

# 10 tips

## 10 Tips for Managing Credit Cards

1. Pay by the due date to maintain a favorable credit history. When paying your credit card bill by mail, send it at least seven (7) days before the due date so your payment is processed by the due date. Payments received even one day past the due date will be considered late and additional fees will be assessed. Also, notify the issuer of address changes each time you move so your monthly statement is received on time.
2. Pay at least the minimum amount stated on your monthly statement to remain in good standing with your creditor.
3. Pay more than the minimum or as much as you can each statement period to retire the debt sooner. The longer you take to repay, the more finance charges you will pay to use the credit card.
4. Disregard skip-a-payment offers whenever possible. Skip-a-payment offers are a courtesy credit card issuers extend to valued customers periodically. While your nonpayment will not be reported as late to the credit bureaus, the balance due will continue to accrue finance charges.
5. Keep your credit limit at a comfortable level for you. Periodically, credit card issuers automatically increase your credit limit. If you are uncomfortable with the increased limit or do not need the newer limit, ask the issuer to lower the limit to a level you determine. Ask for written confirmation of the new lower limit for your files.
6. Keep receipts from credit card purchases until your monthly statement arrives and you confirm that the charges are accurate. Also, do not let others use your credit card. Keep your monthly statements and PIN (personal identification number) in a secure place.
7. Examine your monthly credit card statement as soon as it arrives and note the payment due date. Post the due date on your calendar so you have a visual reminder when the payment should be made.
8. Shred blank checks that come with your credit card statements. If used, these checks are considered a loan and may have additional fees.
9. Be aware of universal default. If this is a feature of your credit card, it will be stated on the disclosure statement or application. Universal default allows credit card issuers to automatically increase your annual percentage rate if you have late payments with another creditor.
10. Finally, if you have a credit card that serves your needs until you graduate, opt out of receiving pre-approved credit card offers. This will keep unwanted offers from finding their way to your mailbox. Opting out of receiving credit card offers could also reduce your risk from credit card-related identity theft. To opt out, call 1-888-567-8688 or go to: <https://www.optoutprescreen.com/>. You can opt out for five years (5) or permanently. The same number can be used to opt in whenever you want to start receiving pre-approved offers.

### SCHUMER BOX (Example)

*This boxed format containing essential costs for credit cards and found on all credit card applications is named after Senator Charles Schumer (D-NY). Schumer led the consumer protection legislation through Congress which requires this box on credit card applications.*

#### DETAILS OF RATE, FEE, AND OTHER COST INFORMATION

As required by federal law, rates, fees, and other costs of this credit card offer are disclosed here. All account terms are governed by the Credit Card Agreement sent with the card. Account and Agreement terms are not guaranteed for any period of time; all terms may change in accordance with the Agreement and applicable law.

Annual fee	None.
Annual Percentage Rate (APR) for purchases	10.99%
Other APRs	0% Introductory APR for Balance Transfers and Credit Card Cash Advance Checks until the last day of your billing cycle that ends in July 2005, or earlier if your payment is late; after that, 10.99%. See explanation below  The APR for ATM and Bank Cash Advances is 10.99%
Grace period for repayment of balance for purchases	At least 25 days, if each month, we receive payment in full of your New Balance Total by the Payment Due Date.
Method of computing the balance for purchases	Average Daily Balance (including new transactions)
Transaction fees for all cash advances and fees for paying late or exceeding the credit limit	Transaction fee for ATM and Bank cash advances: 3% of each cash advance (minimum \$5). Transaction fee for credit card cash advance checks and balance transfers: 3% of each cash advance (minimum, \$10, maximum, \$75). See explanation below  Late-payment fee: Based on your balance on the business day after the Payment Due Date \$15 if \$100 or less; \$30 if between \$100.01 and \$1,000; \$40 if over \$1,000.  Over-the-credit-limit fee: Based on your balance as of each statement Closing Date \$15 if \$500 or less; \$30 if between \$500.01 and \$1,000; \$40 if over \$1,000.
Transaction fee for purchases	Transaction fee for the purchase of wire transfers, person-to-person money transfers, bets, lottery tickets, and casino gaming chips: 3% of each such purchase (minimum \$5).

For additional information on managing credit cards, go to: <http://consumerissues.cas.psu.>

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This publication is available in alternative media on request.

