THINGS YOU SHOULD KNOW BEFORE YOU GO

While away at college, one of the decisions you will be faced with is whether to have a credit card. Before you make the choice, you must know that credit card usage is a privilege, and it must be used wisely. Abusing your credit can be very harmful to your financial future. If used properly, however, it can help improve and enhance your quality of life. So remember, when selecting a card to apply for, familiarize yourself with the following basic terms first.

# **Annual Percentage Rate (APR)**-the interest rate that determines the yearly cost of borrowing money from the credit card company. For example, if you borrow $100 at an 18% interest rate, you will repay the lender $118 over the year.

# **Grace Period**-a period of time where finance charges are not assessed. Grace periods allow cardholders to avoid paying interest on the money they borrow. The key is to never carry a balance on your credit card. When you receive your bill, pay the balance in full each month. If the payment reaches your credit card company before the due date, you have avoided paying costly interest charges. If possible, you want to select a credit card company that offers grace period.

# **Late Fees**-a penalty that is charged when your payment is received after the due date. There is no limit on the amount that the credit card company can charge for being even an hour late on payment.

# **Over-the-limit Fees**-a penalty that is charged when your balance exceeds your credit limit.

# **Annual Fees**-the yearly usage charge cardholders are assessed by the credit card company. It is similar to a membership fee, and it is a fee that can be avoided. When selecting a credit card, you may want to consider a card that will not require an annual fee.

# **Minimum Payments**-the least amount a cardholder can pay each month to prevent the account from becoming past due. Paying only the minimum payment each month will extend the time it takes to repay the loan, and it will cause you to pay more in interest.

# **Introductory Rate**-a favorable finance rate temporarily offered to borrowers for a fixed period of time. Upon the expiration of this introductory period, the interest rate will increase to a higher interest rate.

# **Universal default clause**-provision in many credit card agreements that permits the issuer to raise interest rate automatically, even if the user is paying his/her credit card charges on time, if the user has defaulted on some other debt or the issuer just thinks the user has too much debt.

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