

## AVOID CREDIT CARD FRAUD AND EXTRA CHARGES

When we were younger, credit card usage was minimal. Maybe you had an oil company card, you used only on long trips, and some had specialty cards like Diners Club or American Express for business use. Today there are over 1.3 billion credit cards in the U.S. This is 4 cards for every man, woman, and child in the country. In 2007, over 1/3 of purchases, and 40% of the dollars spent went through credit cards.

While the credit card is certainly convenient, it does open the door for both scams by the bad guys and games by the credit card companies themselves both of which can cost you some of your hard earned money.

### A. Credit Card Scams

Scams and fraud cost credit card holders and issuers hundreds of millions of dollars each year. While it is not possible to absolutely prevent a fraud, there are a number of steps (both Don'ts and Do's) that you can take to protect yourself.

#### Credit Card Don'ts

1. Never lend your card to anyone or leave the card or receipts lying around.
2. Never sign a blank receipt, and always cross out unused sections on a bill (e.g. tip line if you left a tip in cash).
3. Do not write your PIN on the credit card
4. Do not write your number on a post card or the outside of an envelope
5. Unless you initiated the call, never give out your number over the phone. It is usually safest to deal only with companies you know.
6. Never respond to unsolicited requests for your credit card information either by email phone call or regular mail even if this request seems to come from a company you know, like your bank. Most legitimate companies will never do this. Call them directly, at the usual number to check and report that you got the request

#### Credit Card Do's

1. Sign your card as soon as you get it and destroy the old one.
2. Keep an eye on your card when you use it and get it back as quickly as possible.
3. Carry your cards separately from your wallet. Use a business card holder, or zippered compartment. Only carry credit cards you use regularly.
4. Save all receipts. Reconcile accounts and report any questionable charges quickly, by phone and in writing.
5. Shred all credit card applications as soon as you receive them. Shred anything that contains even a partial credit card number, especially receipts.
6. Shield your credit card number so people around can't see it or capture it on a cell phone camera.
7. If you move, notify the credit card companies as early as possible
8. Keep a secured list with the information you need to report a lost or stolen card. This includes credit card issuer's name, addresses and phone number and the card number. Keep these separate from the cards and update as needed.

9. If your card has been lost or stolen, call the credit card company immediately even if you do not have all the information handy. Most have a 24 hour service for reporting. According to U.S. law, once you report a loss, you are no longer responsible for charges. In any event, by law, your maximum liability is \$50 per card.

#### B. Credit Card Games

Credit cards come with a number of often confusing rules that spell out the costs to the card holder. This confusion can generate additional expense for the card holder in the areas of fees, penalties, and interest. All of this goes from your pocket to increased income for the issuer. The biggest problems are:

- Fees: Credit or Debit Cards, especially those that give points, rebates, etc., often have an annual fee. Frequently the initial fee may be waived, but later fees are billed automatically directly on the card without prior notification. Annual fees can be \$100 or more. To avoid these fees, you need to cancel the card about 2 months before the anniversary date.
- Late Payments: If you are late with a payment you are charged a steep fee. Also the issuer can and frequently does increase the interest rate for unpaid balances and applies this rate to the current bill. Card issuers have decreased the amount of time between the mailing of the bill and the due date. Further “lateness” is determined by when the issuer processes the payment not when it was mailed. So if it is delayed in the mail or in processing you are “late”. Therefore, pay your bill, at least the minimum, as quickly as possible. As a help in this area you may want to consider direct payment, via computer from your checking account to the credit card company. If you have the computer skills and your bank offers the service, this is a quick way to pay bills.
- Interest Rate: Introductory interest rates on unpaid balances are often low, but can be raised quickly to higher levels. Be sure you know what the regular rate will be after the introductory period. Further, if your credit rating changes, the card company can change your rate without notice. If you carry a balance, be sure to check the rate each month. If it has increased, call to ask for an explanation, and request that the increase be reversed. It is best to avoid this issue, and pay your bill fully, as quickly as you can.

The head of the Federal Reserve has proposed to Congress that some of these practices be outlawed. However at this point they are still legal, so be careful.

Again credit cards can be a very convenient tool. You avoid the risk of carrying a lot of cash, and they can provide good records of what you spend. However you need to use them wisely, and avoid the scams and the issuer’s games to protect yourself and your money.

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