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Credit Card Tricks, Part 4

Fees and Freebies

Sure a credit card company might offer you certain “freebies” in that stack of paperwork that you are getting along with your statement. Sure, they might say you can do a balance transfer or take advantage of a new credit card offer with a lower interest rate. But in reality there is always a catch.

Remember that saying: if something sounds too good to be true, it usually is? This applies in spades when you're dealing with many credit card issuers. Remember those balance transfer fees we discussed? That's an area where you really have to be careful. You're not getting free money when you use one of those checks to shift debt from one credit card to another. So you have to be aware of the fees and other provisions tied to balance transfer deals; the terms of which are noted in the fine print.

Binding Arbitration

If some of these rules and terms from credit card companies irk you, perhaps nothing will get you as upset as binding arbitration. This, in my opinion, is something that should be outrageous to consumers nationwide. In fact, there is a movement going on right now from a number of consumers groups to outlaw binding arbitration in a number of areas – not just with credit card agreements.

In a nutshell, binding arbitration means that you agree to go to a form of arbitration where you give up your right to sue or to pursue a remedy in court if there is some kind of major dispute that you have with your credit company. Why is this important? Well, what if a credit company does something egregious that is harmful not only to you individually, but to tens of thousand of consumers or possibly millions of people? What if they flat out engage in deceptive advertising or they constantly promise one thing to draw you in as a customer, and then try to hold you to a whole new set or terms or they fail to stick to their originally promised agreement? A number of companies have been accused of these very tactics, and they've had to pay fines and penalties, or make settlements to get out of those problems.

With binding arbitration, though, the consumer's hands are bound. It limits our ability to seek redress because you do not have the recourse to go into court to settle a dispute and to have a judge or a jury to hear your side of the problem. Unfortunately, binding arbitration clauses are increasingly being found in a number of areas affecting consumers and investors, including brokerage account agreements and agreements you may have with health care providers.

Most consumer advocates agree that binding arbitration clauses are usually not in the public's best interests. These can be particularly onerous for credit card users. You want to retain the right, if necessary, to go to court if something is done by a creditor that it is illegal or unfair.