.

If you get in over your head, don't ignore it. Talk to the issuer of your credit card. Some will lower your interest rates, waive fees, change your payment date, or make some other change to make it easier for you to repay what you owe. If you can't manage your debt, contact a reputable consumer credit counseling service or a debt management agency. They offer budget counseling and will set up a repayment plan with your creditors.