The ULTIMATE Guide to CREDIT CARDS

What you need to know before you apply.

CompareCards™

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I. Educating Yourself About Credit Cards

We can all remember our most important "first time" experiences; graduating from high school, heading off to college, beginning a new job, buying a home, getting married, etc. However, we also remember those "Oh Crap!" moments when something unexpected happens that you weren't prepared for. Sometimes, that sinking feeling in your stomach comes because your car broke down or the kids need braces. Credit card companies are eagerly awaiting each and every one of these moments. They're aware that you need them to get through many of life's twists and turns, both expected and unexpected, and they're ready to compete for your business.

With so many options and offers, the task of choosing the right credit card can be incredibly overwhelming. This is why it is so crucial that you understand the different types of credit cards that are available and educate yourself on the similarities, differences, and benefits that each provides.

In this eBook you will find everything you need to help you not only choose the right card to fit your needs, but also get a thorough understanding of how credit cards work.

If you have never owned a credit card, then we suggest starting with the Credit Card Crash Course 101 outlined in the second section of this book to gain a full understanding of how credit cards work. If you have a credit card and would like to apply for a new one, we recommend checking your credit score first using our free credit monitoring service, then jump to section three to determine the best type of card for you.

Whether you're applying for your first shiny piece of plastic or you've opened and closed handfuls of credit cards, there is something for everyone to learn in this eBook.

II. Credit Card Crash Course 101

What is a Credit Card and How is it Different From a Charge Card or Debit Card?

Credit Cards

Credit cards represent a line of credit – an account with money that you can borrow repeatedly. You will usually have more than one issuer for a single card, like Chase or Citibank. Your account will be assigned a certain limit based on the information you provide in your application. After approval, you can swipe your card to make purchases.

Debit Cards

A debit card functions the same way as a credit card while shopping; however, your debit card is linked directly to your bank account. Therefore, the amount of your purchase is deducted from your checking account or some other designated account. It's useful to think of a debit card as a paperless check that clears immediately.

Charge Cards

Charge cards and credit cards are very similar, with one major difference. A credit card is a revolving credit line in which you are only required to pay a minimum payment, or a percentage of your total bill each month. Charge cards require you to pay the entire balance in full each month or be charged a hefty penalty. According to Kiplinger.com, travel and entertainment cards, such as some American Express cards and Diners Club, are charge cards, not credit cards. Consumers may be able to obtain a larger credit line with a charge card, however they are not as widely accepted as traditional credit cards. Charge cards and credit cards offer services such as annual accounting of charges, traveler's checks, and cash in an emergency.

Whichever route you take, any form of plastic is safer to carry than cash. If someone steals your wallet or purse that's full of cash, there's no way to retrieve it unless the thieves are caught. When you use debit and credit cards, however, the bank will cover those unauthorized charges up to a certain amount, usually $50, so you don't lose every dime to your name.

How Do You Apply for a Credit Card?

Applying for a credit card is surprisingly simple, especially if you don't have to pay an application fee. All you have to do is fill out a form and wait to be approved. You must be 18 or older to apply for any type of credit card, and you must have a job. This shows that you will have the income to pay for purchases you make with the card. You can either complete an online application, send an application through the mail, or fill out an application in a store, depending on the card you're applying for. Online applications can be approved in seconds, depending on your creditworthiness, but mail-in applications may not be approved for 7-10 business days.

Every credit card application is a little different, but the overall information is the same. Here are some common components of a credit card application:

Card Features:

Most credit cards will include details at the beginning of the application that explains what features, fees and rewards are associated with the card. You do not have to fill anything out in this section, but you should definitely look it over.

Example:

Silver credit card	ANNUAL INTEREST RATES	ADD EXTRA FEATURES TO YOUR CARD
No annual fee	18% for purchases 20% for cash advances 20% for balance transfers	☐ Low annual interest rate of 12% on purchases ☐ Reward program: get 2 points for every $1 spent

Personal Information:

This will include your name, address, phone number, email address, date of birth, and your social security number. For some applications, such as prepaid debit cards, you may only need to include the last four digits of your social security number, or you may not need to include it at all. You may also be required to provide a previous address if you have lived in your current home for less than three years. If you are a college student, the card company may further request the address of your permanent residence, since you will only live at school for part of the year.

Example:

First Name: ______________________ Last Name: ______________________

Date of birth: ___ | ___ | ___ Phone number: ( ) - ________ Email: ______________________

Financial Information:

This will include information about your employment status and your annual income. A credit card company will want to know where you work, how long you have been there and how much you make before taxes.

Example:

Occupation: ______________________ Name of employer: ______________________

I work: Full-time ☐ Part-time ☐ Seasonal ☐ Income per year before taxes: $ ______________________

Additional User Information:

This is for people who want to get secondary cards for their accounts. If you want to give someone else permission to use your credit card, you will need to provide his or her name and/or their address, date of birth, or social security number.

Example:

You must pay for all transactions made with the extra credit card (including purchases, cash advances and balance transfers) – these will show up on your monthly statement. If you want an extra card, please tell us about the extra cardholder (the person who will get the extra card). Renewal and replacement cards will be sent to the extra cardholder.

Relationship: ☐ my spouse or partner ☐ my child ☐ another person

First Name: __________ Last Name: __________

Balance Transfer Information:

For credit cards that allow you to transfer a balance from one bank to another, you will be asked to provide the name of the bank, your account number, name associated with the account, and the total amount you want to transfer over.

Example:

A balance transfer is when you move the amount of money you owe from one credit card to another credit card. For example, if you transfer the $5,000 that you owe on your old credit card to your new credit card.

The interest rate for balance transfers is 20% per year.

There is no interest-free period for balance transfers. Therefore, the interest is calculated from the date the balance transfer is made or appears on your credit card statement.

Terms and Disclaimers:

This is a long list of terms that you're agreeing to by completing the application. For mail-in applications, this will usually be on the back of the application or included separately in the envelope. For online applications, it will be accessible through the banks website, in other locations on the application and on the credit card information page.

