

State Department Federal Credit Union

Topics of Interest

What Should I Look For When Choosing A Credit Card?

Credit card issuers have to make a profit. While most issuers, like your Credit Union, give you all the facts up front and happily answer all your questions, a lot of issuers trick you by hiding or disguising what it really costs you to use a card.

Here are some ways you could be paying more - unknowingly - for your credit cards than you need to:

1. Teaser rates, low in the beginning but rising after six months or so, are a popular way for card issuers to attract new cardholders. Did you know though, that often when the low rate expires, any balance you have on the card jumps to the new rate, not just new purchases?
2. Often there is both a finance charge and a transaction fee for cash advances. You owe interest from the day you take the advance - no grace period- and the transaction fee may be as high as 2% to 5%. Even if the ad says "no finance charges" there will likely be a transaction fee.
3. Cards offering benefits like percentage discounts, rebates or purchase protection have been cutting back on those benefits - often without notice.
4. Multi-feature, high-limit cards sound great but may not have a grace period. If the issuer charges interest from the date you make a purchase, these cards are expensive even if you always pay in full each month.
5. The typical grace period is 25 days, but some issuers are closing the window between your purchase date and when interest applies. Sometimes the shorter grace period only applies to customers who pay their bills in full.
6. It's not uncommon for a card issuer to charge interest from the day it posts your purchase to your account. But some now actually charge from the day of your purchase.

Two-cycle billing means the card issuer charges two months interest the first month you don't pay your full balance. This occurs only when you've formally paid in full and then carry a balance.