

How Credit Card Companies Have Been Screwing People For Decades

How they hook you:

The amount of credit you receive is always emphasized above almost all else.

The application and approval for a credit card takes only a few minutes online, and the card arrives immediately. Getting "money" was never easier!

Teaser Interest Rates are offered for a few months in order to entice potential cardholders. (Notice how it's hard to find the regular rate at all!)

How they screw you:

They take advantage of "Universal Default", which means if you are late on a payment for something else - however unrelated - they raise your rate on your card!

If you go over your limit when you buy something, your card still gets "approved" at the register. Only later you find out that you just incurred some big fees AND hiked your interest rate from then on.

They can hike your interest rate to however high they want as long as they give you 15 days notice. (And they admit that it can take 10 days for their letter informing you of the new rate to get to you.)

Rate Increases are retroactive. So if you have \$1,000 on your card already, and your interest rate goes up, you now owe the higher rate on that previous \$1,000 too!

Your bill can be mailed to you up to 14 days before it's due, and it often takes 10 days to get to you. Plus, they can decide your bill is due at any time of day they want, ensuring the greatest possibility of you being late and owing big-time!

If you have money on your card with different rates (say from a balance transfer and also from purchases), when you pay your bill they can apply your payment to the lower interest balance first. That way they can charge you extra interest!

Credit card agreements are notorious for being confusing and full of ways for banks to make money off of unsuspecting cardholders. With the recent passage of the Credit Card Accountability Responsibility and Disclosure Act, several of these profiteering exploits are being rendered illegal.



Sources include:
<http://www.whitehouse.gov/blog/A-New-Era-for-Credit-Cards/>
<http://moneyfeatures.blogs.money.cnn.com/2009/05/19/what-credit-card-legislation-means-for-you/>

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How the Credit Card Accountability Responsibility and Disclosure Act will protect people from getting screwed

Retroactive Rate Hikes
ELIMINATED

Universal Default
ELIMINATED

Teaser Rates
 Must be offered for at least 6 months

Rate Penalties
 Go away after 6 months of on-time payments

Over-Limit Fees
 Cardholders now must opt in to have their purchases get approved if they are over limit - thereby eliminating unintentional over-limit transactions and the accompanying penalties

Due Dates
 Must be mailed 21 days in advance and all payments are due by 5pm (no more tricky deadlines)

Payment Allocation
 Applied to highest interest balances first, so it works in the cardholder's favor