

WHAT IS A CREDIT CARD?

A **credit card**, such as VISA or MasterCard, allows you to pay for sales or services by borrowing against your line of credit with the credit card company and to make monthly payments on the outstanding balance. A **charge card**, such as American Express requires payment in full each month of the outstanding balance charged to the account.

WHAT ARE THE ADVANTAGES OF USING A CREDIT CARD?

- ▶ They allow you to make purchases on credit without carrying around a lot of cash.
- ▶ They allow accurate record-keeping by consolidating purchases into a single statement.
- ▶ They allow convenient ordering by mail or phone.
- ▶ They allow you to pay for large purchases in small, monthly installments.
- ▶ Under certain circumstances, they allow you to withhold payment for merchandise which proves defective.

WHAT ARE THE DISADVANTAGES?

- ▶ The ease of using credit cards, combined with impulsive buying, may result in over-spending.
- ▶ High interest rates, as well as other costs make credit cards a relatively expensive method of obtaining credit.
- ▶ Lost or stolen cards may result in some expense (\$50.00) and inconvenience.
- ▶ The use of multi-credit cards can get you even further into debt.
- ▶ Fraudulent or unauthorized charges may take months to dispute, investigate, and resolve.

How Do I Get a Credit Card?

You must complete an application. A credit card cannot be issued unless requested. Issuers often acquire names of consumers with good credit ratings from a credit reporting agency and send the consumers "preapproved" applications.

Card issuers are permitted to mail you an application or a solicitation for a credit card or to ask you by phone whether you want to receive a card and to send you a card if you say yes.

An issuer will consider your employment, current assets, current debts, and credit history when you apply for a credit or charge card. If you have had a poor credit history, some companies will issue you a "Secured" credit card. The issuer requires you deposit money in an account and allows you to make credit purchases up to the amount on deposit. Consumers who wish to use such plans to rebuild their credit record should make certain that the deposits are held in a protected escrow account.

HOW DOES A CREDIT CARD WORK?

When you have been issued a credit card you are given a line of credit. You can make purchases or receive cash advances up to that amount with your card. When you make a purchase, the merchant gives proof of your purchase to the credit card company and they pay the merchant on your behalf; in effect granting you a loan.

The credit card issuer then bills you for reimbursement of the purchase or cash advance amount. You can either pay the balance in full or make payments. The issuer must send you periodic billing statements giving you information on your account which includes the minimum payment due, date it is due, and the periodic interest rate on unpaid balances.

CAN A MERCHANT CHARGE ME MORE IF I USE A CREDIT OR CHARGE CARD?

YES, but if a merchant charges you more for using a credit or charge card, that fact and the additional amount must be disclosed to you before the sale is made. A merchant can also offer a discount to customers who pay cash.

WHAT ARE MY CREDIT CARD PROTECTIONS?

Federal law protects consumers when they use credit cards. Protections include the following items:

Prompt Credit for Payments. A card issuer must credit your account on the day the issuer receives your payment, unless the payment is not made according to the creditor's requirements or the delay in crediting your account does not result in a charge.

Refunds of Credit Balances. When you return merchandise or pay more than you owe, you have the option of keeping the credit balance on your account or requesting a refund. To obtain a refund,

write the card issuer. The card issuer must send you the refund within seven business days of receiving your request. Also if a credit balance remains on your account for more than six months, the card issuer must make a good faith effort to refund the credit balance.

Errors on Your Bill. There are specific rules that the card issuer must follow for promptly correcting billing errors. The issuer must furnish you a statement describing the rules when you open a credit card account and at least once a year after that. Many issuers print your rights on their monthly billing statements. You must notify the issuer in writing at the address specified for billing errors within 60 days after the first bill containing the error was mailed to you. The issuer must look into the problem and either correct the error or explain to you why the bill is correct not later than 90 days after the issuer receives your billing error notice. During that period you do not have to pay the disputed amount or interest on that amount.

Unauthorized Charges. If your credit card is used without your authorization, you can be held liable for up to \$50 per card. If you report the loss before the card is used, federal law says the card issuer cannot hold you responsible for any unauthorized charges. If you have a lost or stolen credit card, report the loss as soon as possible. Most issuers have a toll-free number in service 24 hours. You should follow-up your phone call with a letter.

Disputes About Merchandise or Services. If you have a problem with merchandise or services that you charged to a credit card and have made a good faith effort to work out the problem with the seller, you have the right to withhold from the card issuer payment for the merchandise or services. If the card you used is a bank card or another card not issued by the seller of the defective merchandise, you can withhold payment only if the purchase exceeded \$50 and occurred in your home state or within 100 miles of your billing address.

WHAT SHOULD I DO IF MY CREDIT CARDS ARE LOST OR STOLEN?

Phone the credit card company immediately, and report that your card is lost or stolen. Your monthly billing statement will list the phone number for reporting lost cards. Be sure to get the name of the person you talked to. The issuer will cancel your card so no unauthorized charges can be made on it.

To create a record for the company and for your own files, write to the company after you have phoned. Include your name, address, account number, the date you believe the card was lost or stolen, and the name of the person you spoke to when you called the company.

You will not be liable if you notify your issuer that your cards were lost or stolen before unauthorized charges are made. If your cards are used before you report them missing, the most you can be liable for is \$50 per account.

REMEMBER. . . .

- ◆ Make sure you understand the terms of a credit card plan before you accept the card. Review the disclosures of terms and fees that must appear on creditcard offers.
- ◆ Keep copies of sales slips and promptly compare charges when your bills arrive. Pay bills promptly.
- ◆ Protect your credit cards and account numbers to prevent unauthorized use. Draw a line through blank spaces above the total when you sign receipts. Rip up or retain carbons.
- ◆ Do not give out your card number over the phone unless you know the business or unless you initiated the call.
- ◆ Keep a list of your credit card numbers and the telephone numbers of each card issuer in a safe place in case your cards are lost or stolen.

WHERE TO GO FOR HELP. . . .

The following federal agencies are responsible for enforcing federal laws that govern credit card transactions. Questions concerning a particular card issuer should be directed to the enforcement agency responsible for that issuer.

National Banks:

Comptroller of the Currency
Compliance Management
Mail Stop 7-5
Washington D. C. 20219

Federal Credit Unions:

National Credit Union Administration
1776 G St., N. W.
Washington D. C. 20456

Non-Member Federally Insured Banks:

Federal Deposit Insurance Corporation
Office of Consumer Programs
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Other Credit Card Issuers:

Federal Trade Commission
Division of Credit Practices
Bureau of Consumer Protection
Washington D C 20580

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DF1?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



USING CREDIT CARDS



DEPARTMENT OF FINANCIAL INSTITUTIONS

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