

How to Avoid Credit Card Debt

- Only spend what you can afford. Remember that credit is a LOAN – not a gift. Credit card companies make their money when you don't pay your bill in full at the end of the month. "Borrowing" money from your credit card company can be more expensive than borrowing from a bank.
- Never "max out" or exceed the limit on your credit card. Over-the-limit fees can raise your interest rate, make it difficult to pay down your debt, and will reflect negatively on your credit report.
- Avoid using your credit card for cash advances. The fees and interest on such transactions are excessively high.
- Keep credit card receipts to verify the charges on your statement. Contact your credit card company immediately if there are any errors. You must dispute the errors within 60 days of the billing statement by sending copies of any documents supporting your claim. You may withhold payment for what is in dispute while it is being investigated. (The creditor must resolve the dispute in 90 days, or within two complete billing cycles, whichever is earlier.)
- Eliminate the temptation to open a new card by calling 1-888-5-OPTOUT. This will remove your name from marketing lists and prevent companies from sending you pre-screened and pre-approved credit offers.

What To Do If You Are Overwhelmed By Debt

- Contact your creditors directly. Many credit card issuers may lower your APR or remove fees if you ask. This may only be an option if you have paid your bills on time and are not over your credit limit.
- Consider contacting a credit counseling service. These agencies provide money management, debt reduction and financial education services. Free or low-cost consumer counseling can be obtained from the National Foundation for Credit Counseling. Call 1-800-388-2227 or visit www.nfcc.org to find a member agency near you.
- Consider filing for personal bankruptcy only as a last resort. Bankruptcy is expensive and the effects remain on your credit report up to 10 years and may hinder your ability to obtain credit, a job, insurance and a place to live.
- Avoid credit-repair companies that claim, for a fee, they can solve your debt problems, clean up your credit report, or get you a loan.
- Once you pay a balance in full, stop using the card. You may also choose to close out and cut up credit cards on which the balance has been paid in full. Notify the credit card company in writing that you are closing the account.
- Report any problems with harassing debt collectors to the Federal Trade Commission, the New York State Attorney General or the New York Department of State's Division of Consumer Protection.

Choosing and Using Credit Cards



Overwhelming credit card debt can happen to anyone: college students with their first credit card; an average family that spends too much today and saves too little for tomorrow; or senior citizens living on a fixed income with unexpected expenses.

The New York Department of State's Division of Consumer Protection has prepared this brochure to help you choose and use credit cards wisely.



Consumer Assistance Hotline

1-800-697-1220
www.dos.ny.gov

*Advocating for and empowering
New York consumers*

ANDREW M. CUOMO
GOVERNOR

ROSSANA ROSADO
SECRETARY OF STATE

Credit card debt has a devastating effect on the lives of millions of Americans. The average consumer now carries four (4) credit cards with an average total outstanding balance of approximately \$9,000.

Choosing the right credit card and using it wisely can keep you from falling into serious, long-term debt.

Tips on how to find the right card...

1. Compare credit card offers. Contact banks or visit the online survey provided by the Federal Reserve System at www.federalreserve.gov/pubs/shop.

WORD TO THE WISE:



Before you sign a credit application, ask questions to make sure you understand the terms and conditions such as fees and penalties. For example, will your interest rate increase if you are late with your payments or late in paying other bills?

2. Decide how you want to use your card. If you want to carry a balance from month-to-month, use a card that carries a lower interest rate (known as Annual Percentage Rate or APR).

3. If you expect to pay your monthly bill in full, choose a credit card company with a beneficial rewards program or your best choice may be a card that has no annual fee and offers a longer grace period.

WORD TO THE WISE:



It's always best to pay your credit card bills in full at the end of each month. Otherwise, you will be paying interest costs on top of the money you owe.

4. Don't accept credit card offers simply because the issuer thinks you qualify. Only you know how much you can afford to pay. Also, it may be harder to borrow money if you have too many credit cards.

5. Be very wary of credit cards where you have to pay a fee in order to get the card. These cards often carry excessive fees and low credit limits.

Common Credit Card Fees

- **Annual or membership fee** – Yearly charge for having the card.
- **Cash advance fee** – Imposed when you use the card for a cash advance; usually a percentage of the cash advance (for example, 3%).
- **Balance transfer fee** – Assessed when you transfer a balance from one credit card to another.
- **Late payment fee** – Charged if your payment is received after the due date.
- **Over-the-credit limit fee** – Assessed if you go over your credit limit.
- **Credit limit increase fee** – Imposed if you ask for an increase in your credit limit.
- **Finance Charge** – Monthly charge for carrying a credit card balance beyond the grace period.