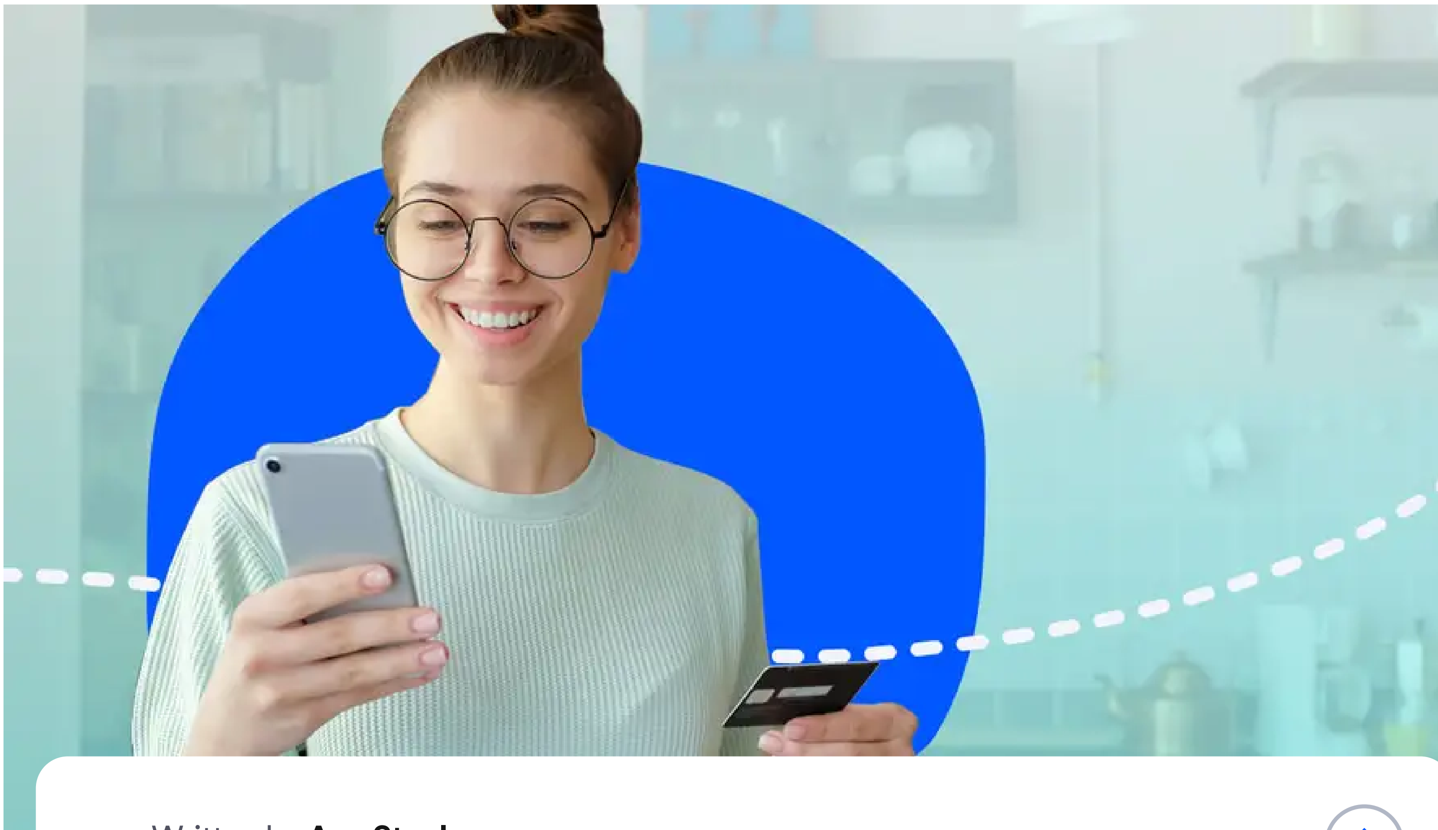
CREDIT CARDS

7 little-known facts about your credit card



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You have memorized your favorite credit card's interest rate, the credit limit and its perks. You use it strategically to get the most out of the rewards it offers. Think you know everything about your favorite credit card?

