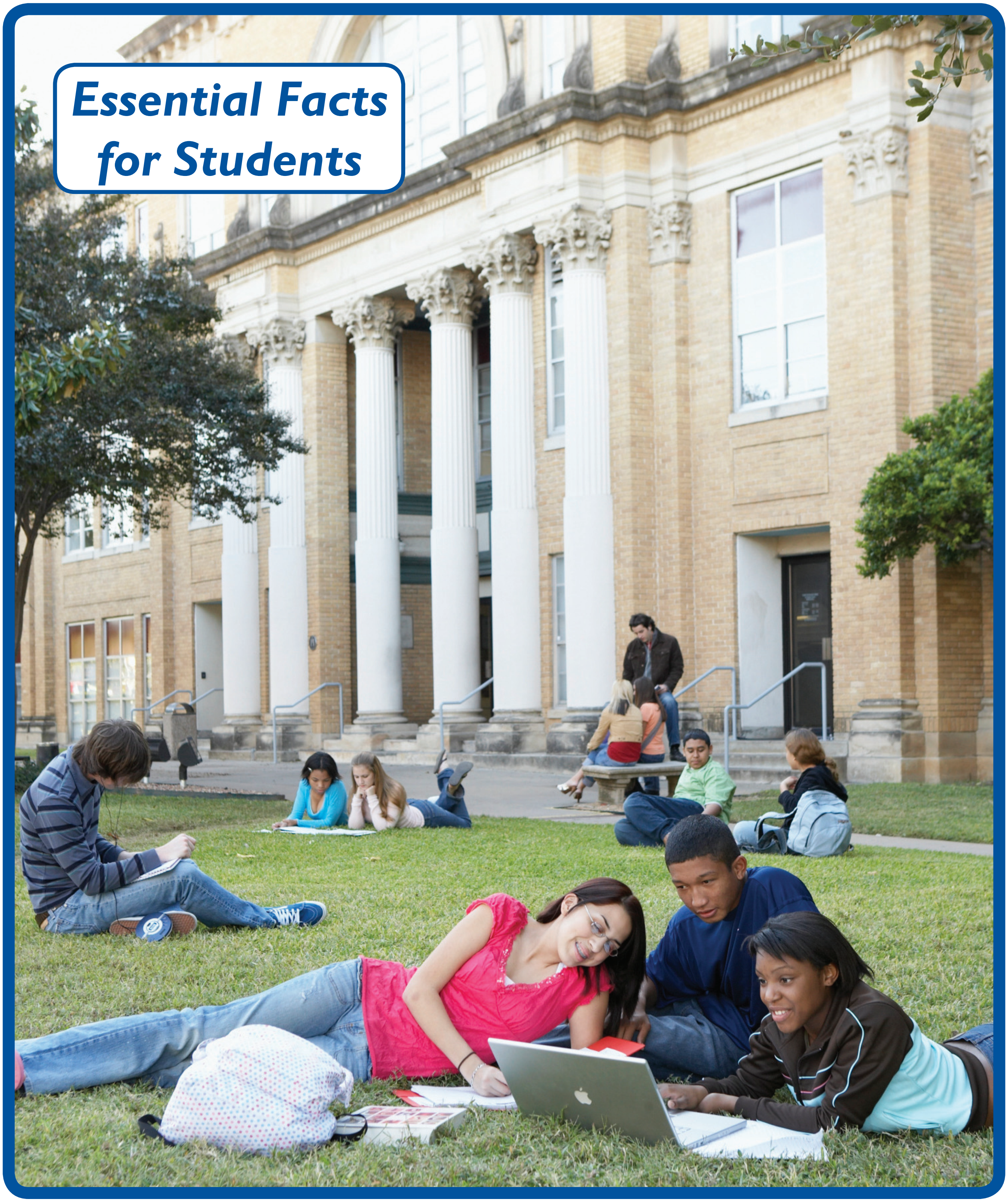
The ABCs of Credit Card Finance



Carol A. Carolan, Ph.D.

2010

HOW LONG AND HOW MUCH DO I HAVE TO PAY?

