

Indiana Legal Services, Inc

www.indianalegalservices.org

Choosing and Using Credit Cards

What should I look for in a credit card?

In choosing a credit card, think about how you plan to use the card. If you intend to use the card for current expenses and pay it off each month, you'll want a card with no annual fee and a grace period. If you intend to use the card for large purchases that you pay over time, then you should look for a card with a low APR (annual percentage rate). No matter what your plans are, you will want the lowest cost credit card you can find, so shop around before requesting a card.

How can I compare credit cards?

1. Look at the APR (annual percentage rate) charged for the card. Be cautious of cards that offer a low introductory rate. Be aware of how long the introductory rate lasts, and what the permanent rate will be. Pay attention to whether the introductory rate applies to balance transfers, cash advances and/or purchases.
2. Compare annual fees. Some cards charge no annual fee, while others charge large annual fees. Cards that offer premiums such as airline miles, and those that target people with poor credit histories are especially likely to have annual fees.
3. Does the card have a grace period? If the card has a grace period, you will not have to pay interest when you pay the monthly balance in full.
4. How much are the transaction fees, late fees, and over credit limit fees? Some credit cards charge for cash advances and balance transfers. All charge for paying late or charging more than your credit limit. A few charge a monthly fee even if you do not use the card. Know whether you will lose your introductory interest rate if you pay late or exceed the credit limit.
5. How is the balance computed in determining finance charges? This can make a big difference in the cost of a credit card. Most accounts use the average daily balance, which takes into account payments and charges as soon as they are made. Some card companies charge you based on the previous balance. A few card companies delay charging for new purchases until the next billing cycle. Know how the balance on your card is determined.

Should I be concerned about the credit limit?

Choose a card with a credit limit that is high enough to meet your needs. You will have to pay extra fees if you charge more than the amount approved. Keep a record of all purchases, cash

advances and balance transfers so that you can avoid over credit limit fees. If you tend to spend up to the limit of your credit card, a high credit limit may not be the best choice for you. Slow your spending by choosing a lower limit.

What if there is a mistake on my credit card bill?

If you find a mistake on your bill, you should report it to the credit card company right away. You have 60 days from the mailing date of the bill to dispute it. Write down your name, address, account number, and why you think the bill is wrong. Send this information to the address on your credit card for "billing inquiries." Within 90 days the credit card company must correct the mistake or explain why the bill is correct. You do not have to pay the disputed part of the bill unless the company explains that the bill is correct.

Can I dispute charges for goods and services?

Yes. You can dispute charges for goods and services under the following conditions:

- You made the purchase in your home state or within 100 miles of your home.
- The charge is for more than \$50.00. You try in good faith to settle the dispute with the seller. To dispute the charge through the credit card company, write to the "billing inquiries" address. State your name, address, account number, the amount of the bill you are refusing to pay, and what you have done to settle the dispute with the seller. Request a "chargeback".

Tips for credit card use:

1. Understand your plan's terms.
2. Pay bills promptly to keep finance charges low and to avoid late charges.
3. Keep receipts and compare receipts to your bill to make sure the bill is correct.
4. Protect your credit card information.
5. Draw a line through any blank spaces on a charge slip.
6. Keep a record of account numbers, expiration dates, and telephone numbers to call to report loss or theft quickly.
7. Carry only the cards you think you will use.

If you cannot pay...

If you are unable to pay your credit card bills, you should notify the credit card company of your situation and attempt to work out a payment plan, if possible. If you need help talking to the credit card company and managing your debts, you may contact the Consumer Credit Counseling Services, Inc., office nearest your home by telephoning 1-800-388-2227.

Last Revised 2/2002

Special Code: 1090000

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Printed:December 1, 2021

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