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## Credit Cards and College

# Know the facts



Cell phone contract \$700

Books \$1,000

Clothes \$300

Tuition \$13,000

Spring break \$1,500

mp3 Player \$300



This brochure was created as a joint project of: Penn State Cooperative Extension, Penn State Alumni Association, Penn State Bookstores, and Penn State Student Affairs

**I**f you have a credit card or if you are thinking about getting one, reading this brochure could mean the difference between financial success and financial disaster. Credit cards are a fact of life for today's college students. Whether you use them a little or a lot, there are some things you must know to use them wisely. This brochure contains the essential information.

Credit cards represent real money that you spend now and repay later. You are spending future income, so be careful about spending more than you can repay comfortably in a few months. In other words, live within your means, or as the old cliché goes, don't spend what you don't have or will have soon.

**CREDIT CARD ESSENTIALS TO KNOW**

**Understand the key terms associated with credit cards.**

**Annual percentage rate (APR)**—the cost of credit on a yearly basis. The lower the APR, the less it costs to use credit if you do not pay monthly bills in full. (Many people call this the interest rate. On credit cards, the APR and the interest rate are the same. For other forms of credit, the APR and the interest rate are different, with the APR usually being slightly more than the stated interest rate.)

**Cash advance**—A loan (for cash) that is charged against your credit card limit.

**Credit line or credit limit**—The maximum amount of money you have been authorized to charge on the credit card.

**Fees:**

**Annual fee**—The yearly fee you pay for using a credit card. This fee can range from \$0 to \$75. Be sure to confirm if the credit card you choose has an annual fee.

**Cash advance fee**—An additional fee you pay for using your credit card to get cash. The fee is usually determined by how much money you borrow.

**Late fee**—A charge for not making the monthly payment by the due date stated on your credit card statement.

**Over-the-limit fee**—A fee assessed if your charges exceed your credit limit. Know your limit. Some creditors may allow you to exceed your limit but they will also charge you the over-the-limit fee.

**Transaction fees**—Other fees you might be charged for the purchase of money orders, money transfers, gambling bets, lottery tickets, and transferring balances from one card to another.

**Grace period**—The number of days you have before a credit card issuer starts to charge you interest on new credit purchases. It is the time between the closing date of your billing cycle and the payment due date. A grace period may also be described as the period of time which you have to pay the balance in full and avoid finance charges. Remember: if you did not pay your previous month's credit card balance in full (the entire amount on the account), you do not benefit from a grace period. In other words, if you carry a balance each month on your credit card, finance charges begin to accrue the moment you charge a pizza, clothing, or other items.

**Introductory annual percentage rate (APR)**—An APR that is available only for a limited amount of time and usually has other conditions that are in the fine print on the credit card application. Introductory APRs are usually associated with opening a new account.

**Finance charge**—The amount you pay the lender for loaning you money.

**Minimum payment**—The lowest amount you can pay the credit card issuer and be considered in good standing from a credit history perspective. The minimum is usually about 2 percent of the outstanding balance.

**Keep tabs on your credit history.**

A good credit history is your ticket to getting a car loan, house, or other expensive items that cannot be purchased outright. Credit histories are also being used to determine rates for auto insurance and by potential employers in hiring decisions. People with poor credit histories may not be able to get a car loan, a home mortgage, or the job they want, and they may have to pay more for car insurance. A poor credit history can be costly. Check your credit history at least once each year for errors.

Since September 2005, you can get a free copy of your credit report each year from the credit reporting agencies below. The form to request free credit reports is available at <http://www.AnnualCreditReport.com/>.

<b>Equifax</b> P.O. Box 740241 Atlanta, GA 30374 1-800-685-1111 <a href="http://www.equifax.com/">http://www.equifax.com/</a>	<b>Experian</b> P.O. Box 2014 Allen, TX 75013-2104 1-888-397-3742 <a href="http://www.experian.com/">http://www.experian.com/</a>	<b>TransUnion</b> P.O. Box 1000 Chester, PA 19022 1-800-916-8800 <a href="http://www.transunion.com/">http://www.transunion.com/</a>
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**Know the features associated with your credit card.**

While credit cards have similar features, some may be unique to your credit card. Take a few minutes to read the fine print on the back of your credit card statement or your annual disclosure statement. The disclosure statement is inserted once a year with a monthly billing statement.

**Compare the cost of three or more credit offers before deciding which credit card to carry.**

When you shop for shoes, you try on several pairs before selecting the one that fits best. Likewise, you should compare the features of credit cards before deciding which one is the best for you. The Schumer Box found on all credit card applications (see an example on the back panel) can be used to compare the key features among several credit cards.

