



Understanding Credit Fees

Lenders are in the business of making money. To make a profit, lenders may assess charges other than interest. Credit card fees vary among issuers. The explanation of fees for your credit card can be found on the application and/or on the disclosure statement or credit card agreement that is usually sent annually.

The following fees are specific to credit cards:

1. Annual fee

A yearly fee you pay for using the credit card. These fees can range from \$0 to \$75 or more.

2. Balance transfer fee

A fee charged when you transfer a credit balance from one credit card to another. It is usually a percentage of the amount transferred. For example, Card A offers you the chance to transfer balances at a 7.9% annual percentage rate (commonly called interest rate) with a 2% balance transfer fee for the amount transferred.

\$ 1000	amount to be transferred
x 0.02	percentage for calculating the transfer
<hr/>	
\$ 20.00	fee for transferring the \$1000

Please note:

Before transferring a balance to a card with a lower annual percentage rate (APR), determine if you can repay the debt before the lower rate expires. Read the fine print of the agreement; if you are late with a monthly payment, you could automatically lose the lower APR before the introductory period ends.

3. Cash advance fee

A charge you pay for the convenience of getting “cash” using your credit card. For instance, if you used your credit card to get \$200 from a bank, the credit card issuer might charge you 5% of the amount withdrawn ($\$200 \times 5\% = \10) for getting that cash. In addition to this fee, issuers may charge a higher APR on cash advances.

Important note:

The interest charges on cash advances usually start the moment you withdraw the money. There is no grace period for cash advances even when the previous balance was paid in full.

4. Credit limit increase fee

A fee charged if you ask for a credit limit increase.

5. Currency conversion fee

A fee charged for converting credit card charges made in a foreign country to U.S. dollars.

6. Late fee

A charge you pay if your monthly payment is received after the due date. Currently, to be considered on time, the payment must be received by the card issuer and processed by the due date.

7. Monthly maintenance fee

Monthly fee charged to cardholders by some issuers, even if no charges were made during the month.

8. Over-the-limit fee

A fee for exceeding your credit limit. Your limit, or credit line, can be found on the original agreement you received with your card. The credit limit and the available credit are included on each monthly statement.

9. Set-up fee

Charged when a new credit account is opened.

**Read
the
fine
print.**

Universal Default

While this is not a fee, it is a way that your costs for using credit could increase if you don't pay attention to details and if you do not pay monthly bills in full. If you miss a credit card payment with one creditor, a different creditor may legally raise your annual percentage rate (interest rate) on their card. Therefore, if you routinely revolve the balance on your credit cards (i.e., never paying the outstanding balance), your finance charge for each month will increase because the annual percentage rate is higher.

To find the fees for your credit card, look on the back of a recent statement, the original application for the card, credit card agreement, or call the customer service department of your issuer. Most credit cards have the customer service toll-free number listed on the card.

Cutting Credit Costs Series

- Compare Annual Percentage Rates
- Know Your Credit Rights
- Live Within Your Means
- Pay Credit Card Bills Early
- Pay More than the Minimum
- The Fair Credit Reporting Act
- Understand Grace Periods
- Your Consumer Rights

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