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## Boost Your Credit I.Q.

**The Difference between a Debit Card and a Credit Card.** Payment for purchases made with debit cards are deducted directly from your checking account, therefore, unlike credit cards, you are not charged interest for debit card transactions. Also unlike credit cards, you may not have the right to dispute problem purchases.

**Reading the Annual Disclosure Statement.** Many lenders offer well-advertised attractive benefits to encourage you to get their credit card. You should read your annual disclosure statement closely to determine if the very benefits which enticed you to get the card aren't quietly discontinued over time.

**Linking a Credit Card with Checking or Savings Accounts.** If you have a checking or savings account with the same bank from which you have a credit card, when you signed for your credit card you may have authorized the bank to automatically withdraw funds from your savings or checking account if you are delinquent in paying your credit card bill. If you are unsure, contact your bank.

**Fees and Interest Rates.** Annual fees can significantly increase your credit cost. They are set by the card issuer and interest rates may vary in accordance with the prime lending rate. To obtain lower fees and interest rates, shop around. Rates and fees may be particularly competitive when transferring balances.

**Backdated Interest.** Generally, when you charge an item to your credit card, the credit card company doesn't pay the merchant for several days. You will pay less interest if the company doesn't begin charging you interest until it pays the merchant, rather than charging you from the day on which you made the purchase, a practice known as backdating. To avoid backdating, you should pay your balance in full every month or find another credit card company which does not backdate interest.

**Limitations on Interest Rates and Late Charges.** National banks may charge all their credit card customers under the interest and late charge laws of the bank's home state, regardless of where their customers live. For example, Massachusetts law generally limits credit card annual interest rates to 18% and late charge penalties to \$10 per payment. However, Massachusetts credit card customers of national banks located in South Dakota, Delaware, or other states may pay considerably higher interest rates and late penalties, because those states allow the higher rates and penalties. Therefore, make sure you are aware of which state the lender is located in and that you understand the credit terms before you take on a new credit card.

**Retroactive Hikes in an Interest Rate.** In order to entice you to get a card with them, some lenders offer lower rates which are only effective for a limited time period. When the time period expires, a significantly higher interest rate may be charged, and possibly even applied retroactively to your existing balance. Always read the fine print in regards to retroactive rate hikes and avoid such offers.

**Additional Fees for Cash Advances.** The financing costs of taking a cash advance are significant, because most credit card companies charge a transaction fee, as high as 2% of the advance, in addition to interest on the cash advance. Even if your card advertises “no finance charges” on advances, find out the costs involved.

**Monthly Minimum.** Making minimum payments benefits the lender only, because the longer it takes you to pay off your balance, the more money the lender makes in increased finance charges. To avoid higher finance charges, pay as much as possible of your monthly balance.

**“Grace Periods.”** Most credit cards offer “grace periods” during which interest is not charged for new purchases, as long as the new unpaid balance is paid in full each month. Credit card terms can be misleading and not all grace periods are the same. Before signing up for a credit card, read the grace period terms carefully.

**Late Payment Penalties and Default Rates.** In addition to the interest charges incurred when you carry a balance on your credit card, the costs of credit include late fees and default rates. If you do not carefully manage your account and pay it on time, many credit cards charge large late fees (\$20, \$25, \$35) if they do not receive your payment by the due date. Also, if make late payments twice within a year, many cards trigger “default” rates that you will pay on your balance. These rates may be five or ten points higher than your regular rate, which may result in interest rates of 25%, 28%, 30%, or even higher.

#### **For more information...**

For more detailed information about consumer rights and credit, please visit the Attorney General’s Office website, [www.mass.gov/ago](http://www.mass.gov/ago), and view the publication, **The Attorney General’s Guide to Consumer Credit**. You may also contact the Attorney General’s Consumer Complaint and Information hotline at (617) 727-8400.

Credit reporting agencies:

**Experian**

[www.experian.com](http://www.experian.com)

Report fraud: 1-888-397-3742

**TransUnion**

[www.transunion.com](http://www.transunion.com)

Report fraud: 1-800-680-7289

**Equifax**

[www.equifax.com](http://www.equifax.com)

Report fraud: 1-800-525-6285

General information and complaints:

**Office of Consumer Affairs and Business Regulation**

[www.mass.gov/ocabr](http://www.mass.gov/ocabr)

(888) 283-3757 Consumer Hotline

Questions and complaints about credit and collection agencies:

**Massachusetts Division of Banks**

[www.mass.gov/dob](http://www.mass.gov/dob)

(617) 956-1501 Consumer Line