

Source: <http://www.themint.org/kids/credit-card-facts.html>

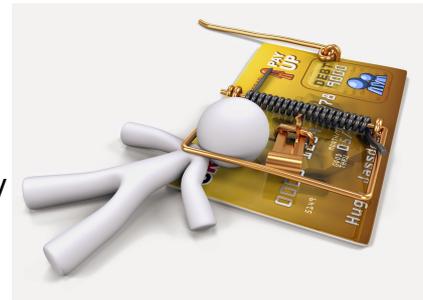
Facts about Credit cards

Credit limit

A credit card company set limits on how much you can charge on your card. This limit is based on your ability to handle debt.

Paying the minimum monthly payment

Bad idea. After you subtract the minimum payment from your balance, finance charges will be added to your remaining balance. These charges add up month after month. You can dig yourself into a hole real fast. Know this too: the minimum payment is the LEAST amount you can pay to keep the card active. If you pay less, your card will be deactivated (turned off). Check out the [Debt Calculator](#).



Grace period

If you pay your bill in full during the grace period, you won't have to pay a finance charge on purchases for that bill. A grace period is usually about 25 days.

Late fees

If you don't pay your bill by the due date (the date your grace period expires), you will be charged a late fee. These can be as high as \$35! Get yourself organized to pay on time. Paying late is costly.

Interest rates

Remember: when you use your credit card, you're borrowing money. So you will be charged interest whenever you don't pay your bill in full. With a credit card, you are paying for convenience. Credit card rates can be 18% or as high as 24% depending on your credit history. (Check out the [Debt Calculator](#))

“Secured” credit cards

Some banks offer secured credit cards to people with a poor credit history or no credit history at all. Secured cards can be the best option for your first credit card. The card is “secured” with a cash balance, a savings account, for example. You cannot touch this balance, or the card will be deactivated (turned off). If you charge over your limit, the bank can take the balance from your account. Your account acts like collateral for a loan. These cards may charge higher interest rates, but they offer the convenience of using a credit card while you build a good credit history.

Your credit card is lost or stolen

You must notify your credit-card company as soon as you know your card has been stolen or used without your permission. If you do, you will be responsible for only the first \$50 of unauthorized charges. These days, thieves can steal your credit card number — they don't need the actual card. Always know where your card is, and keep all your receipts.

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Debit cards do not offer the same protection as credit cards. (Some credit card companies offer debit cards with some protection.) Most debit cards work like writing a check — the money is immediately taken out of your account. If you do not report a false charge or charges within 60 days of receiving your bank statement, you could be held responsible for the false charges. Be sure you understand the details when you sign up for a debit card.

Credit reports

As you enter the adult world of work, you begin to build a credit history — a record of your borrowing and paying habits.

How you handle money says a lot about you. Credit reporting companies track your payment history and supply this information to credit card companies, banks, and other lenders. They use the information to determine if they should loan you more money. When you turn 18, you are completely responsible for what turns up in your credit report.

A credit report contains all your personal information, previous addresses, social security number, current and previous employers, and estimated income. It contains detailed information about each credit card account you own: the type of account, the balance you owe, and your payment history. Your credit report also includes information on any loans you have — like student loans for college — or if you ever declared bankruptcy. It is this history that credit reporting agencies use to assign you a credit score. This score determines the interest rate you will pay on any future loans.

Credit reports and employment

After age 18, when you apply for a job, a background check often includes a check of your credit report. The three major credit-reporting agencies provide a modified version of the credit report called an "employment report." An "employment report" is not a complete report. However, it includes information about your credit-payment history and other money habits. Current or potential employers might draw conclusions about you based on this information.

Unfortunately, a bad credit report can work against you in your search for employment. Employers often use your credit history to judge your level of responsibility. If you are not reliable in paying your bills, then they question if you will be a reliable employee.

In addition to your payment history, an employment report typically includes information about your former addresses and previous employers. Employers can use this as one way to verify the accuracy of information you provide on an application or resume.

Building a credit history

Building a solid credit history is important. How do you do that? By getting and using a credit card wisely. A good credit history will help you get a good rate for a car loan and eventually a mortgage. Those with good credit pay less for loans.

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The three most common mistakes



1) Not using a credit card wisely. Controlling when you use a credit card and when you pay cash are the keys to good money management.

2) Being disorganized about paying your bills. Frequently or regularly paying your bills late will quickly damage your credit score. Setting up automatic payments from your checking account for your cell phone bill and other monthly bills can make paying on time easier.

3) Paying only the minimum payment on your credit cards. You do NOT have to carry a balance on a credit card to build a credit history. Paying the full balance on time will

build a good history. Unexpected expenses do happen, and you may have to carry a small balance from time to time. But don't fall into the trap of paying only the minimum payment for an extended time. The longer you take to pay off your debt, the more it will cost you.