

Credit Card Terms Explained

Annual percentage rate (APR)	The amount of interest charged on all your purchases. The lower the better.
Other APRs	<p>Credit cards often have different APRs for different purchases:</p> <ul style="list-style-type: none"> • Purchase APR is the rate for everything you buy with the card • Balance transfer APR is for balances transferred from other credit cards. It is often low, but it expires after a few months. • Cash advance APR is for when you use your credit card at an ATM to take out cash. It tends to be higher than purchase APRs. This means that you pay more interest on cash advances than on things that you buy with your credit card. • Default rate is what your APR will be if you start missing payments. For most cards, the APR increases if you miss or are late on one or two payments in a twelve-month period. For example, your starting APR might be 12.99% but after missing payments it might jump to 24.99%. For some cards, the rate can rise if you miss payments on <i>other</i> credit cards
Variable rate information	<p>Tells you what determines your APR. Usually this is based on the “prime” interest rate, which can rise or fall over time. The important point is that for some cards your APR can change, so check your monthly statement.</p> <p>For example, if the prime rate is 6%, then your APR might be prime + 7.99%, which would be 13.99%.</p>
Grace period for the repayment of the Balance of Purchases	If you pay your balance in full and on time, many lenders offer interest-free periods. Grace periods range from 0-30 days and usually only apply to purchases. If you don't pay your balance in full every month, you usually start paying interest the minute you buy something.
Method for computing the Balance for Purchases	Average daily balances (including new purchases) is the most common, and it is often the least expensive. Some companies calculate your balance based on two months' worth of charges. If you are paying down your balance, this type of calculation will result in higher charges.
Annual Fee	Annual cost you pay for the card. Look for a card with no annual fee or a card with an annual fee and a rewards program (like cash back or discounts on purchases).
Minimum finance charge	The minimum amount you pay every month if you don't pay your balance off in full.



<p>Other fees</p>	<p>Cash advance: usually you will pay either a fixed amount (say \$5) or a percentage (say 3%) whenever you take out cash, whichever is greater.</p> <p>Late fees: you will get charged a fee if your payment arrives late. Make sure you mail in your payment about a week before the due date to be sure it will arrive on time. Late fees are often more for higher balances. For example, the late fee might be \$15 if your balance is less than \$100 but \$35 if your balance is more than \$1,000.</p> <p>Over limit fee: Most credit cards have a credit limit. This is the amount you can spend using that card. When you go over this limit you get charged a fee. For example, if your credit limit is \$500 and you spend \$600, you will be charged an over limit fee.</p> <p>Fee for balance transfer: some cards charge a fee for balance transfers. This will either be a percentage of the balance transferred or a fixed dollar amount. For example, if the fee is “3% of each balance transfer, \$5 minimum, \$50 maximum” and you transfer a \$1,000 balance, your fee will be 3% x \$1,000 = \$30.</p>
<p>Penalty APR (“Default Rate”)</p>	<p>When you go over your credit limit or make late payments, your credit card company can raise your interest rate to 35% or higher. This might happen after only 1 or 2 late payments. Pay your bills on time and watch how much you spend to avoid increases in your APR.</p>