

Use this chart to record the credit cards you have, how you use them and how much you owe. You'll have a better idea of the steps you need to take to reduce your credit card debt.

Credit Card Information

	Sample	Card 1	Card 2	Card 3	Card 4
Credit Card Name	ABC Visa				
Interest Rate (<i>Variable or Fixed</i>)	18% V				
Current Balance	\$1,047				
Last item purchased	Pizza				
How much was it?	\$11.47				
Could you have lived without it?	Yes				
Did you pay the bill in full?	No				
Did you pay the minimum due?	Yes				

For more information on planning, budgeting and managing credit cards, visit our Web site at www.edfund.org, click on "Students & Parents," then "EdFUND Video Clips."



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Take charge of your credit card spending



Credit Cards—Easy Does It

It's not that having a credit card is a bad idea. In fact, having one card with a low balance, that you make regular payments on, can help establish a good credit history and serve as a great resource for emergencies. But when do you use your credit card and when do you pay cash?

In most cases, if you can't afford to pay cash, don't buy it. Reserve your credit card for times when a retailer won't accept anything else—such as for travel arrangements—or in absolute emergencies.

TIP

Learn more about managing your credit card

www.bankrate.com

www.truthaboutcredit.org

www.ftc.gov/bcp/menus/consumer/credit.shtm

www.nfcc.org

www.ed.gov/misused (ID theft)

www.edwise.org (for budgeting help)

“Minimum Payments” Add Up

What is the real cost of tuition and books if you only make minimum payments?

Charge **\$1,400**

Minimum payment \$28

Interest rate 18%

No. of payments 93 (nearly eight years!)

Total paid **\$2,607**



Read the Fine Print

Credit cards might all look alike, but behind the plastic they can be vastly different, with varying terms and conditions. It's worth your time to read the fine print and find one that will cost you as little as possible. Look for things such as:

- ▶ Low, fixed annual percentage rate (APR)—0% is only an “introductory rate!” Most rates will rise, sometimes dramatically, after the introductory period.
- ▶ Reasonable grace period
- ▶ No annual fee
- ▶ No or minimal penalty fees

The Inside Scoop

Financial freedom, bonuses, discounts—the benefits that can come with credit cards are so attractive that it's easy to overlook the not-so-obvious conditions you might be agreeing to when you sign up. Almost all credit cards carry fees and risky features that can add up quickly if you're not careful. Be aware of these standard elements of most credit accounts:

- ▶ **Cash advance fees:** In addition to the set interest rate, the cash advance fee is usually a percentage of the amount borrowed per transaction or a minimum dollar amount.
- ▶ **Balance transfer fees:** Transferring a balance from one credit card to another can also trigger an extra charge and/or a different interest rate.
- ▶ **Increased interest rates:** With some cards, making one or two late payments—as little as one day late—in a specified period of time can permanently increase your interest rate to well over 20 percent.
- ▶ **Low minimum monthly payments:** This feature may look like a benefit, but in the long run it costs you a lot more than you need to pay. The best approach is to pay your account off every month or at least make more than the minimum payment.
- ▶ **Free offers:** Often in the form of frequent flyer miles, product discounts or a free gift, these benefits are not worth the interest that you end up paying on other purchases.

Think Before You Sign

Resist the urge to increase your buying power; you'll only increase your debt load. Studies prove that people who have more credit cards end up with higher debt and have difficulty paying beyond their minimum monthly payment.

You *can* stop the barrage of offers in your mailbox—simply call **888.5.OPTOUT** to remove your name from the pre-screening lists used by the three major credit bureaus.

There's Help When You Need It

If you find yourself having problems managing your credit card(s) or deeper in debt than you'd like to be, help is available. You can locate a free or inexpensive credit counselor near you by calling **800.388.2227** for help and advice on taking control of your financial future.

Know the Lingo

- ▶ **Annual Fee:** A flat, yearly charge, usually \$25 to \$50.
- ▶ **Annual Percentage Rate (APR):** A measure of the cost of credit expressed as a yearly rate.
- ▶ **Cash Advance:** An immediate cash loan from your credit card account. May carry a higher APR than other purchases.
- ▶ **Credit Limit:** The maximum, cumulative amount of money you may borrow on your credit card.
- ▶ **Finance Charge:** The dollar amount you pay to use credit that includes interest costs and all charges associated with the transaction.
- ▶ **Grace Period:** The number of days you have before interest is charged on new purchases. When carrying a monthly balance, most credit cards do not offer a grace period.
- ▶ **Transaction Fees:** A charge incurred for a cash advance, late payment or exceeding your credit limit.