



"Creditors have better memories than debtors." Benjamin Franklin

Universal Default *Written by Financial Social Work Educator/ Coach Kirk Munsch*

Just when you think it can't get any worse you get a notice from your credit card company telling you the interest rate on that card just went up to a whopping 29.99%, and oh by way, in legalese, you get the distinct impression you are being watched very closely. Huh???? What happened here? You have not missed any payments on that card. What gives????

Welcome to the world of Universal Default. This little known term can cost more than money as you try figuring out what happened; if you've been trying to dig out of debt you will find those efforts all in vain.

Universal Default is in plain view, albeit small print, in that card member agreement none of us really read. The card companies say it's not meant to hurt the consumer but rather it's meant to protect the company against losses by charging higher interest to those with degrading risk profiles.

Degrading risk by the way can be as small as missing a magazine subscription payment to being late on your mortgage. The short version is if Universal Default is a provision on your card the company has the right to increase your rate to 29.99% if you slip up even once. Some have had this provision thrown at them by having too many inquiries made into their credit history. It gives the appearance that you are shopping around for another card or loan.

So remember, always pay your bills on time, including the lights, gas and that magazine you just have to have. Of course, one fail safe method is stay out of debt and join forces to educate all on Universal Default. Figures show about half of credit card issuers are inserting this provision in that card member agreement. Remember? Yes, that one. The one you never read!