The Gotcha's that can Get Ya

This is an article that we had published earlier, but with all our new members, we thought we would re-release this. Here is a list of known and unknown facts that can adversly affect your pocket book.

ATM Charges

A dollar here and a dollar there can quickly add up. Many foreign ATM's may charge you $1.50 or more. If you use them too frequently, like 3 times a month. You've given that foreign bank 90% APR interest for NOTHING.

What to do? Because the ATM fee is the same, no matter how much money you withdraw, it's best to withdraw a lot rather than a little. Therefore, it's better to pay $1.50 on $200 rather than $1.50 on $20.

AutoPays

(See Direct Pays below)

Bank Fees - Check Conversion

We've classified this situation as bank fees, although, your bank doesn't really get the money. But it's found on you bank statement, with your bank fees.

The Check Truncation Act has affected millions of consumers. With the passage of that, thousands of businesses are now debiting your account electronically (ACH), even if you pay them by check.

Once your check is converted, it is difficult to dispute the amount that was charged to your account.

What to do? If the company gives you the "option" of converting your check -- say NO. Now, than ever before, it's important to balance your bank statement. Thousands of electronic errors occur daily and it is up to YOU to find the error.

Bank Fees - Bounced Checks

Banks can charge as much as $30 for one bounced check. This can cause an immediate drain on your account.

What to do? Go to your bank and ask about overdraft protection. The cost for this service is dramatically less than the cost for a bounced check. Usually, it is around 16%. But don't think merely depositing money into your account removes your overdraft balance, it does NOT. You must tell the cashier, that you want the money in your account to pay the balance. If you fail to do that, they will continue to charge you interest on the balance.

Credit Cards - Cash Withdrawls

It is a well known fact that cash withdraws, on your credit card, carries a higher interest. What isn't as well advertised is how the credit card company applies your payments. If you don't pay off your balance every month, most credit card companies apply your payment to the lower interest balances, before they apply money to the higher interest rate loans. That means your cash withdraws are the last to be paid.

BUT, watch out, if you don't pay your minimum amount ALSO, they will knock you with a past due fee. Therefore, you must always give your minimum payment & then anything over that can be specified to go to you cash withdraws.

What to do? Call your credit card company. Many times they will give you a different address to send your payment to; one where you can specify how you want your payment applied. Always be specific in requesting how your money is to be applied. State X dollars be applied to cash withdrawl, X dollars to purchases, etc. Remember, be certain to pay the minimum too.

Credit Cards - Changing Agreement/Terms

All credit cards have the right to change their terms but your have rights too. You can say that you wish to remain on your original agreement. This normally must be done in writting within 30 days of receiving the notice. This also goes for increases in the interest rate.

What to do? when you have a change in terms. Immediately call the credit card company and tell them that you wish to remain on your original terms. There can be three things that occur 1) they can demand payment in full now or 2) they can demand that you place no new charges on the card or 3) they may say okay. One can never tell which will occur. Whichever you agree to, you need be certain to follow up in writing.

Debit Cards - Additional costs

Some merchants are talking about charging their customer's a transaction fee for using their debit cards. Watch your charges closely.

What to do? Debit Card fees appear in a seperate area of your bank statement. We now understand that banks are requiring merchants to charge an addition fee when using a debit card. Therefore, you may see a small charge with the merchant's name, however, we understand that this fee does not go to the merchant but to the bank. It's best to complain about the fee with the merchant first, but to get it resolved you'll need to visit with your bank.

Debit Cards - Pay at the Pump

Many "pay at the pump" gas stations are reserving $50 out of your checking account - even though you only charged $10.

Debit cards work the same as credit card, they first reserve the money, then the merchant at the end of the day sends the actual charge into the bank. This situation of "reserving" money on you checking account can result in bounced checks.

What to do? To avoid that $50 reserve, you can go into the gas station and pay directly. By doing that you can minimize potential bounced check problems.

Deferred Payment

When contacting creditors regarding problems with paying your bill, they may offer to defer the payment for a month. However, it usually comes with a fee. We counseled with one individual who's car lender offered to delay, for 30 days, her car payment was $800. The fee was $60. That is 7.5% for 30 days, or 90% APR. Too high.

What to do? Try to avoid "deferred payments." Or try going to a local bank and seeing about a small loan, at a lower interest rate. Or see if you can get your credit card company to waive the fee.

Direct Pay

We have seen installment arrangements that charge a fee to automatically withdraw funds out of your checking account. Some fees are as high as $15. When you add it up, you will find that 18% APR has now jumped to 50% APR.

Not only that, but many direct pay transactions are difficult to stop. We know of one person who spent over 6 months trying to stop an automatic AOL payment, on services that had been cancelled.

Another problem with direct pays is that some companies don't send you a invoice. The problem comes when there is a change or adjustment in their agreement. Most businesses mail this as an insert in there bills, but their online customers don't get them.

What to do? ASK if there is a fee for this service. If there is, then don't do it. If you are trying to stop a creditor, like AOL in the above example, go to your bank and tell them the situation and they will try to stop it before it occurs.

Grace Period

From the time a creditor mails out their bill to the time it is due is called the "grace period." You need to watch that the creditor doesn't shorten that time or change the due date.

We know some that shave off 5 days in hope that you'll be late. Thereby, charging you a late fee.

What to do? Call the creditor immediately. Some will even change the due date to better match your pay period. Thereby, making it easier on you to get it paid in a timely manner.

Medical Bills

I can hear groans. Unexpected medical bills can place an undue burden on the family. Over the years, doctors office's have come to realize that they are the last to get paid. In their zeal to get their money they have begun offering us the ability to pay by charge card. We have seen individuals place $1,000 medical bill on their charge card. This is NOT good.

What to do? If they ask for a charge card, tell them you don't have one. Most medical offices and hospital will work with you. While some have begun charging interest, I've found very few that charge excessive fees (30%+ all the other fees) like credit cards.

Also, many hospitals are associate with charities. While visiting with them, find out if your situation would qualify for charity.

Over-the-Limit Fees

Finance charges added to the account on the closing day of the billing cycle can trigger an over-limit fee.

Going over-limit can trigger more severe penalties since it is considered a "default." Due to universal default clauses, an over-limit account could trigger higher interest rates on ALL your credit card accounts.

Additionally, new cardholders need to be aware that making a maximum balance transfer can trigger an over-limit fee on the very first statement. This is due to the "balance transfer fee" card issuers charge.

What to do? Call and get a copy of your agreement. It should detail all the charges and when they apply. Remember, card issuers can change it but they have to notify you before they do.

Payday Loans

Utlizing this type of service can result in a vicious cycle. To give a $20 service fee for $300, to be paid back in two weeks is excessive. To pay $20 for a two week loan, is the same as 1,716% APR. No one in their right mind would sign up for a charge card at that interest rate. Yet daily, thousands pay it to payday loans sharks.

What to do? If you find yourself in this situation, the best people to talk to is your banker - where ever you have your checking account at, stop an visit with them about your needs.

Share with us your "Gotcha's"....

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