

Empowerment through Financial Education

A Program of the Southeastern Credit Union Foundation

Credit Cards Basics

Credit is a contractual agreement in which a lender loans money to a borrower, understanding that the borrower will repay it later. Credit cards represent the most common example of buying on credit.

Key Concepts:

- **Credit Card:** A credit card is a loan. When you borrow funds using a credit card, you must pay the money back plus interest if the balance is not paid in full by the payment due date.
- **Secured Card:** A credit card that to qualify you will need to put down a deposit, which safeguards your credit in case you fall behind on your credit card payments.
- **Interest:** The additional money individuals must pay when borrowing money. Institutions that loan money typically charge interest at a rate that is a percentage of the loan. Interest rates can also vary based on other factors, like your credit score.
- **Compound Interest:** interest applied to the amount of money you borrowed and the interest you already accrued on that amount.
- **Annual Percentage Rates (APRs):** the yearly rate of interest that an individual must pay on a loan, or that they receive on a deposit account. APR is used on everything from mortgages and car loans to credit cards.

Credit Cards

1. **Using Credit Cards:** Using a credit card is like taking out a loan. If you don't pay your card balance in full each month, you'll start paying interest on that loan. Make sure you understand all terms and conditions and stay on top of payments. Except in case of emergency, you should use your credit card the way you would use a debit card. Don't charge purchases that you can't afford to pay for. You should keep track of your spending and ensure you can make your payments on time.
2. **Choose Wisely:** It's important to make sure you know the terms of the credit card in the following areas:
 - Annual Percentage Rates (APRs) and whether rates are fixed or variable
 - Annual, late, and overdraft-limit fees
 - Credit limit on account
 - Grace periods before interest begins accruing
 - Rewards including airline miles or cash back

Helpful Tools!

Use this [calculator](#) to determine the true cost of credit and using a credit card.

Use this [template expense register](#) to keep track of charges.

Use this [debt payoff template](#) to keep track of your payoff plan.

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