Use the following chart to find your payoff time and total payoff amount for credit card balances ranging from $500 – $10,000 with APRs from 12% – 20%. Calculations are based on making a minimum monthly payment of 1% of the outstanding balance plus accrued monthly interest or a payment of $20, whichever is greater. This chart assumes discontinued use of your credit card and timely payments.

CARD BALANCE	12%		14%		16%		18%		20%	
	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS
$500	$578	2.4	$595	2.5	$612	2.6	$631	2.7	$652	2.8
$1,000	$1,393	5.8	$1,500	6.3	$1,613	6.7	$1,731	7.0	$1,854	7.3
$2,000	$3,393	11.6	$3,667	12.0	$3,947	12.4	$4,231	12.8	$4,521	13.1
$3,000	$5,393	14.9	$5,835	15.4	$6,280	15.8	$6,731	16.2	$7,189	16.5
$4,000	$7,393	17.3	$8,002	17.8	$8,614	18.2	$9,231	18.5	$9,857	18.9
$6,000	$11,393	20.7	$12,337	21.2	$13,282	21.5	$14,231	21.9	$15,193	22.3
$8,000	$15,393	23.1	$16,672	23.5	$17,949	23.9	$19,231	24.3	$20,528	24.7
$10,000	$19,393	24.9	$21,007	25.3	$22,617	25.8	$24,231	26.1	$25,864	26.5

$10 EXTRA – PAY OFF YOUR BALANCE FASTER

The following chart illustrates how you can significantly reduce the time and total cost required to pay off your credit card debt. This is achieved by simply adding $10 to the minimum monthly payment described above. This chart assumes discontinued use of your credit card and timely payments.

CARD BALANCE	12%		14%		16%		18%		20%	
	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS	PAYOUT	YEARS
$500	$550	1.6	$559	1.6	$569	1.6	$580	1.7	$591	1.7
$1,000	$1,222	3.4	$1,271	3.6	$1,321	3.7	$1,372	3.8	$1,423	3.8
$2,000	$2,819	6.8	$2,967	6.9	$3,117	7.0	$3,267	7.2	$3,418	7.3
$3,000	$4,533	9.2	$4,800	9.3	$5,068	9.4	$5,338	9.5	$5,607	9.6
$4,000	$6,311	11.0	$6,708	11.2	$7,106	11.3	$7,504	11.3	$7,904	11.5
$6,000	$9,976	13.8	$10,650	13.9	$11,326	14.1	$12,002	14.2	$12,679	14.3
$8,000	$13,726	15.9	$14,692	16.0	$15,659	16.2	$16,627	16.3	$17,596	16.3
$10,000	$17,562	17.6	$18,792	17.7	$20,060	17.8	$21,328	17.9	$22,596	18.0

The ABCs of Credit Card Finance
ESSENTIAL FACTS FOR STUDENTS

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2010

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CONTENTS

INTRODUCTION

Dear Student:

The following pages provide essential information that will help you wisely choose and responsibly use a credit card. This information will also give you a clearer understanding of your consumer rights as they pertain to credit cards.

For years, college students have been a privileged group of individuals who were able to obtain a credit card in their own name without need of a prior credit history, employment, or a parent's co-signature. Most young adults gladly took advantage of the opportunity since a credit card is a great financial tool. It is often more convenient than cash, is useful in an emergency, allows one to establish a credit rating and offers valuable consumer protections under federal law. Since President Obama signed the Credit Card Accountability, Reliability and Disclosure Act (CARD Act) on 5/22/09, young adults under the age of 21 must now prove they have sufficient independent income to repay their debt or have a parent or guardian's co-signature on their account before they will be granted a credit card. Note that most changes resulting from the CARD Act will take effect in February 2010.

The new CARD Act provides strong consumer protections which help to establish a more fair and transparent credit card industry. However, mutual responsibility is necessary. All the protections in the world won't help the irresponsible individual who doesn't bother to pay bills on time, goes over credit limits, skips payments, and spends excessively. One must always remember that a loan is incurred each time a credit card is used and loans must be repaid. Irresponsible credit card use can result in excessive debt and a poor credit score. And research has shown that students who are burdened with excessive credit card debt often have lower GPAs and can suffer from depression. Some students are even forced to drop out of school or to default on student loans.

