Assess Your Debt

3 Ways to Beat Credit Card Fees

Many credit card issuers engage in practices that can cost you money from fees and increased rates.

If you already have a credit card or are planning to apply for one, here's what to look for and some tips on how to avoid unnecessary fees and rate increases.

1. **Pay your bills on time.** The single easiest way to avoid late fees — and protect your credit rating — is to pay your bills on time, consistently. The average credit card late fee is $35. Paying late can also lead to penalty interest rates as high as 32%.

   If you send your payment by mail, use the preprinted envelope that comes with your bill and allow at least 7 days for the payment to reach your issuer. And, follow the payment guidelines, which are outlined on your bill.

   One way to ensure that you always pay your bill on time is to automate your monthly payments through online bill pay. Most card issuers' Web sites allow you to set up your payments months in advance. Also ask if your issuer offers e-mail payment reminders.

2. **Know your limit.** You might assume that if you make a charge that would put you over your credit limit, the card would simply refuse the charge. Instead, credit card issuers will usually allow the transaction to go through but charge you a fee, as much as $39, for exceeding the credit limit.

   To avoid paying over-the-limit fees, know your credit limit (or credit line) and don't exceed it. Leave a cushion big enough for large, unexpected expenses. And, if you know a large upcoming purchase will put you over the limit, call ahead and request a credit line increase from your card issuer.

   Also, ask your issuer if it has a free e-mail service that can alert you when you are approaching your credit limit.

3. **Avoid credit cards with a universal default clause.** Universal default allows your credit card issuer to raise your interest rate as high as 32% if you make a late payment — not only on the issuer's credit card, but on any other bill including credit cards from other issuers, your car payment, your mortgage or even your utility bill. You can even be charged this higher punitive rate if your credit score changes for any reason.

   To find out if your card carries a universal default clause, read your cardholder agreement. You receive a cardholder agreement when you get a new card. Terms of this agreement can change, and when they do they are sent to you by mail. In your agreement, look for the section about "default pricing." If that section indicates default pricing is based on any information in your credit report, it's likely your card issuer has a universal default policy.

   If you can't find your agreement or you're confused by the fine print, call the credit card company and ask what specific circumstances will impact your interest rate. You can also call the credit card issuer and request the most recent copy of the terms and conditions for your account.

It pays to know

By knowing your credit card's terms and conditions, you could save a lot of money. Again, if you are uncertain after reading the fine print, call your credit card company.

Consider transferring your balance from a card that has a universal default clause and high fees to one that doesn't. Make sure your interest rate is the same or lower as well.

The **Union Plus Credit Card** does not have a universal default clause. The card also features a unique safety net for members facing financial hardship that includes education, hospital, layoff, disability and disaster grants, a layoff hotline, debt management plans and skip payments.

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