

## Credit Cards: Tips to Control Credit

You may have seen offers around campus for a free t-shirt or music in exchange for completing a credit card application. It may sound good, but jumping at the first credit offer or applying for too many cards is a bad idea. If you must open up a credit card, it is always best to select the card that is right for your lifestyle and budget. Use the following tips to learn how to select the best card, manage your budget, and establish good credit.

### The Pros of Having a Credit Card

- + They can make expensive emergency situations, such as car breakdowns, easier to handle.
- + Making your monthly payments on time allows you to establish a good credit record critical for large purchases (like a car or a home) in the future.
- + They reduce the need to carry checks or cash.

### The Cons of Having a Credit Card

- If you are not able to pay off your monthly bills in full, you will end up paying more for purchases over time.
- You might be tempted to spend more than your budget will allow.
- The result could be that your money will go to the credit card company (to cover payments and interest) instead of to your budget.

### Understanding Interest & Fees

Paying only the minimum or a small monthly balance over a long period of time will have costly consequences. On a balance of \$1,000, the following example describes the interest you will end up paying, based on paying the same amount per month, at an interest rate of 18 percent:

*Initial purchase: \$1,000*

- \* Make a full payment and no interest will be charged.
- \* Make a monthly payment of \$200.00 for 6 months and \$48.00 in interest will be charged. You will end up paying \$1,048.00 in total.
- \* Make a monthly payment of \$100.00 for 11 months and \$92.62 in interest will be charged. You will end up paying \$1,092.62 in total.
- \* Make a monthly payment of \$50.00 for 24 months and \$198.00 in interest will be charged. You will end up paying \$1,198.00.
- \* Make a monthly payment of \$30.00 for 47 months and \$397.00 in interest will be charged. You will end up paying \$1,397.00 in total.
- \* Make a monthly payment of only \$20.00 for 94 months you will be charged \$862.00 in interest and end up paying \$1,862.00 for your \$1,000 purchase!

### Smart Advice on Selecting a Card:

When selecting a credit card, always read the fine print and make sure you understand the terms and conditions of the card before opening it.

Look for a card that offers:

- Low or no annual fees, or a low annual percentages rate (APR).

*Tip: Learn exactly what the percentage rates are for purchases, balance transfers or if they increase if you pay late.*

- A grace period before finance charges kick in.

*Tip: Some credit card companies offer very short grace periods or none at all. Some may even impose a finance charge after your first purchase.*

- Rewards such as money back, airline miles, frequent dining points, etc.

*Tip: There are student cards available that may offer very low interest rates and additional features to help you build your credit.*

### Identify Risky Credit Card Behavior

There are several risk factors that may indicate that you have a credit problem, such as:

- Using a credit card to pay off debt on another credit card.
- Carrying high unpaid balances.
- Ignoring collection agency calls about unpaid bills.
- Hiding purchases or lying about your finances to your family and friends

### Where Can I Go for Help?

If you are experiencing credit management problems, take action fast! Follow these steps:

- Contact your credit card company. Ask if they can lower your interest rate or set up a more affordable payment plan.
- Set up a budget and rethink your spending. Be realistic about your what you can and cannot afford.
- Get help from a local consumer credit counseling center. Avoid credit groups that charge fees. For more information, contact the National Foundation for Credit Counseling at [www.nfcc.org](http://www.nfcc.org).

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