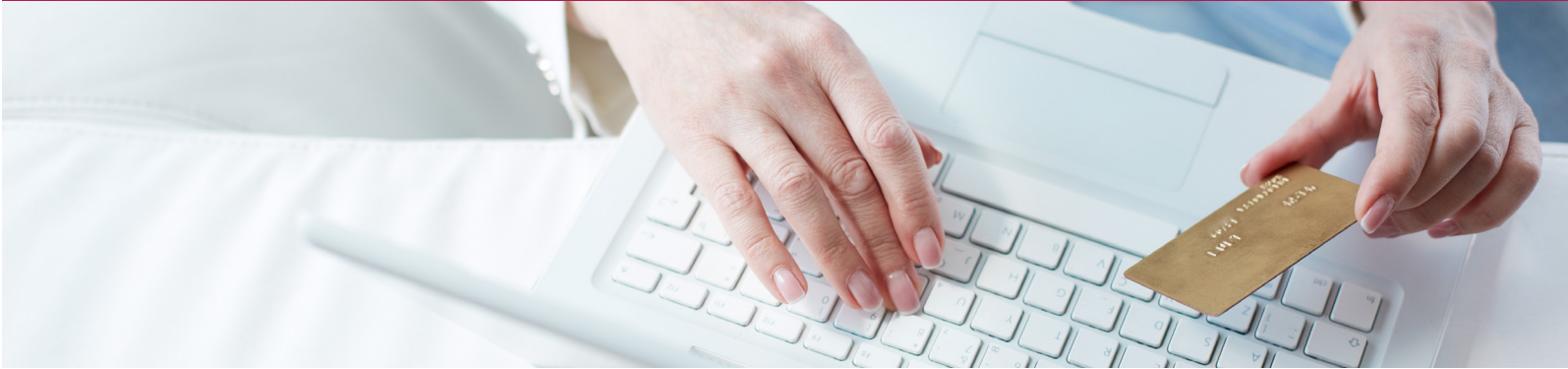


# CREDIT CARDS



Credit cards are a convenient alternative to carrying large amounts of cash and are useful in making needed payments for emergencies. Credit cards also allow users to purchase necessities and repay over time. Many credit card users get into trouble because they do not see the cash being spent from their wallets. Users often spend more than they can afford to repay.



## Using Credit Cards

Using a credit card acts as a small loan. Credit card companies agree to lend you money with the promise of being repaid at a later time. You borrow money to purchase items and then receive a bill from the lender each month. The bill contains the total amount owed as well as the minimum payment due. You must pay at least the minimum amount due each month to avoid negatively affecting your credit history. If you do not pay back the entire balance owed by the due date, you will often find that a high interest rate will be charged on the unpaid balance. In order to avoid large interest expenses, you should pay back borrowed sums as soon as possible. The best practice is to pay off the entire balance each month. By responsibly using a credit card, users can build credit history that will help lower future mortgage and other loan rates.

## Credit Card Fees

In addition to the interest rates, credit card lenders charge other fees that you should try to avoid.

### Annual Fee

Some lenders charge an annual fee just for issuing the credit card. The annual fee is typically shown on the first statement and charged again each year that you have the card.

### Late Fee

If you miss making at least the minimum payment by the monthly due date, you will be charged a late fee.

### Over-the-Limit Fee

Credit card lenders set a maximum amount you are allowed to charge on your credit cards. For new credit cards, you must authorize the lender to allow you to go over your limit or the lender is not allowed to charge this fee. Without your authorization to go over the limit, purchases attempting to exceed the limit will probably be denied. If you exceed the limit, you will receive over-the-limit fees each month your balance due remains over the limit.



## Credit Card Tips

- Try to pay the entire balance due each month, but ALWAYS pay at least the minimum payment due.
- When applying for a credit card, take your time and shop for the best deal. Check out [bankrate.com](http://bankrate.com) for more information.
- Try to obtain a card with a low APR and no annual fee.
- Check your credit card agreements to make sure you know the interest rate you are being charged.
- If any of the following apply to you, you should consider seeking assistance from your family or the Money Education (ME) Center:
  - Using one card to pay the bill of another card
  - Near the credit limit of several cards
  - Can only afford to pay the minimum amounts due
  - Have been declined from making a purchase
  - Losing sleep due to credit card debt anxiety



## Credit Card Terms

### Annual Percentage Rate (APR)

The interest rate determined on a yearly basis that is charged on the unpaid balance. The APR is the best interest rate to use in determining credit card costs.

### Credit Balance

The total amount of charges on a card that has not been paid.

### Credit Limit

The maximum balance allowed.

### Minimum Payment

The minimum amount that must be paid to avoid late fees