Not necessarily.

Even if you've carried the card for a long time, it could have a couple surprises in store. Card issuers and the government continue to change card rules. Interest rates and credit limits can grow or shrink with your circumstances—or those of the card issuer. And then there are those uncommon details you may have missed.

Here are seven credit card facts you probably didn't know.

Little-known credit cards facts

1. Your credit card interest can change.
2. You can say "no" to an interest change.
3. Your credit card can protect your purchases.
4. Your card may be denied abroad.
5. Card balances can be tricky.

6. Late payments have an impact.
7. Credit card issuers might pay to keep you.

Fact No. 1: Your credit card interest can change.

You've signed up for a nice credit card and you're excited about the low APR you've got.

But here's a scary, little-known fact: Many card issuers can raise interest rates as high as they'd like.

The top 10 banks that issue credit cards are federally chartered banks and don't have to follow state laws limiting interest rates, meaning they're free to set the rates as high as they want.

Your interest rate is only protected for the card's first year (or first six months, if it's a teaser rate), under the Credit Card Accountability, Responsibility and Disclosure Act, or CARD Act. Moreover, if you're 60 days late on a payment, that protection disappears, too.

A variable rate (which most credit cards have) is tied to an index and can also increase if the index goes up. But even if your credit card has a fixed rate today, that doesn't mean it always will.

Along with changing your interest rate, card issuers can change the way your rate is calculated, says John Ulzheimer, president of consumer education at SmartCredit.com. So, a card that carries a fixed rate could become a variable-rate card in the future, he says.

Two caveats, courtesy of the CARD Act: An interest hike will only apply to new charges (your current balance will be assessed at the old rate), and the issuer must give you a 45-day advance notice.

On a brighter note, your higher rate may not last forever. If your issuer raised the rate after you paid your bill late, or not at all for two months in a row, then your rate could come back down.

Under the CARD Act, the issuer must review your account after six months. If you've behaved yourself, the issuer may reset the APR to your pre-penalty rate.

Fact No. 2: You can say "no" to an interest change.

If your credit card issuer hikes your APR, you can say "thanks, but no thanks," under the CARD Act.

It's possible the company will cut you a deal and let you keep the old interest rate (get that in writing), says Ulzheimer.

However, keep in mind it's also just as likely the issuer will reduce your credit line, increase your minimum payment or simply close your credit card, he says.

What the issuer can't do is demand that you pay off the entire bill on short notice. If you refuse the new rate, you have at least five years to pay off your balance under the old rate.

Fact No. 3: Your credit card can protect your purchases.

You buy something online, and it never arrives. What you ordered in the store is not what is delivered. A charge pops up on your bill that's not yours. Don't worry, your credit card has your back.

Credit cards provide certain consumer rights that can offer powerful protection.

For example, the maximum liability for unauthorized purchases on a stolen or lost credit card is $50 under federal law, though most issuers offer zero liability. However, if you report the loss before your credit card is used, you're not responsible for any charges you didn't authorize.

Further, the Fair Credit Billing Act allows cardholders to seek a refund from their credit card issuers for an unsatisfactory purchase. The charge must be at least $50, and the purchase must be made within 100 miles of your home. You also must have made an effort to resolve the matter with the seller first.

In addition to federal rights, some cards offer return protection, protection against lost or broken merchandise or extended warranties. Check your card's terms and conditions to see which protections your card offers. Knowing these lesser-known details can sometimes save you hundreds or even thousands of dollars.

Fact No. 4: Your card may be denied abroad.

When you're traveling abroad, make sure you bring a card that's likely to be accepted internationally.