Example:

When the bank issues, renews or replaces my credit card, I will get a credit agreement. If I sign, use, or activate my credit card, it will indicate that I have received, read, and accepted the terms and conditions outlines in my credit agreement.

If I have requested an extra card, I agree not to allow anyone other that the extra cardholder to use my credit card account. The extra cardholder can only use the account if he or she follows the bank's policies and procedures.

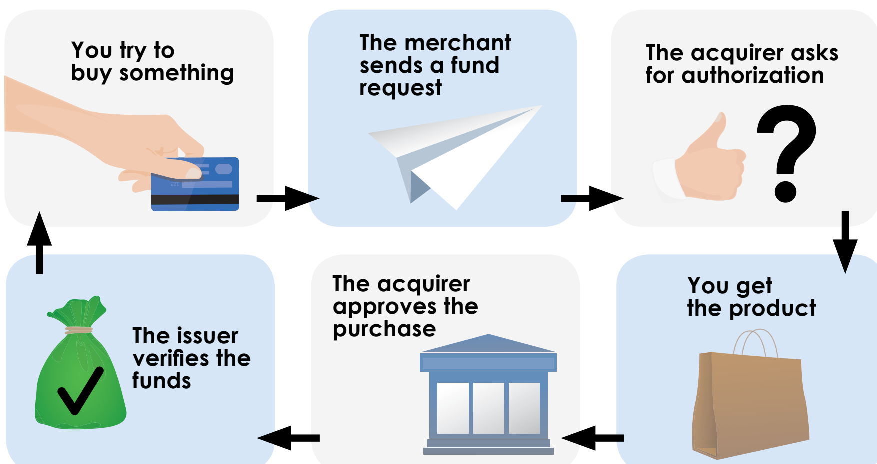
This list represents general information you will need to provide on a credit card application.

How Does Credit Card Processing Work?

There are quite a few steps that take place to process a payment when you make a purchase from a merchant with your credit card. Below is the four-step process that occurs each and every time your credit card is swiped in exchange for a good or service.

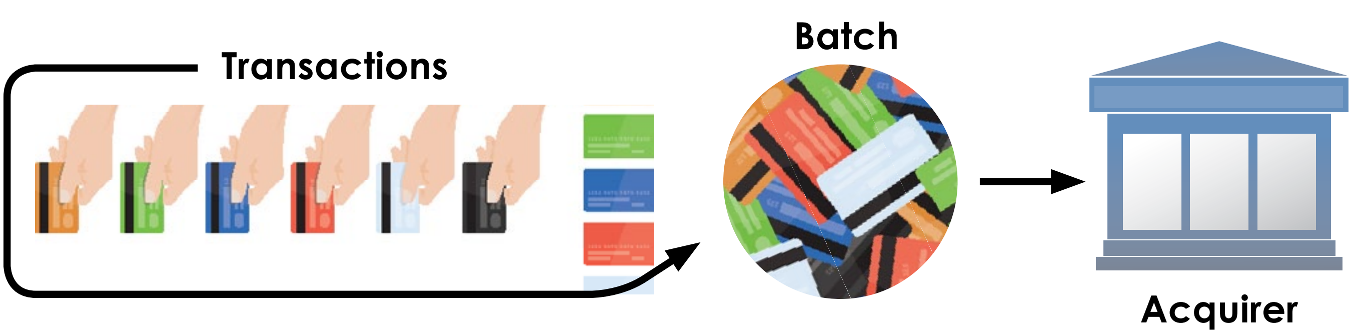
1. Authorization:

This is the only step that happens while you are at the register. By swiping the card, the merchant sends your credit card information to an acquirer, which is the messenger between the merchant and the credit card company. The acquirer sends the request to the credit card company or issuing bank. If the issuer says you have enough money in your account, it will tell the acquirer there are funds available to run the card, and give approval to the merchant. Long story short, someone asks if your card is good to go, and then someone else answers yes or no.



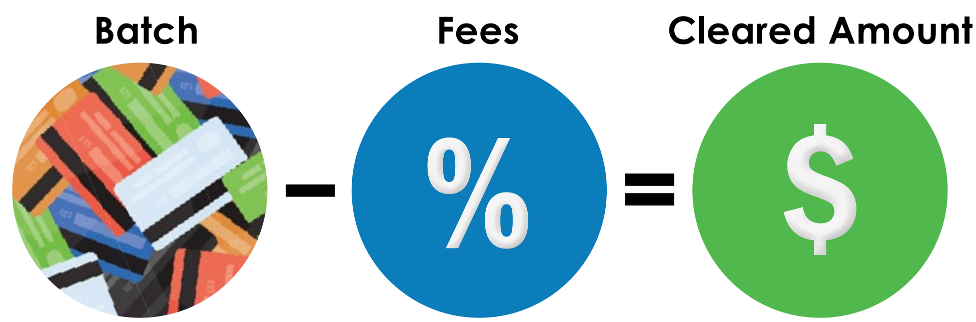
2. Batching:

At the end of the night, a merchant will gather all the transactions from the day and put them into a "batch." This batch is sent to the acquirer who then passes the information through to the issuers. This is done so the merchant can get the funds from the credit card companies and banks.



3. Clearing:

Once the issuers assess the batches, they will deduct interchange fees and send the rest of the remaining amount to the acquirer. This step is called "clearing" because the issuers have to clear the funds to send out. Most of these funds will go to the merchant.



4. Funding:

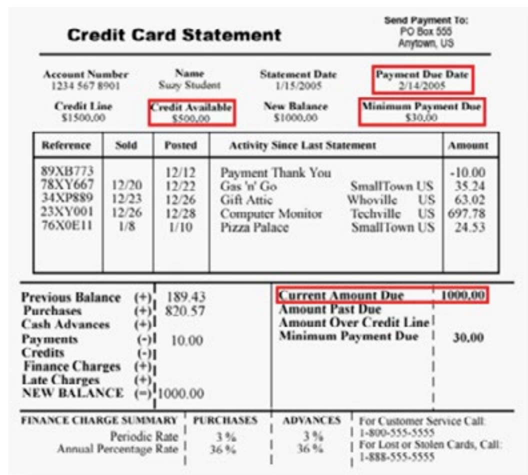
This is the last step of the process where the merchant finally receives the funds. The acquirer will take out a small portion to cover their expenses for providing a service, and then it will send the rest to the merchant. At this time, your credit card is officially charged for the purchase, and you should see the purchase charged to your account.

