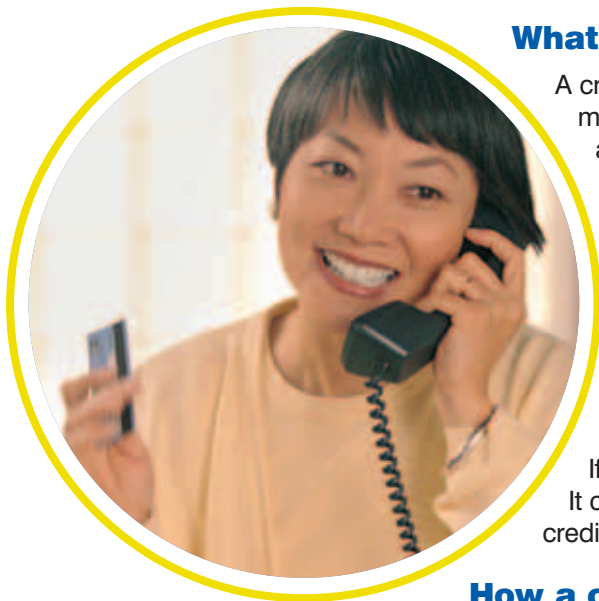


CREDIT CARD BASICS



What is a credit card?

A credit card is a type of a loan. When you use your card, you are borrowing money from the credit card company to make a purchase or take a cash advance. Just like any loan, you have to pay back the money you borrowed, and you may have to pay interest and fees on the loan for the convenience of using the card and the benefits it offers.

How to get a credit card

If you've never had a credit card, or have a very low credit score, you may have difficulty getting your first credit card. Some cards require you to provide a checking account number for your credit card payments to be made from.

If you can't get a checking account, consider starting with a prepaid card. It can help you establish a history that can increase your chances of getting credit offers.

How a credit card works

Paying your credit cards on time and using them responsibly are two of the most important factors used in calculating a credit score. Here are the key things to know about credit cards:

- **Credit line**—This is the total amount you can borrow, usually including fees. If you show a good payment history over time, your lender may increase your credit line (also called “credit limit”). If you go over your credit line, however, you may be charged an “overlimit fee.”
- **Payment dates**—Your credit card company needs to RECEIVE your payment ON or BEFORE the date the payment is due, often before a specific cut-off time. So make sure you mail your payment early or use online bill payment if your checking account offers it.
- **Minimum payments**—You must make at least the minimum payment every month, on time. If you don't, you'll probably be charged a late fee and may be moved to a higher interest rate, or default rate.
- **APR, or annual percentage rate**—The interest rate you pay on a card. When you borrow money on a card, you are charged interest unless you repay the creditor before the end of any applicable grace period. Interest rates on cards can range widely, depending on your credit score. If you have a low to medium credit score, your rates can range from about 20% to 30%. You may have different APRs for different types of transactions—like purchases, cash advances, and balance transfers.
- **Fees**—A credit card issuer may charge various fees. Make sure you understand what the fees are and when they can be applied. Possible fees include an account opening fee, a monthly account maintenance fee, a returned check fee, a late payment fee, and an over-limit fee.
- **Default rate**—The higher interest rate you pay on a credit card if you miss one or more payments. It can take months of on-time payments to get yourself out of default rate (delinquency) pricing, and some creditors do not lower the default rate at all.
- **Cycle date**—This is generally around the same date every month that your statement is created. You'll usually have about two weeks after this date before your payment is due, but check the specific terms and conditions for the card to see the exact amount of time you'll have to make a payment.

Understanding minimum payments

- The minimum payment is the least amount you can pay according to your terms. It is often less than the total amount you owe the issuer.
- You can always pay MORE than the minimum each month. If you're just paying the minimum each month, you will have a difficult time paying down the total you owe or freeing up more available credit.
- Even if you pay more than the minimum in any month, as long as you have a balance, you will still have to pay the minimum payment the next month on the due date.

INSIDER TIPS

LEARN

- If you have computer access and your bank offers online bill payment, that can help you pay your bills on time and save you money on stamps. Plus, then you have a record that the payment is sent.
- Check your account closely every month. Mistakes happen, and so does identify theft. Call your credit card issuer if you have any questions or concerns about any charges.
- Always save your charge receipts, check them against your monthly billing statement, and attach receipts to your statement. If you need to return a purchase, you will have your receipt handy.
- When you make purchases using your credit card, if possible, on payday put cash aside to cover your charges. This could help you keep your outstanding balance as low as possible or pay it off completely each month.
- If your credit card payment date always falls before your pay day, call your credit card company to ask if they can change your payment date permanently. It will take at least a month for this change to take affect, but once it does, it can help you make your payments on time.
- Even if you have a good payment record from one lender and even a good credit score, some lenders may change you to higher interest rates (delinquency pricing) if you are late with a different lender who reports it to the credit bureau.
 - Most card companies require you to dispute a charge that you don't recognize in writing. You can usually get the address for sending your dispute on the back of your monthly statement, along with instructions on what information you need to include. Make sure to dispute the charge as soon as you see it so you don't have to pay interest charges on a purchase you didn't make. Under the Federal Fair Credit Billing Act, you must notify the card issuer within **60 days** after the card issuer sent the statement with the problem charge.

Remember that any amount you charge to your credit card will become part of your account balance and you'll have to pay back the money you've borrowed eventually, usually with interest.

SAFE CREDIT CARD USE

- Sign your credit card and don't lend it to others.
- Keep a record of all your card numbers and customer-service phone numbers in a safe place. Report lost or stolen cards quickly to the credit card company.
- Review your statement every month to make sure there are no unauthorized charges or errors.
- Be careful about putting others on your account as authorized users. You may be held responsible for payments, even if you didn't tell users they could charge as much as they did.

