



## Variable or Fixed Rate

## Credit Learning Center



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**Variable or Fixed Rate** by Steven Anderson

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Even though credit cards may seem like a blessing and proclaim to give you a bang for your buck, no one does anything in this world without something in return. Knowing that people don't just do things out of the goodness of their hearts when it comes to business it shouldn't surprise you to know that credit lenders are no exception. They have a variety of secrets and tactics to get their hands on more of your money. So we are going to talk about twelve things they do that you probably don't know about and some ways you can avoid them.

The first thing we'll talk about is the *two cycle billing*. This is simply where a lender charges you two months of interest the first time you fail to pay your balance in full at the end of the billing cycle. Although it's not so good, it only an issue when you fail to pail your balance in full. The way to avoid this issue is rather simple. You can either pay off your balance in full every month or switch to a different credit card.

Now let's talk about *negotiable fees*. The sad truth is you may be paying up to \$50 a year in credit card fees. They might also be hitting you up for 18% interest. There isn't a good way around this issue. If you have been with the company for some time and have remained in good standing with them you may be able to get them to drop the annual fee and lower interest rates, but they aren't going to do anything if you don't ask. If they aren't willing to help you, there is always another card issuer out there that is willing to give you a better offer.

Something serious that you have to keep an eye out for is *backdating interest*. You have to watch how your lender charges interest. Some of the companies charge interest from the date they review the transaction. Others offer you a grace period to pay off your bill before they start charging interest, but some sneaky companies start charging you interest from the day you swipe the card, which is at least a day or two before they even pay the company. The only way around this is to switch companies or to pay your bill in full.

Also you need to watch out for the *right to setoff*. This only applies if you have a deposit account and a credit card from the same bank. But if you do bank and charge with the same group you may have signed an agreement with them that allows access to your funds. This means that if you become delinquent on a bill they have your authorization to deduct the funds from your checking or savings account. The obvious way to avoid this is to avoid being delinquent, but you could also charge and check with two different institutions.

Watch out for interest rate hikes because they may be retroactive. If you signed up for a credit card with an introductory rate, usually between 0% and 8% then be weary when the promo period expires. Because when the promotion period is over your existing balance will be subject to whatever rate they preset and in some cases you are charged back interest from the opening of your account. The way to avoid this is to simply pay the bill off in full before the expiration of the promotion, or to close the account.

Now that you know a little about the grace periods, you also have to watch out for *grace periods ending*. So if you get an offer in the mail for a fabulous preferred platinum or gold card with a \$15,000 limit, the offer might not be so great after all. Read the fine print because there could be a string attached. You might wind up paying interest the day you charge the purchase, even if you pay your bill in full. The only way to avoid this is to throw the offer out.

Keep an eye out for those shortened due dates. Most times when you get a card you have a 25 day grace period to pay your balance before they start charging you interest. Well be careful because they may



sneak that number down to 20 or lower for customers who pay their bill in full monthly. The only thing you can do here is to call and ask them to bring it back up to twenty five.

Credit Card lenders like to lure you in with all their benefits, but be careful because they can yank that carpet out from under you whenever they want. Most companies have cut back on all of the shiny offers they used to promote, and they aren't making that knowledge as widely spread as they did originally. The easy way to avoid this is to read the offers in detail before signing up for a card, or if you already have one, always read the letters they send regarding changes to your account.

Stay away from *day one interest rates*. Once you start carrying a balance there isn't really a grace period on new purchases. That awesome 20 or 25 day grace period you get doesn't apply if you carry a balance, only if you pay in full each month. The only way around this is to find a card that excludes new purchases when they calculate interest. A good way to handle this situation is to have two dedicated cards. One for carrying balances on larger purchases with a low interest rate and another card that you diligently pay off each month used for monthly expenses.

A place where they really hit you hard is *double fees on cash advances*. They are going to hit you up pretty hard for finance charges and then they are going to turn around and charge you a transaction fee as well. Even be wary if your card claims not to have any finance fees because the transaction fees will still apply. The only way at all to avoid this is to try and avoid cash advances.

Don't be fooled by *monthly minimums*. You might think it is a great thing that your credit card is only demanding 2% or 3% of your balance for your minimum payment, but they are only looking out for themselves. The longer you carry a balance the more money they are going to make on interest. So you are just throwing your money at them. The trick to sticking it to the man, so to speak, is to pay everything you can monthly. Even if you can't pay the full balance then pay as much as you can spare.