In its 2008 nationwide survey, the Jump$tart Coalition reported that participating high school seniors scored 48.3% on personal financial basics. This represents a decrease from 2006's average score of 52.4%. Jump$tart also conducted a college students' survey and although their average score of 62% was better than their high school peers, it is clear that many of America's students are in dire need of basic financial literacy. It is especially important to learn how credit cards work and how to responsibly manage one's account.

Managing money, like many other things, is simply a learned skill that can be developed if we have the desire and determination to do so. And since having money seems to depend more on how well we manage it rather than on how well we earn it, money management is best learned early in life. Please take the necessary time to acquaint yourself with the information in this primer. Mistakes avoided today are sure to have a positive impact on your tomorrows.

Best Wishes,

Carol Q. Barden, Ph.D.

PLANNING A BUDGET

No educational material on credit card use would be complete without first stating the importance of planning a budget. By simply putting into writing your monthly income minus your monthly expenses, you take the first step in creating a realistic budget… your own personal plan for spending and saving money. Begin the budget process by tracking your spending for a full month and writing down all expenditures, including small items such as gum, sodas, and snacks. If some costs will not occur on a monthly basis, average these expenditures to allow a monthly allocation so that the money will be available when needed. A sample budget form looks like this:

MONTHLY BUDGET

MONTHLY INCOME		ACADEMIC EXPENSES	
Allowance	$ ________	Tuition	$ ________
School Loan	$ ________	School Meal Plan	$ ________
Employment Salary	$ ________	Books/School Supplies	$ ________
Grants/Scholarships	$ ________	Loan Payments	$ ________
Interest from Savings	$ ________	Library Copy Cards	$ ________
Other	$ ________	Other	$ ________
TOTAL MONTHLY INCOME	$ ________	**TOTAL ACADEMIC EXPENSES**	$ ________

PERSONAL EXPENSES	
Rent	$ ________
Utilities	$ ________
Phone	$ ________
Internet/Cable	$ ________
Car Payment	$ ________
Food	$ ________
Clothing	$ ________
Transportation	$ ________
Movies	$ ________
Insurance	$ ________
Laundry	$ ________
Entertainment	$ ________
Gifts	$ ________
Spending Money	$ ________
Other	$ ________
TOTAL PERSONAL EXPENSES	$ ________

TOTAL INCOME	$ ____________
TOTAL EXPENSES	$(____________)
AMOUNT LEFT OVER	____________

ESSENTIAL INFORMATION

When used and managed properly, credit cards offer us convenience, a sense of security, and allow us to build a healthy credit history. Irresponsible credit card use can result in excessive debt and can produce a poor credit score and become a long term financial liability.

Basic information necessary to help you wisely choose and responsibly use a credit card can be grouped into two main categories:

1. A complete understanding of the costs of credit.
2. Behaviors that reflect financial literacy and personal responsibility.

CREDIT CARD COSTS

The following identifies the various costs and fees associated with credit card use. Some are evident and others are not so obvious. These costs apply equally to all cards, including MasterCard, Visa, Discover and American Express.

Annual Fees – Some issuers charge an annual fee for the privilege of using their card. This charge will appear on your account at the same time each year. Issuers still offer cards without an annual fee but they may become more difficult to find.

Interest – Financial institutions charge card holders monthly interest on unpaid credit card balances. Interest rates are expressed as an Annual Percentage Rate (APR). The higher the APR, the more money you pay in interest. APRs can be variable or fixed. A variable rate APR is based on a published index, like the prime interest rate, plus a few percentage points more, which is determined by the card issuer. The CARD Act includes many changes pertaining to credit card interest rate charges.