Credit Card Payments and Monthly Statements

When processing is complete, you will receive a charge on your credit card account that you have to pay back. This will likely post to your account right away, but it may not show up on your credit card statement until 3- 7 business days later. This is the "bill" for your credit card, which highlights all of your transactions and payments for the month. Most credit card companies will offer several ways to make payments. You can:

- Pay online with a prepaid or bank card
- Pay over the phone
- Pay through snail mail
- Pay at a store or bank
- Pay with another card (through a balance transfer)

You will need to make at least the minimum payment for every month that you have a balance on your card. If you fail to make your payments on time or you simply cannot make your payments, you will have to pay several extra fees beyond the minimum payment. Your minimum monthly payment will vary based on your specific credit card, but it is usually 1-2% of the balance or $15 (whichever is higher).



Credit Card Statement

Send Payment To:
PO Box 555
Anytown, US

Account Number	Name	Statement Date	Payment Due Date
1234 567 8901	Suzy Student	1/15/2005	2/14/2005
Credit Line	**Credit Available**	**New Balance**	**Minimum Payment Due**
$1500.00	$500.00	$1000.00	$30.00

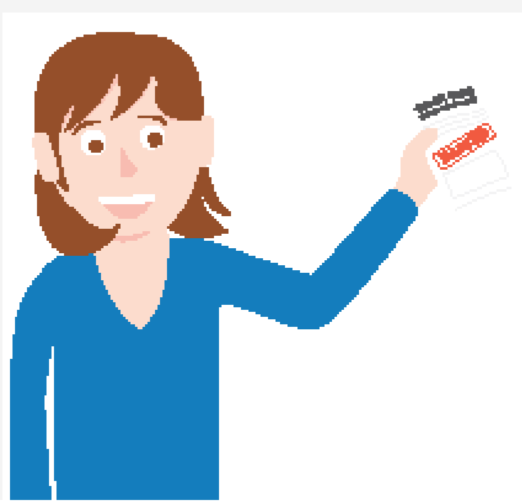
Reference	Sold	Posted	Activity Since Last Statement		Amount
89XB773		12/12	Payment Thank You		-10.00
78XY667	12/20	12/22	Gas 'n' Go	SmallTown US	35.24
34XP889	12/23	12/26	Gift Attic	Whoville US	63.02
23XY001	12/26	12/28	Computer Monitor	Techville US	697.78
76X0E11	1/8	1/10	Pizza Palace	SmallTown US	24.53

Previous Balance	(+)	189.43	Current Amount Due	1000.00
Purchases	(+)	820.57	Amount Past Due	
Cash Advances	(+)		Amount Over Credit Line	
Payments	(-)	10.00	Minimum Payment Due	30.00
Credits	(-)			
Finance Charges	(+)			
Late Charges	(+)			
NEW BALANCE	(=)	1000.00		

FINANCE CHARGE SUMMARY	PURCHASES	ADVANCES
Periodic Rate	3 %	3 %
Annual Percentage Rate	36 %	36 %

For Customer Service Call:
1-800-555-5555
For Lost or Stolen Cards, Call:
1-888-555-5555

Congratulations!



You have passed the Credit Card Crash Course 101. Now it's time to figure out what type of cards you need to compare. In the next chapter we will outline the most common types of people and which cards are best for each group.

III. How to Choose the Right Card for You

"The type of card you need will vary depending on a few different factors such as your age, credit history, and your current occupation."

Under 21 Years of Age

There are many reasons why a teen or young adult under the age of 21 might require a credit card. Their parents may want to teach them how to manage their finances and use a credit card responsibly. Or perhaps their child is traveling overseas with their foreign language class or other organization and needs a credit card in case of an emergency. Regardless of the reason, there are a few options available to those under 21 years of age.

1. Prepaid Credit Card

Many credit card companies offer prepaid credit cards for kids since the law requires you to be at least 18 years of age to get a traditional credit card. This works similarly to a debit card in that there is a set amount of funds available on the card to use until depleted. This type of card makes it easy for parents to load funds onto the card, for kids to use the card to make purchases wherever debit cards are accepted, and allows parents to monitor account activity and check the account balance with their children.

2. Add Your Child as an Authorized User on Your Existing Credit Card Account.

Teaching a child how to manage money is an important aspect of parenting. If you want to add your child as an authorized user on your existing account, and your credit card company offers it, you can get some help from the company by setting built-in parental controls.

Example:

First Additional Card Member

First Name: ______ Middle Initial: ______ Last Name: ______

Name on Card: ______ Date of birth: __ | __ | __ SSN: __ | __ | __

Card Member Relationship: ______ Email: ______

You get the peace of mind and confidence of knowing that your child will not be able to misuse or abuse the card – which could destroy your own credit rating. You also get access to resources about teaching your kids how to use credit cards in the grown-up world of modern finance and commerce. They can learn safely and securely because even if they accidentally slip up and make an innocent mistake, like going over their spending limit, the automatic card controls will kick in and save the day. Here is a look at some parental controls your account may offer.

E-mail Alerts:

E-mail Alerts: You can sign up for e-mail alerts that notify you of charges on the card. Let's say your child has a spending limit of $100, but they try to make a $150 purchase. You will get an email within 24 hours informing you about it. You can also get emails if they try to use the credit card with merchants you banned. By setting specific parameters with the company, you can get notifications and have a hold placed on the card if your child attempts to use the card to rent a car, a hotel room, or buy alcohol.

