



Low Interest Credit Cards

by John D. Whitaker

Mark Twain must have been able to foresee the use of low interest bearing credit cards when he said "A man who carries a cat by the tail learns something he can learn in no other way." I get about 5 credit card applications in the mail each week. All promise wonderful benefits including air miles, free gifts, insurance or bonus points with great and friendly service. I hate to start sounding like a lawyer in the first paragraph, but if you don't read the fine print on these applications you may find yourself carrying a very angry cat by the tail.

The mailings we all get for these cards have a little booklet which comes with the application. The application I received today contained a booklet called the Summary of Credit Terms and Conditions. I did pretty well in Contracts while in law school so I thought it might be fun to sit down and read the summary and evaluate the real terms of the deal they were offering. You might be surprised what's in that little book.

First, in the letter that came with the book they told me that I could have a 4.99% interest rate "for life" on balance transfers. That sounds like a pretty good deal because I intend on living a long time, but there was a footnote to this language. The footnote which was located several pages later and which was written in microscopic print said I could have that rate unless the company decided otherwise. Essentially, the company had the right to change the deal if I had anything in my credit history which increased the risk that I couldn't pay the money back. Credit card companies call this a "universal default." Even if you keep your credit card payments current, the company can use a default on a car, house, telephone or other type of bill to support jacking up your interest rate. They can do this automatically after giving you 15 days notice.

The interest rates are different depending on the type of transaction. For example, cash advances carry a higher interest rate than regular purchases and there is a fee for using



those little cash advance checks they send you. These fees are not calculated as being part of the rate. When you make a payment the company will credit the principal payment to the lower interest balance saving the higher rate balance for last.

Late fees can be as high as \$39 on this card, and the company must receive the payment by the due date or the late fee applies. I got a credit card statement from one credit card company that was dated December 20. I did not receive the statement until January 6th. The payment was due January 15th, so I only had 9 days to get the payment to the company before it was late. If it had been late they would have charged me the late fee and could then raise any low interest balances I might have on this card or any other credit card I had, even ones not issued by this credit card company.

Another thing to keep in mind is that if you only pay the minimum payment on the bill each month it may take many years to pay off the balance. The credit card companies have strongly resisted congressional attempts to require the companies to tell the consumer how long it will take to retire the present balance on the card if only minimum payments are made. Why don't they want you to know that?

When they tell you that you were pre-approved for some low rate, the Summary says that after you fill out the application the company gets to decide whether they will actually honor the low rate. They can increase the interest rate if they feel like it, and there is nothing you can do about it except not use the card.

By using the card you agree that the company can tell other credit reporting companies about your payment history. They don't need to inform you when they do this.

I watched an important television program the other night about credit cards on the PBS program "Frontline" (www.pbs.org). Before you charge out and use that new credit card, spend a little time on the Frontline web site and remember that if it doesn't look right, it probably isn't right!

The Wyoming State Bar does not certify any lawyer as a specialist or expert. Anyone considering a lawyer should independently investigate the lawyer's credentials and ability, and not rely upon advertisements or self-proclaimed expertise. This informative column is brought to you by John Whitaker who practices personal injury and criminal law throughout Wyoming. He can be reached at JDWTL@aol.com or by calling his office in Casper at 265-6204.