- With few exceptions, interest rates cannot be increased on an existing balance during the first year the account is open. Exceptions are:
  - If you were offered an introductory rate for a limited period of time and if the issuer disclosed what the new rate would be after the introductory period expired. Promotional rates must last a minimum of 6 months.
  - If you have a card with a variable rate and the index changes. For example, if your APR is based on the prime rate plus 4% adjusted annually, your rate will change if the prime rate changes.
  - If you are more than 60 days behind in payment. If after 6 months, you pay at least the minimum monthly payments on time, the lower rate will return to the account.
  - If your rate had been temporarily lowered during a hardship arrangement that is either completed or dropped out of.
- Per the CARD Act, after the first year, your issuer can raise rates on new (not existing) balances with 45 days notice. This takes effect 2/10. (As of 8/20/09 issuers are required to give 45 days notice on rate increases on existing balances. Previously, issuers were only required to give 15 days notice.)
- The practice of universal default, which allowed your issuer to raise your APR if you were more than 30 days late on any payment to anyone, is no longer allowed.

Interest Calculation – Most issuers use the Average Daily Balance Method to calculate interest. Since it often resulted in higher interest charges, the two-cycle billing method (also known as double-cycle billing) is no longer allowed per the CARD Act. The formula of the Average Daily Balance Method works as follows:

- Charges and payments are calculated on a daily basis to determine how much is owed each day. The issuer then adds these totals and divides by the number of days in the month. This figure reflects your average daily balance.
- To determine the "daily periodic rate," the issuer's APR is divided by 365.
- The average daily balance is multiplied by the daily periodic rate and then multiplied by the number of days in the statement period to obtain monthly interest charges.

Cash Advances – These are cash loans you can get with your credit card. Cash advances typically have a one-time fee applied at the time the money is issued, are usually assessed higher APRs, and are granted no grace period. That is, you immediately start paying interested on the borrowed money.

Convenience Checks – These are pre-printed checks linked to your credit card account that are typically attached to your credit card statement. Similar to cash advances, they usually have a one-time fee applied to them at the time of use, are assessed higher APRs, and are granted no grace period.

Payment Allocation – If you have different APRs on your account (e.g., one applying to purchases and the other applying to cash advances) any payment in excess of the minimum monthly payment and finance charges must first be credited to the balance with the highest interest rate. (Before the passage of the CARD Act, it was common practice for issuers to apply these payments to the balance with the lowest interest rate.)

Default Rates – A default rate is a high APR. Traditionally these high rates have been applied when a cardholder went over a credit limit, bounced a payment check, missed a payment or made a late payment. Due to the CARD Act, issuers will not be able to apply a default rate on an existing balance unless the cardholder is more than 60 days behind in payment. If after 6 months, the cardholder pays at least the minimum monthly payments on time, the lower rate will be returned to the account.

Low Interest Introductory Rates – An introductory rate (promotional rate) is time-limited and must be of at least 6 months' duration. Your issuer is required to disclose in the initial credit card offering the rate that will occur at the end of the first six months.

Balance Transfers – You may want to take advantage of a lower APR by transferring your credit card balance from one issuer to another. First, understand the fees. There may be a balance transfer fee, the lower APR typically applies only to the transferred balance (not new purchases) and the low APR is often time-limited.

Late Fees – A late fee will be applied when payments arrive after the due date. Per the CARD Act and taking effect 8/20/09, your credit card statement must be sent to you no later than 21 days before the due date. (Previously, only 14 days were required.) The payment due date, date a late fee will be charged and amount of the late fee must be disclosed in a conspicuous location on your statement. Cardholders who make a payment at a local branch will have their payment credited the same day. If a due date falls on a weekend or holiday your issuer cannot count your payment late if it is received the next business day. It is common practice for issuers to charge a tiered fee based on the amount of your balance. These fees typically range from $15 to $39.

Over-Credit Limit Fees – An issuer can charge you an over-limit fee if you have given them permission to authorize a purchase that puts you over your limit. This does not require them to authorize an over-credit limit purchase; they are free to decline such requests. Your issuer is not able to charge an over-the-limit fee if you go over the limit just because of interest charges or fees. Issuers won't be able to charge account holders more than one over-limit fee during each billing cycle and if you only go over the limit once, you cannot be charged over-limit fees more than three months in a row even if your minimum monthly payments don't bring you back under the limit. Many issuers charge a flat fee of $29 to $39. Some charge a tiered fee based on the amount of the balance.

