

Credit and Other Cards

The Cost of Credit

When you get a loan, there are generally two costs you must pay: fees and interest.

Fees

Fees are charged by financial institutions for activities such as reviewing your loan application and servicing the account. Examples of fees include:

- Maintenance fees
- Service charges
- Late fees

Interest

Interest is the amount of money a financial institution charges for letting you use its money. The rate of interest can be either fixed or variable.

- Fixed rate means the interest rate stays the same throughout the term of the loan.
- Variable rate means the interest rate might change during the loan term. The loan agreement will show the details of the rate changes.

Truth in Lending disclosures

Credit terms can appear confusing because of the various rates and fees lenders charge. The Federal Truth in Lending law requires banks to state charges in a clear and uniform manner so you can easily compare the actual cost of borrowing. The section on credit cards describes these disclosures for credit cards. For most other types of loans, lenders must disclose the:

- Amount financed.
- Annual percentage rate (APR).
- Finance charge.
- Total payments.