Example:

Security Alerts

Send Alert To	Notify Me When
☐ Primary Email ☐ Text	My available credit is less than ($USD) ____
☐ Primary Email ☐ Text	More than ($USD) ____ is authorized on my credit card for a single transaction
☐ Primary Email ☐ Text	An international charge is authorized on my credit card
☐ Primary Email ☐ Text	An online, phone or mail charge is authorized on my credit card
☐ Primary Email ☐ Text	A gas station charge is authorized on my credit card

Online Deposits/Withdrawals:

If you need to give your child money in the event of an emergency, you should be able to do so online. In addition to allowing you to make deposits online, you are also able to pull money out of the account if needed.

Free Cancellations:

Free Cancellations: The ultimate form of parental control is being able to put a stop to "the madness." In the event you don't think your child has proven that he or she is ready to handle a credit card or prepaid card, you should be able to cancel the account free of charge. This will depend on the card issuer though, so make sure you check with your provider before cancelling.

Taking advantage of these great features will help you guide your child to be a more responsible and savvy consumer.

Adults with No Credit or Bad Credit

If you're an adult with no credit or you've made some mistakes in the past, it's important that you work to improve your credit score. When used responsibly, credit cards can help with this process.

"The right credit card can help improve or establish your credit history."

Here's a look at the best credit cards for those with no credit or bad credit.

1. Co-Signer

Having a co-signer, on your credit application is one available option. A co-signer is someone else who agrees to take responsibility for charges on the account in the event the primary card holder can't make payments. The co-signer's credit score determines the credit limit that will be approved for the cardholder. This method is a slight risk for the co-signer if they are not actively monitoring the card activity. This is due to the fact that any unpaid balances will default to the co-signer and could negatively impact the co-signer's credit score.

2. Unsecured, Low Limit Credit Cards

Most credit cards are unsecured cards. If you have no credit history you may be able to get approved for an unsecured card, but you will likely have a low credit line to start. This may not allow you to make really expensive purchases, but it will allow you to build your credit without putting your own money down first. If you make charges on your card consistently and pay it back in full each month, you should see your credit score rise in no time.

A popular option is the Credit One Bank® Gas Rewards Credit Card- This is one of the very few credit cards for those with no credit, or poor credit, that offers rewards. Cardholders earn 1 percent back on all gas purchases, with no limit to the numbers of rewards you can earn. There is a rather high annual fee, but it is reduced for the first year.

3. Secured Credit Cards:

Secured credit cards work like a normal credit card; however, a lot of people avoid secured credit cards because they require you to put down money upfront that acts as your credit line. Any purchase you make comes out of that line of credit. Should you default on your agreement, the bank has your deposit as collateral so they're covered.

The benefit of owning a secured credit card is that it builds credit. Secured credit cards report to the three major credit bureaus and will help improve your credit score when used responsibly. Over time, many secured credit cards allow you to change your account to a traditional, unsecured credit card and will subsequently refund your deposit. You must keep up with your payments for that to happen, but it's a great alternative if you simply cannot get approved for an unsecured credit card. Below are some great options to consider.

Capital One® Secured MasterCard

The credit line may start low, but your security deposit can get you a credit line as high as $3,000, depending on creditworthiness. You will also be able to monitor your credit score and access other tools. Depending on your payment history, you could qualify for a credit line increase.

First Progress Platinum Prestige MasterCard® Secured Credit Card

Spending limits vary by applicant, but that depends on how much you load onto the card. The 11.99% variable APR isn't too bad considering how high some other secured card APR's can be.

Don't worry if you are having difficulty qualifying for a traditional credit card due to a lack of credit history or poor credit history.

> "If you are willing to put forth a little cash and a little effort, you can get a card to help you build and/or repair your credit score."

Co-Signer

- Co-signer is responsible for charges on the account

- Co-signer's credit score determines the credit limit

- Unpaid balances will default to the co-signer

Unsecured

- May be able to get approved with no credit history

- You will likely have a low credit line to start

- Will allow you to build your credit without putting your own money down first

Secured

- You are required to put down money upfront

- Helps improve your credit score when used responsibly

- An alternative if you cannot get approved for an unsecured credit card.

Adults with Existing Credit Card Debt

For those individuals with existing credit card debt who are trying to repair their credit, it is possible to use balance transfer credit cards to help save money. By strategically performing a balance transfer, it is possible to shift the burden of high interest payments to a less expensive card, or one that offers 0% APR.

1. Balance Transfer Credit Cards

Balance transfer credit cards can put you back in control by consolidating high-interest credit card balances onto one low interest rate card, and the interest you save can add up to thousands of dollars long term.

Current Card

Outstanding Balance
$2,800

Purchase Rate:
19.5%

New Card

Balanced Transferred:
$2,800

Balance Transfer Introductory Rate:
0%

Balance Transfer Introductory Period:
12 Months

The two biggest considerations when choosing a new credit card for a balance transfer are to determine how long your introductory rate will last, and how much you are charged in flat fees to do the initial transfer.

Transfer Fees:

The typical fee amount for balance transfers is 3 percent of the transferred amount. For example, if you are transferring $2,500 from one credit card to another, you would be charged $75 just to transfer the balance.

Introductory Rates:

Most offers will expire, so be sure to read the small print and find out how long yours will last.

> "Be careful not to fall into balance transfer credit card traps."

If you are not careful to understand all of the terms and conditions of your card, you might wind up paying more than you actually save. It is also possible to use up so much of your credit limit that you damage your credit score, which can result in higher interest rates on all lines of credit.

Perhaps the worst, but most common pitfall for consumers is that they start to rely too heavily on balance transfers as a way to temporarily postpone the inevitable task of paying off their credit card balances. They get into the habit of simply switching their debt back and forth between cards, and by doing this they incur lots of extras charges without accomplishing debt reduction.

If you decide to do a balance transfer, use a free calculator to crunch the numbers, and then make a plan to reduce your debt in a timely and responsible manner. You'll feel better, have more money in your pocket, and will wind up with a credit card that offers competitive low interest rates.

