

# Let's Talk Finances

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## Credit Card Basics



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Many consumers use credit cards to purchase goods and services. When you use a credit card, you are borrowing money that you must pay back, in addition to interest if you do not pay the balance in full by the due date. Credit cards can help you to manage your cash flow and handle unexpected expenses. However, they can also cause you to pay more for what you purchase if you carry a balance.

Credit cards offer several important protections. These include:

- If your card is lost or stolen, your losses may be limited to \$50 as long as you notify your issuer promptly. You may not be responsible for any charges if you report your loss before your credit card is used.
- Your issuer generally must provide a 45-day advance notice of any interest rate increase, fee increase, or any other significant changes in account terms.
- Your issuer cannot permit you to go over your credit limit and then charge you a penalty fee for having done so unless you explicitly agree to it (or "opt-in")
- Your issuer must show you the cost of credit as a dollar amount and an annual percentage rate (APR) and disclose terms in a meaningful and uniform manner.
- Debt collectors may not use abusive, unfair, or deceptive practices to collect money from you.
- Your lender, servicer, or debt collector must provide accurate information to credit reporting agencies. Credit reporting agencies must also report accurate information you.

When choosing and using a credit card, keep these tips in mind:

- If your card is lost or stolen, immediately contact the bank or other financial institution that issued your card. Contact information may be listed on the back of the card or in the cardholder agreement.
- Before signing up for a credit card with a promotional offer, make sure you understand all the terms and conditions, and consider how you plan to use the card. This will enable you to determine if the rewards are worth the potential risks.
- Many credit cards advertise promotions that are enticing but may cost you more money in the long run. For instance, some credit cards offer "no interest" on balances for a certain period of time, but if you don't pay off the entire purchase balance by the end of the promotional period, you may be charged all of the interest that accrued since the date of purchase.
- Credit card companies often offer credit-related, or add on, products, such as credit protection and identity theft protection. Before you sign up, make sure you fully understand how they work and how much they cost by reading the fine print and asking questions. Also think about whether the price you will pay justifies the value you will get from the product.