Bounced Check Fees – If you bounce a credit card payment check, your credit card issuer will likely charge you a penalty fee of $29 to $39.

Currency Conversion Fees – Your credit card issuer will typically charge a currency conversion fee of 3% on foreign purchases.

Payment Fees – Before the passage of the CARD Act of 2009 it was common practice to charge a $10 to $15 fee to make a payment by phone or the Internet. This will no longer be allowed after February 2010.

Transaction Fees – A transaction fee is an up-front fee often assessed when making a balance transfer, using a convenience check or taking out a cash advance.

HOW TO WISELY CHOOSE & RESPONSIBLY USE A CREDIT CARD

Not all credit cards are equal since credit card issuers are free to offer the terms, services, and perks they desire. The CARD Act requires issuers to post on the Internet their cardholder agreements. Be sure to familiarize yourself with the issuer's terms and conditions before applying for a card. When choosing a credit card, it's best to look for:

- A Low, Fixed Annual Percentage Rate (APR)
- No Annual Fee
- A Long Grace Period (at least 20 days). This is the length of time between the previous month's closing date and the next month's due date when you can avoid finance charges on new purchases if you pay your total new balance in full.
- Interest Calculated Using the Average Daily Balance Method. As of February 2010, issuers will no longer be allowed to use any of the two-cycle billing methods.
- Low Fees

Convenience Users – Convenience users pay their credit card balance in full each month and avoid paying interest on their credit card purchases. This benefit is attained because of the issuer's grace period, defined above. This method of credit card use is the most cost effective. You get to use the issuer's money to make purchases and have several weeks in which to pay them back free of interest charges! Convenience users still want a low APR just in case they can't pay their credit card statement in full some months. If you do not pay your balance completely one month, you will not be granted a grace period the following month and will pay interest on all of your credit card purchases. Convenience users especially want a long grace period… at least 20 days.

"Revolvers" – These individuals keep a revolving balance on their account and pay interest on everything they purchase. They do not benefit from a grace period. Revolvers are especially looking for a card with a low APR to minimize the interest they must pay. Issuers will only require a minimum payment (MMP) each month, which is often based on 1% of the outstanding balance plus accrued interest or $20, whichever is greater. ALWAYS PAY MORE THAN THE MMP. Paying just the MMP is the most costly and least desirable form of payment. In fact, the CARD Act requires issuers to display on monthly statements a warning indicating that making only the MMP will increase the amount of interest paid and time required to repay one's balance. Repayment information is to include the number of months and the total cost to the consumer, including interest and principal payments, to pay the balance in full if only the MMP is made. This assumes no further charges are made on the account. Similar information to pay off the debt in 36 months will also be required. A toll free number to obtain information on credit counseling and debt management services will also be compulsory.

Example: If you had a credit card balance of $2,000, an 18% APR, stopped using your card, and made only the minimum monthly payment based on 1% of the outstanding balance plus accrued monthly interest or a payment of $20, whichever was greater, it would take 12.8 years to pay off your debt and your total payout would be $4,231.

When choosing a credit card, just remember to shop around and to ask questions. Don't be embarrassed to ask a representative to explain the contract so that you clearly understand the card's APR, whether or not there is an annual fee, the grace period, default fees, transaction fees, etc.

RATES AND FEES AND THE SCHUMER BOX

Credit card issuers detail their basic rates and fees in a table called a "Schumer Box," named after Senator Chuck Schumer. This table makes it easier to compare credit card offers and facilitates your ability to choose the right card for your needs. A sample Schumer Box looks like this:

Annual Percentage Rate (APR) for Purchases	This rate only applies to purchases and can be a fixed rate or a variable rate.
Other APRs	The "Other APRs" box contains information on APRs for balance transfers, cash advances, convenience checks, and default rates. These rates can either be fixed or variable.
Grace Period for Repayment of Balances for Purchases	The grace period applies only to balances for purchases. You only receive a grace period if you pay your new balance in full each billing period by the due date.
Method of Computing the Balance for Purchases	Most issuers use the Average Daily Balance Method, including new purchases.
Annual Fees	Many issuers do not charge an annual fee. Others may offer the first year with no annual fee with a charge thereafter.
Minimum Finance Charge	A minimum charge on any balance that remains unpaid. Usually, it only applies when the interest charge is less than the minimum charge.
Transaction Fee for Balance Transfers	An up-front fee assessed for making a balance transfer.
Transaction Fee for Cash Advances	An up-front fee assessed for requesting a cash advance. (The same fee typically applies to convenience checks.)
Late Payment Fee	A fee assessed when a payment is received by the issuer after the due date.
Over-the-Credit Limit Fee	A fee assessed when one chooses to exceed their credit limit.
International Transaction	A fee (usually 3%) assessed on each foreign currency purchase after it has been converted into U.S. dollars.

Further descriptions of the terms and conditions of a credit card offer may be found beneath the Schumer Box. Be responsible and read these explanations as well as the on-line contract so that you understand the credit card agreement to the best of your ability.

DOs AND DON'Ts ONCE YOU HAVE A CREDIT CARD

Once you have a credit card, follow these guidelines to avoid financial problems.

Limit yourself to one card. Having more than one card can tempt you to spend more. Once you become familiar with credit, you may opt for an additional card. When starting out, one should suffice.

Don't use your credit card for tuition and limit its use for school related expenses. Student loans are far more cost effective for tuition.

Differentiate between needs and wants. The convenience of plastic makes it easy to overspend. Think twice before making a purchase. Is it something you *need* or *want*?

Remember that credit cards are a convenience. Your socioeconomic status is not changed once you have a credit card. Keep in mind you are borrowing money every time you use your card and this money must be repaid.

Pay your credit card bill off fully each month. If you can't pay your credit card bill fully each month, ALWAYS MAKE MORE THAN THE MINIMUM MONTHLY PAYMENT.

Manage your credit card account like you manage your checking account.
Be sure you have enough money to pay your credit card balance.

Don't skip payments, even if your issuer says you can. You will be charged full interest during this period and will end up owing more the following month.

Pay your bills on time. Avoid late fees, a high default rate and a lowered credit score.

Avoid exceeding your credit limit. Don't get charged over-limit fees which are expensive. If you go over your limit just once, you can be charged an over-credit-limit fee for three months in a row if you do not bring your balance under the card's limit.

Avoid cash advances. Except in an emergency, do not request a cash advance because they're expensive. You will typically be charged a transaction fee, a higher APR, and you will not be granted a grace period (your interest starts accruing at the time the advance is taken).

Avoid using convenience checks. The same precautions apply for convenience checks as for cash advances.

Be wary of introductory rates. At a minimum they must be of at least six months duration and the solicitation must state the new (increased) rate once the initial six months have elapsed.

Don't use one credit card to pay another. If you only have one card, you won't be put in this dilemma. But if you do have multiple cards, this is a cardinal rule. Use savings, responsibly borrow from family or friends or talk to your issuer and ask for help, but NEVER USE ONE CREDIT CARD TO PAY ANOTHER.

Don't rise to the occasion when your issuer gives you an increased credit limit. When first starting out, it's best to keep a low credit limit. As you become more familiar with credit, you can raise your limit, and it will be beneficial to you. If you are under the age of 21 and have a co-signer for your account, your limit may not be increased unless your co-signer approves the increase in writing and assumes joint liability for the increase.

Mail your check as soon as you receive your statement. If you keep a revolving balance, the earlier your issuer receives your payment, the lower your average daily balance. This will reduce the amount you pay in interest.

Keep your credit card receipts. You should keep your credit card receipts so that you can verify the accuracy of the charges listed on your monthly statement. This audit is critical for detecting potential fraud or mathematical errors. When the audit is complete, keep your important receipts in a secure place and destroy all others.

Immediately notify your issuer if you move. More than one young adult has paid late fees needlessly because they failed to advise their credit card issuer that they moved and did not receive their credit card bill in time.