Adults with Good to Excellent Credit

If you are an adult with good to excellent credit, there are a multitude of rewards cards available for you to take advantage of. These cards offer rewards to consumers in the form of cash back, miles, or reward points in exchange for using their credit card. Some cards offer one specific kind of reward, and others offer a variety of rewards throughout the year. It is important to know what you spend the most money on and choose a card that will reward you for making those purchases. Below are the most common types of rewards cards available.

- Cash back credit cards
- General reward points credit cards
- Credit card rewards based on rotating categories
- Air miles/travel rewards cards
- Everyday credit cards
- Entertainment rewards cards
- Credit cards with bonus offers
- Credit cards with premium benefits and services

There are a variety of rewards cards available for those with good to excellent credit. The trick is figuring out which one is best for you based upon your needs and current lifestyle. It is for this reason that we have put together a second eBook on rewards credit cards that can help you determine the best rewards card for you. Please visit www.comparecards.com to download your ultimate guide to rewards cards today!

IV. Understanding Your Credit Card Terms

"It's important that you fully understand your credit card terms prior to choosing and applying for your new card."

It's a bit confusing at first, but understanding the basics will ensure that you get the most out of your card.

Payment Calculations

Credit card companies charge interest on every purchase you make. However, you don't have to pay interest on charge cards or credit cards that offer 0% APR for an introductory period. You can avoid paying interest altogether by paying off your balance in full each month, however if you choose to simply pay the minimum amount due at the end of the month, you will be charged interest on the remaining balance. If you end up having to carry a balance each month, it is possible to regain interest-free payments but, in order to do this, you must first understand the grace period.

Among credit card industry experts, those who pay interest every month are known as "revolvers," while those who never pay interest are referred to as "deadbeats." This is actually the one occasion where you want to be known as a deadbeat, because it means that you are not perpetually spending your hard earned money on credit card interest charges.

The Grace Period - Becoming a Deadbeat Takes Grace

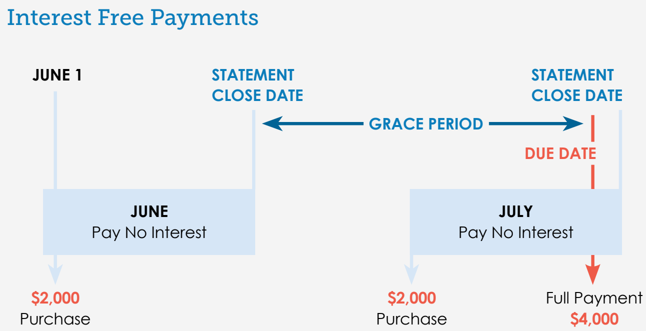
"The key to avoiding interest charges is to understand how your credit card's grace period works."

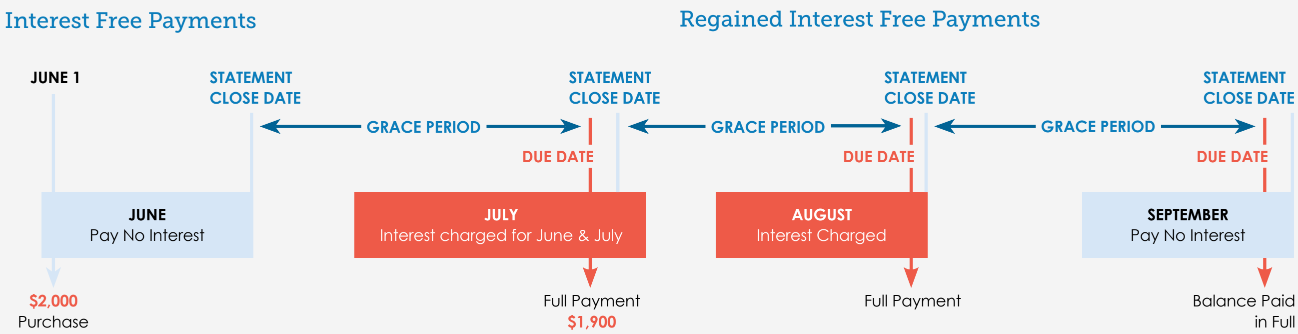
The "grace period" refers to the time between the statement's closing date and the statement's due date. During this time, cardholders are offered the opportunity to avoid all interest charges by paying their statement balance in full.

The way the credit card issuers think of it, cardholders are always accruing interest on all of their purchases. However, the interest charges are waived if the cardholder pays his or her entire statement balance in full during the grace period. For example, imagine a cardholder has a statement period that lasts from June 1st to June 30th. On midnight of the 30th, the statement period is considered closed. Within a day or two, the statement is printed and mailed, or made available online. The cardholder then has until the statement's due date to make a payment.

If the payment is less than the entire statement balance, the cardholder is charged interest based on his or her average daily balance going back to June 1st. Those interest charges will appear on the next statement balance issued on July 30th, and will include daily interest charges for all of June and up to July 30th, the end of the next 30 day statement period.

On the other hand, if the cardholder chooses to pay the entire statement balance before the due date, then all interest charges are waived for the charges made in June, and the charges made in July are still eligible to be waived if they are paid in full before the due date on the July statement. Remember, understanding credit card interest is a game of strategy, not chance.





Managing Your Grace Period

Now that you understand how a grace period works, there are a few tricks that you can use to manage your card's grace period to your advantage.

1. Know your statement closing date.

While a card's payment due date is prominently displayed on each statement, the statement closing date is usually absent. This information is often available online, and can always be learned by contacting the card issuer's customer service. If your goal is to pay off your entire statement balance each month to avoid interest, it will always be better to make a purchase just after the closing date instead of just before. This gives cardholders an additional 30 days in which to make their payments.

2. If you lose your grace period, quickly get it back.

Failing to make a payment in the full amount of your statement balance will cause you to retroactively lose your grace period, but you can immediately restore it. As soon as you realize that you have lost your grace period, make a payment that covers your entire current outstanding balance. This won't affect the interest accrued on past charges, but will make future charges eligible for the grace period. Nevertheless, cardholders may even be successful in requesting that their card issuer waives an occasional interest charge, especially if it was due to a one-time mistake or some circumstance outside of their control.

