

December 2006 *MoneyMinute* -- The Nightmare Before Christmas

By Jennifer Cray

Credit cards' high interest rates and late fees just weren't enough for the bankers. Now they've invented even more ways to lighten your pockets as you load up with gifts this holiday season. Let me tell you a holiday tale:

Chapter 1

It's December. You're busy. Your credit card bill from Scrooge Bank gets buried under a pile of holiday cards, long-winded family newsletters, and photos of smiling imps with missing teeth. You don't notice until the January bill arrives and shows two months' worth of charges, not one. You pay the bill right away, figuring it won't be a big deal because you've never made a late payment in the 20-odd years you've had that Scrooge Bank card.

Result #1: A \$39 late fee (didn't it used to be around \$15?).

Result #2: You now owe interest on two months of interest, because you carried a balance for one month.

Result #3: The interest rate has jumped from the 6% deal that Scrooge Bank gave you way back when, to 22%.

Result #4: The rate on your credit card from First Grinch National Bank spikes as well. First Grinch cites the innocuously named "universal default" provision. This particular piece of fine print lets First Grinch jack up the rate on your card even though you have a perfect record there.

Result #5: Scrooge Bank's late fees and sky-high interest charges push you over your credit limit by \$1. That will cost you another \$30 fee.

Chapter 2

Among the holiday catalogs in your mailbox sits a shiny envelope from Bah Humbug Financial Corp. Congratulations, the letter says. You've qualified for a 0% balance-transfer deal! You decide to teach that rotten Scrooge Bank a lesson. You transfer your entire balance to a new card at Bah Humbug Financial.

You start using the new Bah Humbug Financial card and aggressively pay down that balance from the old Grinch card.

Result #1: Your credit score drops. Bah Humbug had to check your credit (small ding). When you cancelled the first Grinch card, you lost credit for your long, clean track record there (bigger ding).

Result #2: You get your second monthly bill. You've already paid off the first month's new purchases and a chunk of the transferred balance. But what's this? An interest charge, courtesy of more fine print. Your new charges at a high interest rate go last in line to be paid off. First you have to pay off the 0% balance while your new purchases accrue double-digit interest charges.

Result #3: Sick of paying high fees, you mail a check to Bah Humbug Financial to pay off the balance. It arrives on the due date at Bah Humbug Financial's offices at 1 p.m., with the day's mail. But the payment cutoff time is 9 a.m. There's another \$39 late fee, plus another month of interest charges.

Chapter 3

You've finally found the best deal in town. Santa Claus Bank has a card with a low interest rate and reasonable late fees. You take it and wave goodbye to the nasty Big Banks.

Result #1: You pull your fantastic plastic card from the envelope and out flutters a thin folded piece of paper with itty bitty print. The title: "Changes to Terms of Your Agreement." Yes, Santa Claus Bank has changed the rules. Up go the fees and your interest rate. It all takes effect in 15 days.

Result #2: What's more, they add a neat little trick called "double-cycle" billing. It works like this: You have a balance of, let's say, \$2,000 on your credit card. You make a \$1,500 payment. You get charged interest on the full \$2,000, not the \$500 balance.

Result #3: You call customer service, punch in another 29 numbers and pound signs to get to a human being. "Don't like the new deal?" the agent asks in a chirpy voice. "No problem, sir! We'll be happy to close your account, right here over the phone! Merry Christmas!"

Chapter 4

So what are you going to do? Drown your sorrows in eggnog and sugar cookies and watch the Tidy Bowl game? Not at all. Just as in football, the best defense is a good offense:

1. Never, ever be late. Use the credit card website or your bank's bill pay service to set up an automatic monthly payment that covers the minimum due. That way, the bank can't impose its multiple punishments for late payment. Pay off the rest of the charges before the due date.
2. Your credit card's website may let you set up helpful email notifications. Have it send you an email 10 days before the payment is due. Your bank website may also allow you to set alerts for things like your balance dipping too low.
3. If you do make a late payment by mistake, call the bank and ask them to waive the late fee. If they think you're a good customer, they usually will.
4. Stop the blizzard of credit card offers in your mailbox. Call 1-888-5-OPTOUT to get your name off the pre-screening lists at the three big credit bureaus.
5. Best of all: Pay off those credit cards every month. But if you do have debt to pay down, set a deadline to pay the balance once and for all. This debt calculator can get you started: <http://www.bankrate.com/brm/calc/creditcardpay.asp>.
6. Live happily ever after.

The End

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