How to Read Credit Card Agreements

Credit card Agreements now require a Master's degree to read. With sentences spanning over 45 words, there's no wonder why most just sign rather than read and ask questions.

I have to believe that the worst one I've seen in a long time is Menards. It's enough to make any sane person's head swim. Of couse the issuer is Household International, a predatory lender.

There is nothing wrong with credit cards, as long as you plan to pay the balance in full every month. However, even then, you need to know certain elements of the agreement.

ALWAYS take your copy of the agreement. If necessary take two copies. It is important to keep what the original agreement was. While completing the form, write the date that you applied on your copy of the agreement.

Items to look for/Questions to answer:

1. Who is the actual lender. If it is a predatory lender, pass it by.

2. What are the Additional Fees? Did you know that certain lenders are actually charging you if you have it set-up to autopay from your checking account? It is called "Direct Check" Fee. What about the situation when you have an unknown charge on your account, do they charge you for "research?"

3. Is there a minimum "Finance Charge?" This causes the interest rate to actually be higher than shown. For example, if you carry a balance of $50 and the APR is 15% or 1.25% per month, the normal finance charge would of been .63 (yes, 63 cents), however, the minimum is applied (like $2.00 minimum finance charge). This brings your APR up to 48%. In this example, if you balance is $150 then you should pay it off to avoid excessive interest rates.

4. Closely review the area called "Default." Does it contain this statement, "our receipt of information from third parties, including credit reporting agencies, which indicates a delinquency or charge-off with other creditors." The Menard's credit card has over 16 different ways they would consider you in default. When you see this --- run!

5. How are payments applied? Most times cash advances carry a higher interest rate. To paydown a cash advance, you need to both pay the minimum payment PLUS indicate how much is to be applied to the cash advance. We've seen individuals that indicated that they want their entire payment to go to cash advance, only to be hit with a late fee because they didn't allocate dollars to the minimum payment.

6. There are times where if you become unemployed where all or a portion of you debt can be forgiven. Not all agreements have this, but in this

uncertain economy it is good to know this information.

7. Look for items in small print. We have found the smaller the print, the more important to know.

We recognize many businesses may offer a discount when you use their inhouse credit card, but a 10% discount doesn't begin to pay for the potential situation of 48% interest, or more, once you consider all the fees.

Last, but not least, to protect your financial privacy, we always recommend that you notify all credit card issuers immediate that you "OPT-OUT." Opt-Out of both third-party sharing and affiliate sharing. Most credit card agreements now have how to do this - if it doesn't, just send a note with your payment that states "Please remove my name from all third-party or affiliate sharing."

Written by ACCESS staff writer

Please Consider Joining Us
Please join our community and help us fight against these abuses. Your registration shows us you are interested in becoming an informed consumer and feel strongly about these issues. By registering, you will have even more information available via our website.
You will also receive our monthly news-bytes, detailing breaking news in the area of privacy and credit.
Click here to register today.