3. Keep a grace period on at least some cards.

Since each card has its own grace period, it is possible for cardholders to save money on interest by making payments in full on some cards, even if they must carry a balance on others. For example, a business traveler might use one card for expenses that are reimbursed by his or her client or company. By dedicating those reimbursement checks to paying each statement balance in full, the traveler utilizes the grace period to avoid interest on those expenses, even while possibly carrying a balance on other cards.

4. Know which transactions apply.

The grace period does not apply if you are using your credit card for cash advances or cash like transactions.

Paying off the full balance each month isn't possible for all credit card holders to do. It is for this very reason that it is important to understand your Annual Percentage Rate (APR).

Annual Percentage Rate (APR)

A credit card's interest rate is the price you pay for borrowing money. For credit cards, the interest rates are typically stated as a yearly rate, called the Annual Percentage Rate (APR). Where it can become a little more complicated is when the credit card has multiple APRs that apply to it. The interest rate you are charged will depend on the rules and policies of your card company. Credit card companies must follow legal guidelines established by federal government regulators.

While APRs may sound confusing and complex on the surface, once you know how to find your card's APR and you know which APR applies to you, it is relatively simple. The problem for many cardholders, however, is that they don't grasp the concept of the APR. Consumers either don't know what rate they are being charged or how it relates to their own consumer behavior.

Here's a common example that puts that into perspective. A credit card company may entice you to open a new account with them by promising a very low interest rate. Later on, however, you notice that they have started charging you two or three times as much interest – or even 10 times your original APR. Review the Basics of APR's so that you'll never have to deal with this type of unexpected shock when you receive your monthly credit card billing statement.

Basics of APR

A credit card's interest rate is the price you pay for borrowing money. For credit cards, the interest rates are typically stated as a yearly rate, called the Annual Percentage Rate (APR). Where it can become a little more complicated is when the credit card has multiple APRs that apply to it. The interest rate you are charged will depend on the rules and policies of your card company. Credit card companies must follow legal guidelines established by federal government regulators.

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Fixed vs Variable Rates

For starters, it's important to know that there are two categories of APRs; they can be variable, which means they can change by going up or down over time, or they can be non-variable, or fixed. A fixed or non-variable APR remains the same month after month. You will usually have an APR that is relatively stable – as long as you don't miss a payment or violate other terms of your cardholder agreement.

Credit card companies do, however, almost always reserve the right to change your rate – even if it's a non-variable one – based on such things as economic conditions that impact the financial markets. Granted, they have to notify you before they make a change like that, but it is still important to know that no credit card rate is set in stone forever.

How to Find a Credit Card's APR

In order to figure out what your credit card's APR is, consult your card member agreement where the terms and conditions are located. The APR will usually be found on a chart at the top of the page. You'll see the rate next to a description of what kind of transaction is subject to that particular APR. If you are online and thinking of applying for a credit card, you may have to look pretty hard to find a section, tab, or website link labeled, "terms and conditions," "rates and disclosures," or "pricing and information." Go there and scroll until you find the box with a title like "Disclosures" or "Interest Rates and Fees," and that's where the various APRs for the card will be disclosed.

Different Types of APR's

Purchase APR:

For most consumers the most important APR is the one charged for purchases. This is also the one that credit card companies usually refer to in their advertising. The purchase APR is the interest rate that you will be charged for purchases made with the credit card that are not repaid in full before the end of the credit card's grace period.

Balance Transfer APR:

Likewise, card companies will also designate an APR that will be levied on balance transfer transactions. It is quite common for banks to charge the same for both balance transfers and purchases, but always check the corresponding APR just to be sure. Also keep in mind that companies often charge an additional fee or surcharge whenever you complete a balance transfer, which can potentially add a 2 to 3 percent fee to your cost. It's cheaper to pay the small balance transfer fee than it is to pay for the balance transfer's APR, so look for a card with an intro rate of 0% to save the most money.

Cash Advance APR:

The rate charged for a cash advance is frequently several percentage points higher than the purchase and balance transfer APR, whether you do it with a convenience check, at an ATM or by some other means. Before you take out a cash advance, be sure you know what the APR is so you can plan accordingly. We suggest you only take out a cash advance when absolutely necessary. The interest charged is often not worth it.

Discounted APRs or "Teaser Rates:

To lure in new customers, credit card companies will oftentimes provide a very attractive, low interest rate of 0 percent – typically on purchases or balance transfers (or both). These typically come with an expiration date and after that intro rate expires, the APR will revert to the ongoing, or "standard," APR for that particular card. It is not unusual to see a "teaser" rate skyrocket to a rate of 15 to 29 percent. Beware of those changes so you can take full advantage of the low rate, but pay off your balance before the on-going APR kicks in.

Penalty APR:

Card companies also impose significantly higher interest rates if you fail to pay the minimum amount due on your credit card each month. Triggering that kind of penalty can be dramatically expensive. For example, if you miss just one payment your card company will likely impose a huge penalty by charging you the penalty APR. These penalty rates can be staggering – running as high as 29 percent or more.

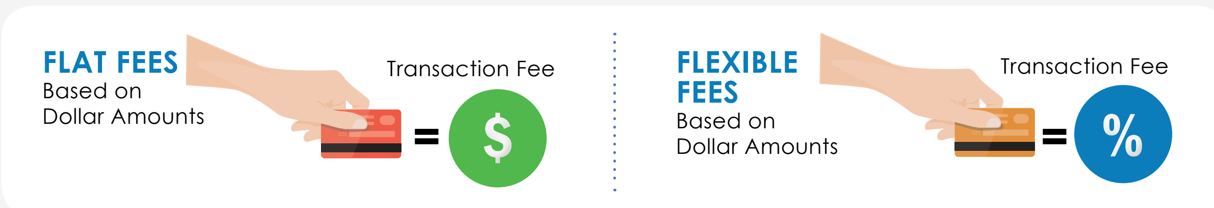
The good news is that thanks to the legislation known as the CARD Act (Credit Card Accountability, Responsibility, and Disclosure Act) of 2009, card companies have to restore your original rate if you make six consecutive on-time payments.

