Read the fine print.

Cards may have some twists, including the fact that you often have to request your rebate to get rewards. Generally, credit card companies do not automatically send you a check or gift certificate or credit your account.

Be aware of changes. Card issuers reserve the right to change the cash-back agreement at any time. The deal you sign up for today might change next month.

Download other Credit Card Smart fact sheets at: http://uiiedev.extension.uiuc.edu/creditcardsmarts/

Credit Card Smarts

Fact Sheet 1

Understand the Different Cards

When you shop for a credit card, there are many choices to consider. Some cards are better suited to you as a consumer. Look at the credit card agreements and weigh the options of the different types of credit cards before signing the contract.

Different Types of Consumer Credit Cards

Standard Credit Cards – are the most common credit cards. They will have a set interest rate and credit limit. If the card allows a revolving balance, you must pay a minimum amount each billing cycle and interest on the balance. You can also choose to make a partial payment or pay in full. Some cards may charge an annual fee.

Charge Cards – are usually issued by individual stores or companies. Like other types of credit cards, they allow you to charge purchases. Since you’re not allowed to carry a balance, you must pay the bill in full each month to avoid interest payments.

Rewards Credit Cards – give free “stuff” based on your card usage. Points accumulate as you make purchases. You can then redeem the points for various rewards. Cash back cards earn you between one to five percent of your total purchases. Reward card programs are costly to credit card companies and may have a high annual fee. The key to choosing a rewards card is finding one that rewards you more than it costs.

Secured Credit Cards – are a way for people without a credit history or poor credit to build credit. To get a secured credit card you must deposit money into a savings account as collateral. The credit limit will be 50 percent - 100 percent of the money you deposit. You earn interest on the money deposited, but you’ll pay interest on unpaid balances. A secured card may have an application fee plus an annual fee. Know the fees and interest rate before applying. Be sure that the bank or credit union reports your use of the card to the credit reporting agencies. Remember, the main reason to have a secured card is to establish credit and prove you can pay your credit bills on time.
Balance Transfer Cards – allow you to transfer the balance on one card to another card. They’re good for combining several card balances or for taking advantage of lower interest rates.

Introductory Rate Cards – offer a zero or low APR (interest rate) that remains fixed for a certain amount of time (usually 6-9 months or less) after which the interest usually raises to a much higher rate. One late payment and the card will go to the higher rate immediately.

Prepaid Cards – are also known as stored value cards. They look like credit or debit cards but contain only the money you choose to load on it. The card can be used to withdraw funds at ATMs or make purchases at places that accept them. The advantages are there are no finance charges, and they help you avoid debt since purchases are pre-paid. Watch for monthly, ATM, start-up or application, over-limit, and reload fees.

Affinity Cards – are linked to a charity or organization and include the group’s logo. Each time you use the card, you donate a certain percentage to the sponsoring organization. You may get cash back or special discounts when you use your card to make purchases from the sponsor. You will not be able to deduct your donation on your year-end tax return.

Student Credit Cards – are specifically designed for college-age consumers to help them build a credit history.

Premium/Prestige Credit Cards – are gold, platinum, and titanium cards that offer higher credit limits and usually have extra features, such as product warranties, travel insurance, or emergency services.

Other Card Options

ATM Cards or Debit Cards are not credit cards but allow you to deduct money directly from your personal bank account. For more information, see the Credit Card Smarts fact sheet, “Purchase with a Debit Card.”

Use the chart below to compare at least three options:
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<th>Issuer</th>
<th>APR</th>
<th>Grace without Balance</th>
<th>Period with Balance</th>
<th>Annual Fee</th>
<th>Minimum Finance Charge</th>
<th>Transaction Fees</th>
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