Immediately notify your issuer if your credit card is lost or stolen. If you report the loss before your card is used, you're not liable for unauthorized charges. If you report the loss after the card has been used, you may be liable for up to $50. You are not liable if your account number, but not the card itself, was used illegally.

THERE IS ALWAYS A SOLUTION

If you are having difficulty paying your credit card bill, the worst thing you can do is ignore the problem. First, stop using your card. Next, call your issuer and advise them of your problem. They may be able to offer you a time-limited alternative payment plan. Obviously, you should work to reduce expenses and increase monthly income. Also, it is best to pay down high APR accounts before low APR accounts.

If your problem persists, you may want to contact a credit counselor for help. Credit counseling firms typically negotiate with your creditors for better interest rates on your various credit card accounts. Once you're on an acceptable repayment plan, you make one monthly payment to the firm and they, in turn, pay your creditors. The National Foundation for Credit Counseling can be located at www.nfcc.org or (800) 388-2227.

If you are stressed out about credit card debt, don't hesitate to talk with a school advisor, counselor, parent, or psychologist. Remember, there is always a solution to this problem.

CREDIT REPORTS & CREDIT SCORES

Credit Report – A credit report is a collection of information obtained from your creditors reflecting the extent of your credit and payment history. Think of it as your "credit report card." Lenders use this information to determine if they will loan you money and at what rate.

The three major credit-reporting agencies are: Equifax (800-685-1111), Experian (888-397-3742), and Trans Union (800-888-4213). You can obtain a free annual credit report at www.annualcreditreport.com or by calling 877-322-8228. Experts recommend that you check your credit report several times a year.

Negative information can stay on your credit report for seven years, unless there is a bankruptcy, which remains for ten years.

Credit Score – A credit score is a numeric value that is applied to your credit history by a credit-reporting agency or a lending institution. The most well known scoring system is called the FICO score. Ranging from 300 to 850, the higher the number, the better the score. Higher scores get you the best interest rates.

Your payment history accounts for 35% of your score, so paying your bills on time is extremely important. Balances on all of your credit cards and installment loans, compared to the total available credit limits on all of your cards, accounts for 30%. It's called a "debt-to-credit-limit ratio" and should be kept as low as possible. Less than 30% is optimal; more than 50% is way too high. The length of your credit history makes up 15% of your score. The longer you display good credit habits, the higher the score. The number of recently opened accounts and credit inquiries establishes 10% of your score. It's frowned upon to have too many cards (more than 3 or 4) or to seek lots of credit in a limited period of time. The last 10% of your score comes from the mix of credit held. Higher scores go to those who show they can manage a credit card or two along with an installment loan such as a car or student loan.

Your credit history and credit score are extremely important. They speak volumes about your character. Lenders consider individuals with a high credit score to be low-risk, desirable customers who are worthy of the lowest interest rates. If you have a low credit score, you may face some or all of these negative consequences:

- You may be denied credit.
- If granted credit, you will likely pay high interest rates. This can be quite costly when purchasing a home, car, appliances, electronics, etc.
- You could have difficulty renting an apartment.
- Employers have access to your credit score and you can be denied employment because of a poor credit history.
- Graduate schools may reject your application for admission.
- You will likely pay higher insurance premiums.
- You may have to pay a large deposit for a cell phone.
- You may have to pay higher deposits for gas, electric, and phone installations.

IDENTITY THEFT

Identity theft is a crime in which an impostor steals personal information, such as a social security, driver's license, bank account or credit card number, in order to impersonate someone else. The information can be used to obtain credit, merchandise, and services in the name of the victim, or to provide the thief with false credentials.

Signs That You May Be an Identity Theft Victim

- You receive a credit card or a statement for an account you did not request.
- You don't receive your statement, signaling that a change of address may have occurred.
- Unauthorized charges appear on your statement.
- You're denied credit for no apparent reason.
- Debt collectors contact you regarding goods, services or credit that you didn't purchase or initiate.

