



# Using Credit Cards



**BANK ON YOUR FUTURE**



## Helpful Information:

### Federal Trade Commission

Consumer help line: 1-877-382-4357.  
Identity theft line: 1-877-438-4338.

### Fannie Mae Foundation

Free guides on credit and home loans.  
Call toll free: 1-800-611-9566.  
Español: 1-800-782-2729.  
[www.homebuyingguide.com](http://www.homebuyingguide.com)

### Housing and Urban Development

Free advice on home buying.  
Call toll free: 1-800-569-4287.  
[www.hud.gov](http://www.hud.gov) or [www.espanol.hud.gov](http://www.espanol.hud.gov)

### Online Consumer Help:

#### Federal Reserve Bank

Brochures on credit, finances, and how to buy a car or home.  
[www.federalreserve.gov/consumers.htm](http://www.federalreserve.gov/consumers.htm)

#### My Money

Financial education materials from U.S. government agencies.  
Call toll free: 1-888-MYMONEY (696-6639).  
[www.mymoney.gov](http://www.mymoney.gov)  
[www.mymoney.gov/Espanol](http://www.mymoney.gov/Espanol)

Call the Attorney General's office in your state if you believe that a provider of goods and services has treated you unfairly.



APPLESEED

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## Theft or Loss of Your Card

If your card is lost or stolen, report it immediately by calling the toll free number on your statement. If you report it immediately, you will not be responsible for more than \$50 of charges made after the loss or theft. If you do not report a lost card, you will be responsible for all later charges. This can affect your credit rating.

## Identity Theft

Theft of personal information, such as credit card numbers and identification numbers, is a major problem in the U.S. To learn how to protect yourself, contact:

[www.consumer.gov/idtheft](http://www.consumer.gov/idtheft)  
1-877-ID-THEFT (1-877-438-4338)

To download all of the brochures in this series, log on to [www.appleseeds.net](http://www.appleseeds.net)



## Using credit cards – be smart.

Credit cards are not just a convenient, cash-free way to make a purchase. Credit cards are one way to borrow money from a bank. Credit cards are LOANS – and they often are expensive loans. Learn how they work and how much they can cost before you apply for one!

## Compare interest rates and grace periods.

The **interest rate** is the cost you pay to borrow money. Interest charges are calculated as a percentage of the amount you borrow. The higher the interest rate, the more you pay. A **grace period** is the number of days you have to pay the full balance on your account before you are charged interest. Ask if a card has a grace period and how many days it lasts.

## Be careful of introductory rates.

A low introductory rate may become a very high rate after six months. For example, a card that starts with a rate of 3.9% may jump to 15%, while another card may start at 5.9% but jump only to 11%. Typically, one late payment will cause you to lose the low introductory rate.

## More is not better!

Having more than two credit cards – especially if they are credit cards from stores – can lower your credit score on your credit report. It also can lead to spending more money than you can pay back. If you have a bad credit report, it will be more expensive or even impossible to obtain new loans.



## Compare fees.

There can be a lot of fees associated with using credit cards. Before you choose a card, ask the bank or credit union to list all the fees and then compare that to other card offers.

## Fees you could pay if you are not careful:

**Late payments:** when the company receives your payment after the due date. It can be as much as \$75!

**Cash advances:** when you use the credit card to get cash. The fee is typically 2% of the cash advance (or \$2 on a \$100 advance).

**Exceeding the credit limit:** when you purchase (borrow) more than your card allows.

There may be additional fees, and they quickly can add up to a lot of money.

**Avoid cards with an annual fee, a monthly fee, or a fee for not using the card.** You should never have to pay application or processing fees or a 900-number phone fee!

## Minimum Payments Create Maximum Costs.

It may seem like a good deal to buy an expensive item with a credit card and be able to take your time to pay for it. But, it can be difficult and expensive to escape from credit card debt. **See how expensive it can be if you make minimum monthly payments:**

Item	Price	Years to Pay Off	Annual Interest Rate	Total Interest Paid	Total Cost of Purchase
Groceries	\$100	11 months	18 %	\$9	\$109
TV	\$500	8 years	18 %	\$439	\$939
Furniture	\$2,500	34 years	18 %	\$6,281	\$8,781

If you pay off your credit card completely and on time each month, you will not pay interest or fees.