Understanding how your payments are calculated is important so that you know what to look for when choosing your new card; however, another crucial factor to understand when comparing credit cards are the different fees associated with each card.

Credit Card Fees

> "There are two kinds of spenders in this world: those that freak out over credit card fees, and those who choose to ignore them completely. You don't want to be in either of these groups."

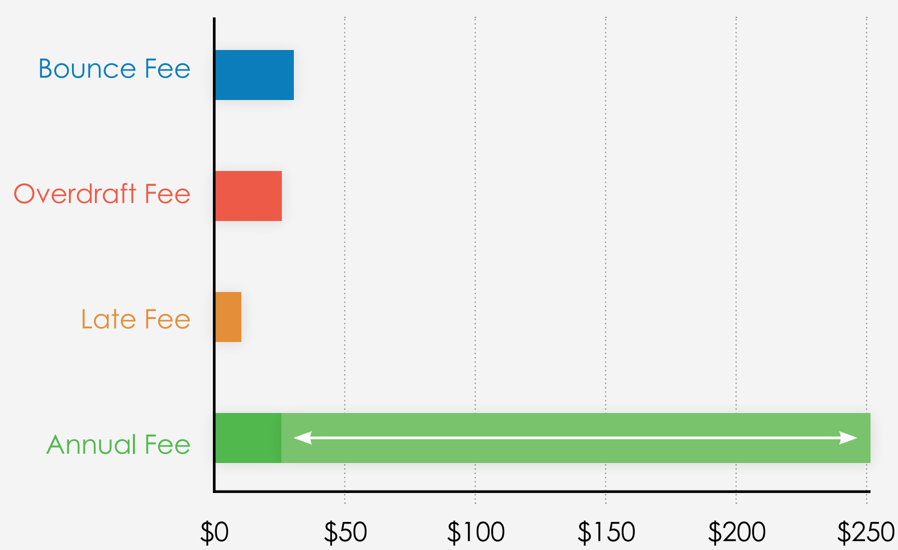
There are two kinds of spenders in this world: those that freak out over credit card fees, and those who choose to ignore them completely. We would never suggest you go against the crowd, but really, you don't want to be in either of those groups. It is important to know what fees you are encountering when you're using your credit card and where those fees are coming from. This knowledge shouldn't deter your spending, and instead help you control and monitor your finances in the future.



Flat Fees:

Flat fees are those that do not change with each transaction. They are based on dollar amounts, not percentage rates. Even though these fees are easier to predict than the flexible ones discussed below, they can still add up over time. This chart shows four common flat fees that you might come across with your credit card and the average amount for each fee:

Common Flat Credit Card Fees



Annual Fee:

This is something that you will be charged every year just for using the card. The fee usually ranges from $25 to $250. In most cases, higher fees yield higher rewards and benefits, which help make up for the costs. If you rarely use a card that comes with a high annual fee, you're just wasting money.

Late Fee:

Most credit card companies will charge a late fee if you fail to pay your credit card payment on time. You may also incur this fee if you do not pay off the balance in full by a certain time, depending on the card you use. For most card issuers, the late fee is $10 to $20. If you make your payments on time every time, you can avoid this cost easily.

Overdraft Fee:

This is a fee that is assessed if you make charges on your card beyond the credit limit, usually around $25. Most credit cards will have buffers on them to prevent you from doing this, but they don't always work. If one of the merchants you work with takes a few days to process your charges, you might spend part of your balance that has already been spent. Watch your spending to avoid this fee and make sure it lines up with your available balance.

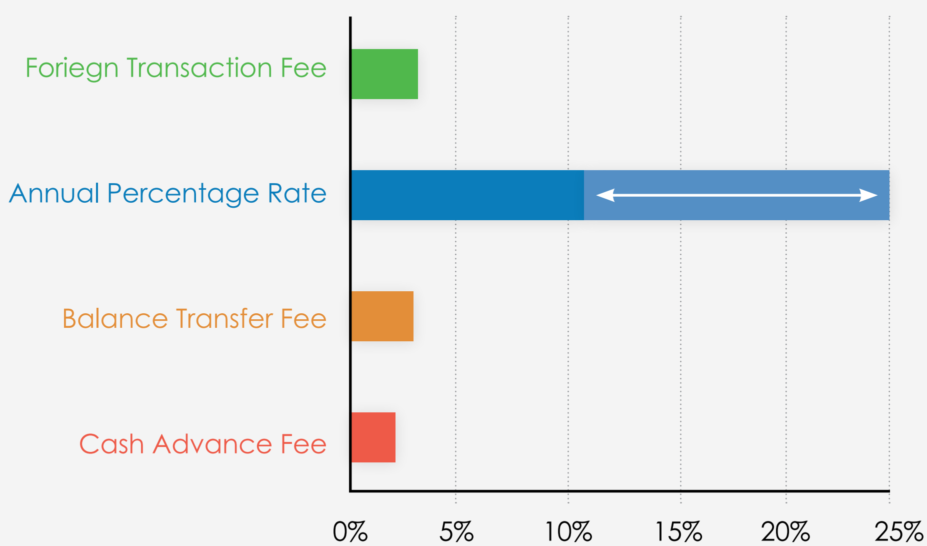
Bounce Fee:

This is a fee that you will have to pay if your payment gets declined. Think of it like the fee your bank charges you for a bounced check. Under usual circumstances, this fee will be about $30.