How to Minimize the Risk

- Only give out personal information if you initiated the contact.
- Try to use an alternate form of identification other than your social security number.
- Keep your social security card at home and don't print this number on checks.
- Limit the number of cards and identifying information you carry in your wallet.
- Obtain a photo ID credit card.
- Know your billing cycles and when statements should arrive in the mail.
- Secure your important credit card receipts and shred all others.
- Don't leave mail in your mailbox and use the post office for outgoing mail.
- Use creative passwords… avoid the last four digits of your social security number.
- Limit online purchases to secure websites protected with an encryption system.
- Keep personal information in a safe place in your home.
- View your credit reports from each of the credit reporting agencies once a year.
- Place virus protection software on your computer and update it regularly.

If You are a Victim of Identity Theft

- Contact the three major credit-reporting agencies and ask them to place a "fraud alert" on your file so that creditors know to contact you before opening new accounts.
- Order a copy of your credit report from all three agencies.
- Review the reports and contact the fraud department for creditors who show a false or tampered account. Close the account(s) and follow up with a letter.
- File a police report and ask for a hard copy.
- Contact the Federal Trade Commission (FTC), which maintains the Identity Theft Data Clearinghouse and provides important information to identity theft victims.
  They can be reached at www.ftc.gov/bcp/edu/microsites/idtheft/consumers/defend.html or (877)-IDTHEFT.

FOR MORE INFORMATION ON CREDIT CARDS

To learn more about credit cards, check out the web. Here are a few sites:

www.bankrate.com (A financial calculator, bankcard rates)

www.mymoney.gov (Federal Government's website on money management)

www.ftc.gov/bcp/edu/microsites/idtheft/consumers/defend.html (National resource for identity theft)

www.jumpstart.org (Dedicated to the personal financial literacy of young adults)

www.aba.com/ABAEF/consumers (American Bankers Association's consumer site)

www.equifax.com, www.experian.com, www.tuc.com (Credit reporting agencies)

www.annualcreditreport.com (Request your free annual credit report)

www.truthaboutcredit.org (A project of the state Public Interest Research Groups)

GLOSSARY OF IMPORTANT TERMS

Amount Due – Some issuers use this term synonymously with "minimum monthly payment."

Annual Fee – A one-time yearly charge similar to a membership fee.

Annual Percentage Rate (APR) – A measure of the cost of credit, expressed as a yearly percentage. Most credit card plans apply different APRs for different types of credit. For example, one APR will be applied to purchases, while typically higher APRs are applied to cash advances.

Cash Advance – A cash loan from your credit card. Cash advances typically have a one-time fee applied, are assessed higher APRs, and are granted no grace period.

Convenience Check – Pre-printed checks linked to one's credit card account. Convenience checks typically have a one-time fee applied, are assessed higher APRs, and are granted no grace period.

Daily Periodic Rate – Represents 1/365th of your APR. It is used to calculate monthly interest charges.

Debit Card - A card that resembles a credit card that is linked to a checking or savings account. Funds are withdrawn immediately from the linked account with each purchase.

Default Rate – A high APR.

Due Date – The date your payment is due.

Finance Charge – The total cost of using your credit card, including interest charges and other fees.

Grace Period – The length of time between the previous month's closing date and the next month's due date when you can avoid finance charges on new purchases if you pay your total new balance in full. Grace periods typically do not apply to cash advances or convenience checks.

Introductory Rate – A low APR which must be of at least 6 months' duration.

Late Fee – A fee that is assessed if your payment is received past its due date. Your APR may increase (retroactively) if you are more than 60 days behind in payment.

Minimum Monthly Payment – The smallest payment you can make and still be in good standing. It is the most expensive way to pay your credit card bills.

New Balance – The total amount owed, after new charges and credits have been calculated.

Over Credit Limit Fee – A fee paid if you charge over your approved credit limit.

Prepaid Card – A card having a set monetary value which is reduced by each purchase.

Previous (Outstanding) Balance – The amount you owed last month.

Transaction Fee – A charge for various credit activities, such as using an ATM machine, getting a cash advance, or using a courtesy check.

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