About Credit Cards

Types of cards

There are basically three types of credit cards:

- **Bank cards** are issued by banks. Examples include Visa®, MasterCard® and Discover® Card.
- **Travel and entertainment (T&E) cards**, for example, American Express® and Diners® Club
- **House/Private Label cards** are good only in one chain of stores. Examples include national and local department stores, oil and phone companies.

No one card is right for everyone. As a general rule, the right card for you is one that's accepted where you shop and charges you the least amount of money (for example, in interest and fees) for the services you use. The terms and conditions for credit cards vary, so it's important to educate yourself about the costs for any credit card offer you're considering. Be sure to carefully read the read the terms and conditions, legal disclosures, and credit card agreement.

How bank credit card processing works

When you make a purchase using a bank credit card, the cashier usually swipes your credit card through a reader that automatically phones in the information stored on the black magnetic stripe on the back of your card. This process allows the credit card company to verify information such as:

- Merchant identification
- Valid card number
- Expiration date
- Available credit limit
- Card usage

Once the sale is approved, the bank credits the account of the merchant and records the charges to be billed to you, the cardholder, at the end of the billing period, which is typically monthly. You then pay the bank either the entire balance or in monthly installments, with interest.

About credit cards (continued)

Shopping for credit cards

To be a smart money manager, compare credit card offers just as you would car loans or home mortgages. There can be a lot of features and fees to compare.

Here are some tips to help you get started:

Do some research. There are plenty of places, both online and offline, where you can read about credit card offers and how they compare. Since rates and plans change often, call the companies with the offers you're interested in. Confirm what they offer and ask about plans that might work for you.

Make a list. Make a list of credit card features that fit your financial needs. Rank the features according to how you plan to use the card and pay your monthly bill.

Review the plans. Review all of the information you've gathered on different plans. Pay special attention to the annual percentage rate (APR). You want a low rate, but not necessarily the lowest. This is because, depending on your lifestyle and payment habits, you might benefit more from a card that offers cash rebates, discounts, or frequent flier miles—even though it may have a slightly higher rate than another card option.

Compare plans. If you already have a credit card, be sure that you're making a good move before you swap cards. If you are a current cardholder and have a good credit rating, see if the institution that issued your card will lower your current rate.

Canceling credit cards

If you want to cancel a credit card, contact the issuer of the card directly and request their instructions for notifying them of your intent to cancel. Simply not using the card will not cause it to cancel.

Truth in Lending Act

Enacted in 1968, this federal law says that creditors have to give consumers complete and accurate information about credit costs and terms. The Truth in Lending Act requires credit card companies to provide consumers with the following information:

- Finance charges in dollars and as an annual percentage rate (APR).
- Credit issuer or company providing the credit line.
- Size of the credit line.
- Length of the grace period, if any, before payment must be made.
- Minimum payment required.
- Annual fees, if applicable.
- Fees for credit insurance (if any), which pays off your loan if you die before the debt is fully repaid.

About credit cards (continued)

Variable vs. fixed-rate credit cards

Whether the credit card plan uses a variable- or fixed-rate in charging interest can have a significant effect on what you pay to use your card.

> **Variable-rate plans** may offer a lower interest rate than fixed, but keep in mind that the interest rate can go up or down. Credit card companies offering variable-rate plans adjust the interest rate you pay based on changing economic statistics issued by the federal government.
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> With a **fixed-rate plan**, you have the advantage of knowing what your rate will be. The Truth in Lending Act requires lenders to provide at least 15 days notice before raising the rate, and in some states, even more notice is required.

Some financial experts argue that because a fixed-rate can be increased with only a 15-day notice, this plan is not that different from a variable-rate plan, which can change at any time. They advise looking closely at both plans. If you do choose a variable-rate card, check to see if there are limits on how high or how low your interest rate can go.

About "pre-approved" credit card offers

Be cautious about any "pre-approved" card offers you get in the mail. Sometimes the fine print will show an extremely high interest rate. Some offers may state that, by accepting the offer, you agree to transfer the entire balance of your other credit-card account to the new, high-interest account. Some offers may suggest this balance transfer, although they don't require it.
Shred any offers you don't want before you toss them into the garbage. This will help prevent someone from stealing it and trying to obtain credit in your name, which is a crime called identity theft.

For more information on Credit Card Regulations, please visit www.federalreserve.gov/consumerinfo/consumercredit.htm

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.