

Credit Cards

Easy Does It



Having one credit card with a low balance and making regular payments can help establish a good credit history and serve as a great resource for emergencies. Credit cards can be useful, but they come with a great deal of responsibility. Many credit card users get into trouble by not managing their purchases and debt.

some of the **benefits of a credit card** are:

- Convenient for purchases such as car rentals
- Purchase protection programs
- Safer than carrying cash
- Provides a monthly summary of your expenses

some of the **risks of a credit card** are:

- Late or missed payments can be very costly
- Added possibility of identity theft or credit card fraud
- They allow for emotional, irresponsible and impulse spending that is less likely if you pay with cash

You can stop the barrage of credit offers in your mailbox by simply calling 888.5.OPTOUT to remove your name from the pre-screening lists used by the three major credit bureaus.

do you **need help?**

Having problems managing your credit card(s), or deeper in debt than you'd like to be? To locate a free or inexpensive credit counselor near you, call 800.388.2227.

learn more about **managing your credit card**

www.bankrate.com

www.truthaboutcredit.org

www.ftc.gov/bcp/menus/consumer/credit.shtm

www.nfcc.org

www.ed.gov/misused (ID theft)

www.edfund.org/EdWise (for budgeting help)



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know the lingo

Credit cards might all look alike but behind the plastic they can be vastly different, with varying terms and conditions.

- **Annual fee:** A flat, yearly charge, usually \$25 to \$50.
- **Annual Percentage Rate (APR):** A measure of the cost of credit expressed as a yearly rate.
- **Cash advance:** An immediate cash loan from your credit card account. May carry a higher APR than purchases.
- **Credit limit:** The maximum, cumulative amount of money you may borrow on your credit card.
- **Finance charge:** The dollar amount you pay to use credit that includes interest costs and all charges associated with the transaction.
- **Grace period:** The number of days you have before interest is charged on new purchases. When carrying a monthly balance, most credit cards do not offer a grace period.
- **Transaction fee:** A charge incurred for a cash advance, late payment or exceeding your credit limit.

the inside scoop

Almost all credit cards carry fees and risky features that can add up quickly if you're not careful. Be aware of these standard elements of most credit accounts:

- **Cash advance fee:** In addition to the set interest rate, the cash advance fee is usually a percentage of the amount borrowed per transaction or a minimum dollar amount, whichever is higher.
- **Balance transfer fee:** Transferring a balance from one credit card to another can also trigger an extra charge and/or a different interest rate.
- **Increased interest rate:** With some cards, making one or two late payments—as little as one day late—in a specified period of time can permanently increase your interest rate to well over 20 percent.
- **Low minimum monthly payment:** This feature may look like a benefit, but in the long run it costs you a lot more than you need to pay. The best approach is to pay your account off every month or at least make more than the minimum payment.
- **Free offer:** Often in the form of frequent flyer miles, product discounts or a free gift, these benefits are not worth the interest that you end up paying on other purchases.



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