

Foreign transaction fees explained

A foreign transaction fee is the most obvious [type of fee](#) you could face if you use your credit card at a non-U.S. retailer. Foreign transaction fees are assessed by your credit card issuer and are usually charged as a percentage of the purchase that you're making, with 3% being common.

While 3% might not seem like much, remember that this fee will apply every time you use your card. If you jet off to Europe for a month and charge \$5,000 on a card that carries a 3% foreign transaction fee, you'll have to pay an extra \$150 when the bill comes due just for using your plastic.

What's more, you could get hit with a foreign transaction fee even if you're not physically using your card overseas. Remember, these fees apply whenever you make a purchase with your card from a non-U.S. retailer, so if you buy something online from a company based in another country, you'll be charged the fee.

The good news is that foreign transaction fees aren't inevitable. As of spring 2014, there are a lot of [cards that don't charge these fees](#), and some issuers – including Discover, Capital One, and Pentagon Federal Credit Union – don't attach foreign transaction fees to any of their cards.

So if you frequently travel or shop abroad, it's a smart idea to opt for a card that allows you to dodge foreign transaction fees. After all, paying this fee again and again could get pretty expensive.

Watch out for currency conversion fees, too

Most people who have taken trips abroad know how costly it can be to [exchange their cash](#) for the local currency. Whether you go to an airport kiosk or an international ATM, you'll usually have to pay up in order to get your cash. But what most people don't know is that when you swipe your credit card, you're also likely being charged a currency conversion fee – it's just not always obvious.

Unlike foreign transaction fees, currency conversion fees aren't charged by the bank that issued your card – they're assessed by your card's payment processor. Visa and MasterCard both charge about 1% of each dollar you spend overseas, depending on which country you're traveling in. The processors charge this 1% to the issuing bank, and most banks pass on the fee to you. This means that if you're using a card that carries a foreign transaction fee, you'll have to pay both it and the currency conversion fee on every purchase you make.

What's tricky about currency conversion fees is that they often don't appear as separate charges on your credit card statement the way a foreign transaction fee would. Usually, they'll show up on your statement built into the transactions you've made. Also, it's not always clear from your credit card's disclosures how much currency conversion fees will cost you. Many consumers find that they have to compare the totals on their receipts to the transaction costs that appear on their statements or contact their card issuers to find out how much they're being charged.

However, some credit card issuers pay currency conversion fees to the payment processors on behalf of their customers, meaning you'll never get hit with the fee. [Capital One](#), for example, doesn't charge foreign transaction fees or currency

conversion fees to its card members, so if you travel abroad a lot, a card from this issuer might be a good choice.