When I was visiting family in Russia a couple months ago, I was excited to take my mom out for lunch or dinner as much as I could—and possibly earn 5 percent cash back with my Discover it® Cash Back (up to $1,500 in purchases per quarter when activated, then 1 percent), since restaurants were a bonus category that quarter.

Unfortunately, none of the restaurants that I visited in Moscow and Saint Petersburg accepted Discover. The same happened for my American Express® Gold Card. Despite the card offering 4X points at restaurants "worldwide," I didn't earn any rewards on my trip due to Amex's limited acceptance.

My Mastercard and Visa cards, on the other hand, worked just fine wherever I went.

When you travel abroad, be aware that some of your cards may not work. While Visa and Mastercard are safe bets, sometimes you may even have to rely on cash as it's still the preferred payment method in certain places.

You should also let your credit card company know in advance about your travel plans abroad. Otherwise, the issuer could temporarily suspend charging privileges due to fraud concerns.

Fact No. 5: Card balances can be tricky.

If you know how credit works, you know that it's best to pay off your card in full each month and maintain a low credit utilization ratio (or how much of your total credit limit you're using expressed as a percentage).

To build or maintain good credit, make a point to never carry a balance by always paying in full before the payment due date.

However, that might not be what your credit report is telling lenders. What gives?

The problem is that credit card issuers generally report shortly after the end of the billing cycle, which can be a few days or even weeks before your payment due date.

See related: When do credit card companies report to the credit bureaus?

So, if you haven't paid your bill yet as the billing cycle is closing, the amount you owe will be reflected on your credit report. If the amount is high (over 30 percent of your credit limit), it can seriously ding your credit score.

This can be a minor issue if you pay your card in full and it's reported during the next billing cycle. However, if you're preparing to apply for a big loan, such as a mortgage, an unexpected high credit card balance on your credit report may be bad news.

To avoid that, it's best to always know where you are with your credit card balances—and to pay them off as soon as the transactions post.

Fact No. 6: Late payments have an impact.

Your bill is late if your payment is received after the statement due date. That means your credit card issuer could hit you with a late fee. So, your credit is blemished, too, right?

Nope. Your issuer can't report a late account to the credit bureaus until the bill is 30 days past the due date per the credit bureau reporting guidelines. And it can't raise your rate unless you're 60 days or more past due, according to the CARD Act.

"I think this is one of those great secrets that a lot of consumers don't know," says Ulzheimer. "Delinquency means you've gone one full cycle late."

Further, issuers can't set midday deadlines for payments under the CARD Act. The deadline is 5 p.m. on the bill's due date.

Your issuer also must mail your bill to you 21 days before the payment due date. Plus, it must be due on the same date every month, adds Ulzheimer.

"They can't keep moving it around," he says.

Fact No. 7: Credit card issuers might pay to keep you.

Sometimes a particular credit card works well for you—until it doesn't. Closing a card isn't great news for your credit, and maybe you're not excited about your options for a product change.

Luckily, there may be another alternative. Some issuers might entice you to keep your card with a retention offer.

When you call your credit card company and say you're considering canceling the card because you don't want to pay an annual fee or the rewards don't work for you anymore, the issuer may come up with an incentive to persuade you to keep the card. You may get your annual fee waived or reduced. You may even receive bonus points or statement credits.

See related: 5 crazy ways to get credit card rewards

Of course, this is not guaranteed. Some issuers are known for generous retention offers, while others almost never give them out. Plus, issuers are more inclined to try and keep cardholders who consistently spend on the card.

One way or another, it doesn't hurt to call and ask. Make sure you don't say you've already decided to close the card. Just say you're considering it. Otherwise, an agent may just offer to close the card for you.

The bottom line

There's more to know about your credit card than its terms and conditions. The more you educate yourself on credit cards, the better they'll serve you. I hope you've learned something new from the seven credit card facts we've discussed and will continue to gain more credit knowledge. I'm always here to help you with that!