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[Credit Cards](#) > [Credit Card News](#) > Convenience (checks) comes at a price

For convenience checks, you pay a price

Sign one for instant cash, but watch for fees, ID thieves

By Karen Kroll

Convenience checks can be so tempting -- blank checks fluttering out of your credit card statement, enticing you with marketing come-ons, such as: "Need extra cash?" or "Transfer that high-interest balance."

If you succumb, however, the fees and interest can quickly top 20-plus percent. What's more, they can be potential targets for identity thieves. When it comes to convenience checks, your best bet is to proceed carefully.



What are convenience checks?

Convenience checks, or cash advance checks, generally take one of two forms, says Erika Safran, a New York-based financial planner. Some let you write a check to yourself; essentially, you're loaning yourself money via your existing credit line -- the amount you could borrow on your credit card. Others are intended to get you to [transfer balances](#) from your other credit cards. To sweeten the deal, balance transfer checks often carry a lower interest rate for a period of time. In either case, it's a mistake to think of the checks as free money, Safran notes. "You still have to pay them back."

That's not all. To start, you'll pay interest on any balances you transfer or purchases you make, says Luke Reynolds, chief of the Federal Deposit Insurance Corporation's (FDIC) outreach and program development section. What's more, most convenience checks impose a [balance transfer fee](#) of several percent of the amount of the check. If the fee is 3 percent and you write a check for \$1,000, you'll pay a \$30 transaction fee.

Some card companies cap balance transfer fees, says Cary Flitter, a consumer law attorney and partner with Philadelphia-based Lundy, Flitter, Beldecos & Berger. Others charge a minimum fee of, for instance, \$20 or \$30. So, even if you write a small check, you can get socked with a fee.

Beware the climbing APR

The interest rate on convenience checks also can end up costing more than you planned. First, even if the issuer advertises a low initial [annual percentage rate](#), it may jump dramatically once the introductory period is over, Reynolds says. If you can't pay off your balance before the rate changes, you'll accrue interest at the higher rate.

What's more, most convenience checks start charging interest from the time you cash the check. That differs from credit card purchases. "Credit cards have a free grace period by law," Flitter says. However, if you have a balance on a credit card, any new purchases (including the convenience check) may be subject to finance charges immediately.

And if you carry a balance that includes both a low-interest rate for purchases and a higher interest rate for convenience checks, many credit card issuers apply payments to the lower-rate balance first, which perpetuates high-interest debt if you don't pay the balance in full.

Fewer protections

Cash advance checks and balance transfers also lack some of the protections and perks that apply to credit card purchases. The Fair Credit Billing Act, which allows you to delay payment on credit card purchases that prove to be fraudulent or defective, doesn't apply to [cash advances](#), the FDIC points out. Moreover, purchases and advances made on convenience checks may be excluded from any rewards program the card offers, Reynolds says.

If you are intent on using a convenience check, make sure to stay within the limit on the check, as well as the overall [credit limit](#) on your credit card account. For instance, the check may come with a limit of \$3,000,

Perhaps the biggest danger with convenience checks is that they can encourage

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while your account's limit is \$10,000; this includes both purchases on your card, as well as the \$3,000 limit on the convenience checks. If your convenience check puts you over your limit, not only may your check not be honored, you may get hit with a returned-check fee and an [over-limit fee](#).

**impulse buying and tempt borrowers to pay living expenses, such as utility or rent bills, on credit.**

-- Christopher Peterson  
University of Utah in Salt Lake City

In fact, you'll actually want to keep your overall balance below about 40 percent of the available limit on your account, Flitter says. Any higher, and you risk lowering your credit score, he says.

**Identity theft risk**

Another potential risk is identity theft, says Paul Stephens, director of policy and advocacy with the Privacy Rights Clearinghouse, a nonprofit organization in San Diego. While the Clearinghouse hasn't received any indication that criminals have been fraudulently using convenience checks, the risk is present, Stephens says. Your best bet is to shred the checks if you're not planning to use them. You also can ask the card issuer to remove you from the list of names that receives credit card checks, Stephens adds. Most companies will respect your request, although it may take six to eight weeks for the checks to stop coming, since many promotions are developed in advance.

**When do convenience checks make sense?**

Given all the costs you can rack up with convenience checks, does using them ever make sense? In certain instances, it may be OK, Flitter says. If you know you'll be getting a specific amount of money in the near future, such as a bonus or tax refund, and you're disciplined about managing your money, using one of the checks may present little problem if you pay off the balance quickly. Similarly, if you can transfer a balance from a higher-rate to a lower-rate card and are confident you'll pay off the balance at the lower rate, making the move may make sense, Safran says.

"Perhaps the biggest danger with convenience checks is that they can encourage impulse buying and tempt borrowers to pay living expenses, such as utility or rent bills, on credit," says Christopher Peterson, associate dean and professor of law at the University of Utah in Salt Lake City. These are "terrible personal finance strategies," he says.

**See related:** [How to stop the convenience check temptation](#), [Personal loans versus credit card cash advances](#), [8 tips to keep credit card rates and fees low](#)

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