



Credit Card Basics Student Curriculum

- **Rate**—choose the card with a rate that will stay competitive long-term. Super low rates are usually temporary.
 - • A **Fixed** Rate stays the same throughout your agreement.
 - • A **Variable** Rate changes with market rates. Most credit card rates are variable.
 - The **Index** is the starting point for a variable rate and the **Margin** is the amount that you are charged above the starting point.
 - Example: If the index is Prime Rate and Prime Rate is 9.00% and the margin is 4.00%, then the credit card rate is 13% APR.
 - Example: If the index rate is 9% and the margin is -4.00%, then the card rate is 5% APR.
- **Annual Fees** range from \$0 - \$149 and are paid once per year for the use of a credit card in addition to the interest you pay. **CFCU has no annual fee.**
- **Grace Period** is the amount of time you have to pay new charges before incurring a finance charge. Most grace periods are 20 – 25 days. **CFCU's grace period is 25 days.**
- **Cash Advance Costs**
 - • A cash advance is when you get cash from your credit card instead of making a purchase. Balance transfers or taking any money from a loan in any way are also considered to be cash advances. A Cash Advance Fee is typically 3% of the amount of your advance. Sometimes, there is a flat fee such as \$15 for any amount—in addition to the 3%. **CFCU does not charge a cash advance fee.**
 - • A Cash Advance Rate typically ranges from 19%-29% and applies to the balance of your cash advance amount.
- **Late Fees** range from \$15 - \$39 and are charged when your payment arrives after its due date. **CFCU's late fee for VISA accounts is \$25.**
- **Over Limit Fees** range from \$15 - \$39 and are charged when your account balance exceeds your credit limit. **CFCU's over limit fee is \$25.**
- **Penalty Rates** are higher rates (usually 19% - 29%) that apply to all outstanding and future balances if you "break the rules."
 - The **"Rules:"** Triggers for Default/Penalty Rates
 - You make any late payment.
 - You go over your credit limit.
 - Your payment is returned unpaid.
 - You're late on a payment with another lender.
 - You open too many new credit accounts.
 - You pay only the minimum payment for several months.
 - **CFCU does not** have penalty rates.



Getting Good Credit Student Curriculum

- **Credit Report**
 - A credit report is an ongoing record of your credit transactions. Reports are compiled by three major credit-reporting companies: Transunion, Experian and Equifax. Each month, lenders report information to these companies about your account(s). Reported information includes the type of loan (auto loan, credit card, etc.), your balance, your credit limit, and whether your payment is late or on time.
- **Credit Score**
 - A number from 380 – 830 that **tells how likely it is that you will fail to make payments in the next two to three years**. All of the information in your credit report is run through a complex mathematical algorithm to calculate your credit score. In general, scores over 720, will qualify for most credit offers. Scores below 620, qualify for very few offers at much higher rates. Scores below 600 may not qualify for any type of credit.
- **Building Your Best Credit Score: Six Important Factors**
 - **Payment history is the biggest factor affecting your credit score.** On-time payments boost your score. Late payments lower it. Late payments can stay on your report for up to seven years. If you miss a payment, be sure to make a double payment the following month.
 - **Avoid Negative Public Records** (like bankruptcy and judgments) and Collections. Talk to your creditors as soon as you know you may have trouble making a payment. Collections stay on your credit report up to seven years. Bankruptcies stay on your credit report up to ten years.
 - **Don't take your credit to the limit.** Keep your balances at about 30% of your credit limit.
 - **Keep your credit clean long-term.** It can take years of good history to reach the best credit score. Also plan for a good mix of credit account types.
 - **Don't open too many new accounts** at once. Each new credit account should be part of your larger financial plan to reach your long-term goals.
 - **Apply for credit sparingly.** Too many inquiries in a short period of time can lower your score.
- **Five Good Reasons to Manage Your Credit Wisely**
 - **Your car insurance.** When it comes to insurance rates, having good credit is often just as important as having a good driving record.
 - **Your apartment.** Landlords will choose applicants with good credit to occupy their investment property.
 - **Your job.** Employers use credit history when deciding whether or not to hire you.
 - **You will need loans and credit cards.** Cash isn't always accepted—especially for hotels and rental cars.
 - **Your everyday finances.** If you owe money to your financial institution, or mismanage your accounts, you could end up without a checking or savings account for years



Credit Tips Student Curriculum

Make a plan to use your card as a tool to help you build a good credit history and to manage expenses.

- **Tips for boosting your credit score:**

- Keep balances at no more than 30% of your credit limit.
- The longer you have your card, the better your credit score.
- Jumping from card to card brings down scores. Choose a card that will be a good deal for a long time.
- Use your card occasionally to keep your account active.

- **Tips for using your card wisely.**

- Do not use a credit card to live beyond your means. It is OK to charge occasional big expenses as long as you have a plan for paying them off.
- **Do not charge everyday living expenses.**
- Do charge travel expenses like airline tickets and hotel stays.
- Pay off your balance every month when you can. Don't rely on making only the minimum payment. **With a \$2500 balance at 15% APR and a minimum payment of \$40, it would take 10 years to pay off and would cost over \$2340 in interest!**
- Send in your payment **as soon as you receive your bill** to avoid late fees and penalty rates.
- If you use services such as Online Bill Pay, regularly check the mailing address of your credit card processing center.

- **Tips for protecting yourself against fraud and identity theft.**

- Sign your card as soon as you get it.
- If your card is lost or stolen, **report it immediately** to the issuing financial institution.
- Always read your statements immediately and carefully. Watch for unusual activity to prevent identity theft and fraud.
- Never give anyone your card number over the phone unless you initiated the call and know the merchant to be trustworthy.
- Be sure that your online purchases are made in a secure environment. Look for the "padlock" icon on the toolbar of your web browser.
- **Never let anyone else use your credit card.**