Flexible Fees

Flexible fees change based on the amount of money you spend. They are based on a percentage of the transaction, not a specific price a card company sets. These costs aren't the same from card to card, although they typically lie within the same range, and some of them change on a monthly basis. The following chart shows some of the most common flex fees you'll find on your credit card and the average amount of each:

Flexible Credit Card Fees



Cash Advance Fee:

If you ever need to take money out of the ATM from your credit card, you will have to pay a cash advance fee. This is not to be confused with the actual ATM fee that you are charged to use the ATM machine. In the end, you will spend a lot more getting cash on hand than it's worth. Most cash advance fees are around 3-5 percent, though there are some card companies that will charge a set amount per transaction.

Balance Transfer Fee:

This is a fee you might experience if you try to consolidate your credit cards. When you use one card to pay off another one, the card you are transferring the money to will charge a fee for its service. In most cases, the balance transfer fee is 3 percent of the transaction amount; however, we have seen fees as high as 5 percent. Before you combine any of your credit card balances, know how much it will cost you overall.

Foreign Transaction Fee:

This is something you will have to pay if you use your card in another country. It primarily covers the cost of converting your currency into foreign currency. Most cards charge a fee of 3 percent, but some will waive their foreign transaction fees. If you plan to do a lot of traveling overseas, these are the kinds of cards to look for.

Other Fees:

Of course, you may encounter some "miscellaneous fees" that are specific to your credit card provider. These could be for anything from customer support to the cost of the plastic cards themselves, depending on whom you bank with. If you want to fully understand these fees, you need to thoroughly review the terms and conditions of your credit card. If you have any questions, contact the card company to find out what you can do.

> "With the right research early on, you can adjust your spending habits to reduce the cost to carry a credit card."

With the right research early on, you can adjust your spending habits to reduce the cost to carry a credit card. Take the time to research because the savings will be worth the effort.

Now that you understand the costs associated with carrying a credit card you are finally ready and well equipped to choose the best card to fit your needs. However, with so many special offers made by credit card companies to lure in new customers, it can be easy to jump on the best offer that catches your eye.

"NOT SO FAST! At this point it is crucial that you read the fine print and understand the terms of those special offers, like when they expire."

The two most common types of special offers are sign-up bonuses and promotional financing.

Sign-Up Bonuses:

First, many reward cards offer sign-up bonuses that are contingent on spending a certain amount within a limited time. For example, the Chase Freedom card offers a $100 sign-up bonus after new cardholders make $500 on purchases in the first three months from account opening. Cardholders should keep in mind that the clock starts ticking when the account is approved, not when the card is received, activated, or used for the first time.

Promotional Financing:

Many cards also feature promotional financing on new purchases and/or balance transfers. These promotional financing periods are limited, but typically last a minimum of six months, and up to 18 months. This time period is calculated from the day that the application is approved and the account is opened, not when the card is activated. The most common offers include 0 percent APR and no annual fee.

It's also important to understand how you can lose these sign up bonuses or promotional rates. For example, you could lose 0% APR before the promotional period is up if your card falls into bad standing by not making payments on time or failing to pay your bill. Or, you may not be eligible to receive a sign-up bonus if you already have an account with that bank.

Additionally, if you do not meet the requirements for the sign-up bonus within the specified time constraints, then the cardholder essentially waives their right to collect on the offer. This is why it is crucial for you to review the terms and conditions associated with each card before biting at the first offer you come across.

V. Know Your Rights

At this point you should have all the information you need to make an informed decision about applying for a new credit card and how to take advantage of the special offers and rewards that come with being a new credit card holder.

It is also important to know your rights as a consumer. Below are a few acts that you should be aware of. If you need more detailed information about these acts and the protection they provide, follow the links provided below.

The Truth In Lending Act (TILA)

The Truth in Lending Act is a federal statute which requires commercial lenders to give a borrower the exact information on interest rates and a three-day period in which the borrower may compare and consider competitive terms in order to cancel the loan agreement. It also ensures that every customer who needs consumer credit is given reliable information about the cost of that credit.

The Fair Credit Billing Act (FCBA)

The Fair Credit Billing Act applies to "open end" credit accounts, like credit cards, and revolving charge accounts, like department store accounts. This act protects consumers against billing errors.

The Fair Credit Reporting Act (FCRA)

The Federal Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. This ensures you are given accurate information about what is included in your credit report, and gives you the right to ask for your credit score and dispute inaccurate or incomplete information, among others.

The Equal Credit Opportunity Act (ECOA)

The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the Equal Credit Opportunity Act (ECOA), which prohibits credit discrimination on the basis of race, color, religion, national origin, sex, marital status, age, or because you receive public assistance. Creditors may ask you for most of this information in certain situations, but they may not use it when deciding whether to give you credit or when setting the terms of your credit.

Credit Card Accountability, Responsibility and Disclosure Act (CARD)

The Credit CARD Act is often called the Credit Cardholders Bill of Rights. The law has two main purposes: to prohibit unfair practices and make rates and fees transparent to the consumer. The CARD Act is the number one reason why fees and rates are located at the top of your credit card agreement and conspicuously placed.

The Fair Debt Collection Practices Act (FDCPA)

The Federal Trade Commission (FTC) enforces the Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from using abusive, unfair, or deceptive practices to collect from you. This act covers personal, family, and household debts.

VI. Conclusion

At this point we have covered everything you will need to know about credit cards including: the basics of what they are and how they work, the types of cards that are best for you based on your credit status, an in depth look at the credit card terms, and an overview of your rights as a consumer.

Now that you have armed yourself with all of the information you need regarding credit cards, you should be ready to make an informed decision about the best credit card to fit your needs. Remember, knowledge is power, so be sure to utilize CompareCards' Side-by-Side comparison tool and start comparing today!

We hope that you have found the information and resources in this guide useful, so that when those credit card companies come knocking, you can respond with confidence knowing that you understand exactly what you need in your wallet. For more information or to speak with one of our experts, please visit www.comparecards.com.

Let's get connected so we can help you determine what belongs in your wallet.

Company

Website

Leadership Team

Credit Conciege

The Credit Card Fee

Engine

Education Center

Financially Literate Youth

Social Media

Facebook

Google +

Twitter

Pinterest

Youtube

TrustPilot

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