

Consumer credit and protection

Do you...

Understand the different types of consumer credit?

Know where to go to learn about consumer credit protection laws?

Risks to consider in not understanding consumer credit

Vulnerable to credit fraud and deception

Unknowingly paying higher interest rates and fees

It pays to be smart—consumer credit education will help you make informed decisions before you borrow. It's also the first line of defense against fraud and deception.

Common types of consumer credit

CREDIT CARDS

These cards allow you to charge purchases up to a maximum credit limit. For those under 21, steady employment or a co-signer is generally needed to get a credit card. Your credit rating will affect the interest rate you pay. Look for credit cards with a grace period of 25–30 days with low fees and interest rates.

STUDENT LOANS

Federal student loans, available from the government, offer low-interest loans to qualified students who have completed the financial aid application process. Private student loans, offered by banks and credit unions, often cost more, have varying terms and conditions and may also require a co-signer for those without a credit history. Be sure to apply for federal loans first.

CAR LOANS

Car loan interest rates vary based on your credit rating and the age of the vehicle. Terms and conditions for those with poor or no credit may be more expensive. Consider the full cost of car ownership, including insurance, gas and maintenance, before borrowing to purchase a vehicle.

Ways to protect your credit

LOOK

Take a look at your credit agreements and make sure you fully understand the terms and conditions.

KNOW

Know what consumer credit protection laws require or allow. Go to <http://federalreserve.gov/creditcard/regs.html> to review the specifics for each.

WATCH OUT

Watch out for fraud. If you feel a lender has been fraudulent, you can contact your state attorney general or the Federal Trade Commission at www.ftc.gov. Both organizations help protect consumers against unfair or deceitful business practices.

Reading your credit card bill

(Numbers correspond with charts on back)

① SUMMARY OF ACCOUNT ACTIVITY

A summary of the transactions on your account—your payments, credits, purchases, balance transfers, cash advances, amounts past due, fees and interest charges. It will also show your new balance, available credit (your credit limit minus the amount you owe), and the last day of the billing period (payments or charges after this day will show up on your next bill).

② PAYMENT INFORMATION

Your total new balance, the minimum payment amount (the least amount you should pay), and the date your payment is due. What is an on time payment? Check with your credit card company to determine their policy and processing rules.

③ LATE PAYMENT WARNING

This section states any additional fees and the higher interest rate that may be charged if your payment is late.

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④ MINIMUM PAYMENT WARNING

An estimate of how long it can take to pay off your credit card balance if you make only the minimum payment each month, and an estimate of how much you likely will pay, including interest, in order to pay off your bill in three years (assuming you have no additional charges).

⑤ NOTICE OF CHANGES TO YOUR INTEREST RATES

If you trigger the penalty rate (for example, by going over your credit limit or paying your bill late), your credit card company may notify you that your rates will be increasing. The credit card company must tell you at least 45 days before your rates change.

⑥ OTHER CHANGES TO YOUR ACCOUNT TERMS

If your credit card company is going to raise interest rates or fees or make other significant changes to your account, it must notify you at least 45 days before the changes take effect.

⑦ TRANSACTIONS

A list of all the transactions that have occurred since your last statement. Review this list to ensure you recognize each transaction. Check this area for unauthorized transactions.

⑧ FEES AND INTEREST CHARGES

Credit card companies must list the fees and interest charges separately on your monthly bill. Interest charges must be listed by type of transaction (for example, you may be charged a different interest rate for purchases than for cash advances).

⑨ YEAR-TO-DATE TOTALS

The total that you have paid in fees and interest charges for the current year. You can avoid some fees, such as over-the-limit fees, by managing how much you charge, and by paying on time to avoid late payment fees.

⑩ INTEREST CHARGE CALCULATION

A summary of the interest rates on the different types of transactions, account balances, the amount of each, and the interest charged for each type of transaction.

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Statement

① Summary of Account Activity		② Payment Information	
Previous Balance	\$535.07	New Balance	\$1,784.53
Payments	-\$450.00	Minimum Payment Due	\$53.00
Other Credits	-\$13.45	Payment Due Date	4/2012
Purchases	+\$529.57		
Balance Transfers	+\$785.00		
Cash Advances	+\$318.00		
Past Due Amount	+\$0.00		
Fees Charged	+\$69.45		
Interest Charged	+\$10.89		
New Balance	\$1,784.53		
Credit Limit	\$2,000.00		
Available Credit	\$215.47		
Statement Closing Date	3/22/2012		
Days in Billing Cycle	30		

③ Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the penalty of 28.99%.

④ Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will be off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

⑤ Notice of Changes to your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:
Transactions made on or after 4/19/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.
Transactions mad before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

⑥ Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement.

These changes will impact your account as follows:
Transactions made on or after 4/9/12: As of 5/10/12, any changes to APRs described below will apply to these transactions.
Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.
If you are already being charged a higher Penalty APR for purchases: In this case, any changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.

Revised terms, as of 5/10/12	
APR for Purchases	16.99%

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Transactions

⑦ Reference number	Trans Date	Post Date	Description of Transaction	Credit	Amount
5884186PS038	2/22	2/23		Store #1	\$133.74
24953654BT22	2/23	2/23		Payment Thank You	\$450.00-
32623G6541B1	2/23	2/26		Store #2	\$247.36
83216252H554	3/4	3/5		Cash Advance	\$318.00
2465841265H4	3/15	3/15		Balance Transfer	\$785.00
Fees					
81265481H125	2/23	2/23		Late Fee	\$35.00
45681236G321	3/15	3/15		Balance Transfer Fee	\$23.55
198745GH4923	2/28	2/28		Cash Advance Fee	\$10.90
Interest Charged					
				⑧ Interest Charge on Purchases	\$6.31
				Interest Charge on Cash Advances	\$4.58
				TOTAL INTEREST FOR THIS PERIOD	\$10.89

2012 Totals Year-to-Date

⑨ Total fees charges in 2012	\$90.14
Total interest charged in 2012	\$18.27

Interest Charge Calculation

⑩ Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00

(v) = Variable Rate

Source: federalreserve.gov

ABOUT ECMC

Educational Credit Management Corporation (ECMC) is a nonprofit company providing services in support of higher education finance. We work to support college access and success, and we provide students with tools and resources for planning and paying for college. The ECMC Personal Finance Management Series is designed to help you make informed decisions about your financial future.