



Assess Your Debt

Do You Have a Good Credit Card?

How do you know if you have a good credit card? We've used the results from the non-profit education and advocacy organization [Consumer Action's 2008 Annual Credit Card Survey](#) to help highlight some of the questions you can ask to figure out how your card stacks up against the competition.

- **First thing's first:** The card that's right for someone else may not be right for you. Start by knowing what type of cardholder you are. Revolvers usually carry a balance from month to month. Convenience users pay in full, while those in between sometimes pay in full and sometimes maintain a balance.

Revolvers will be most concerned about interest rates (for purchases and balance transfers) and how they may change, while convenience users should focus on the annual fee, grace period and rewards.

- **What is the grace period?** A grace period is the time you have before a credit card company starts charging you interest on your new purchases. Revolvers can skip this question, because with virtually all credit cards you don't benefit from the grace period if you carry a balance. Instead, interest is charged from the date you make the purchase.

For convenience users, on the other hand, a longer grace period means you can keep your money in your bank account working for you a few days longer. It also means you're less likely to accidentally pay a bill late, which quickly gets expensive. Grace periods have been shrinking in the past few years, to as little as twenty days, which just about gives you just enough time after the bill arrives to pay it.

Consumer Action Survey Fact: According to Consumer Action's 2007 survey, the average grace period has shrunk to 22 days (with some cards offering only 20 days).

The [Union Plus Credit Card](#), a union-endorsed credit card created specifically for union members, offers a 25-day grace period.

- **Can your interest rate skyrocket?** Card issuers attract new customers with rates and rewards that look enticing. But an attractive interest rate on your card can quickly get ugly. Watch out for these three industry practices that can lead to huge increases in your rate: through punitive pricing, universal default and a change in terms.

Punitive pricing: If you have good credit, banks will give you a competitive interest rate upfront (usually between 9% and 18% depending on your credit score). But beware, many issuers now boost your rate to more than 30% if you forget to make your credit card payment on time or violate one of the banks' other complicated and unfair rules (see [universal default](#)). And once your rate jumps up, you may find yourself stuck with this much higher "penalty" interest rate for as long as you keep that card.

Universal default: It's already unfair that banks will raise your rate to 30% or more if you are late on your monthly payment. But in today's credit card industry, banks have lots of other reasons for jacking up your rate, including if you go over your limit, or if you are late paying on some other credit card or any other bill that appears on your credit report. This practice is known as universal default.

Change in terms: Card companies have the right to change the terms of credit cards with just fifteen days' advance notice. Even a "fixed" credit card rate can change before you get your next bill.

Consumer Action Survey Fact: 77% of surveyed credit card issuers answered "Yes" to the question "Can you increase my APR or change my terms 'any time for any reason'?"

- **How will I be rewarded?** Cards that earn rewards are very popular, but before you start charging away with one of these cards, make sure you:
 1. Will be earning rewards you can really use.
 2. Understand the limits on the rewards (such as caps on how much you can earn in a month or year, expiration dates, and what types of purchases earn points).
 3. Don't pay more in interest than a reward is worth. In most cases a low interest rate trumps the rewards for those who carry balances.

Consumer Action Survey Fact: Approximately 85% of households have at least one rewards card.

- **Will I lose my rights if there is a dispute with the card?** When a credit card dispute can't be resolved, the matter may end up in court where a judge and jury decide the outcome. But you may lose that right if your card issuer has included a "mandatory arbitration clause" which forces you into arbitration, which can be expensive and biased in favor of the issuer. Learn more at www.GiveMeBackMyRights.com.

Consumer Action Survey Fact: 87% of issuers who responded to this survey question in 2008 said they require mandatory arbitration.

- **What happens if I can't pay my bill?** While we all have the best of intentions to pay off our credit cards as soon as possible, life events sometimes get in the way. With most credit card issuers, your only option for protection is to purchase expensive "protection" policies that will make minimum payments if you are unemployed, out of work or seriously ill. Even if you do purchase this protection, it typically only covers the minimum payment for a period of time.
- **Take Action:** To learn more about the Consumer Action Annual Credit Card Survey, and how you can weigh in on legislation aimed at unfair credit card practices, visit Consumer-Action.org and click on the Take@ction button on the right hand side.

If you're interested in how the Union Plus Credit Card answers the questions above, [click here](#). [Visit this page for details on the card.](#)



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