

Credit Card Terms

Annual Fee

The amount you pay per year to have a credit card. Some cards have these fees and others do not.

Annual Percentage Rate (APR)

The interest rate you will pay each month on the unpaid balances in your account.

Balance

The total charges you have made. When you do not pay your account in full, you are charged interest (APR) on the unpaid or "outstanding" balance.

Billing Cycle

The length of time between billing statements. A billing cycle is usually 30 days, but because of weekends, holidays and number of days in a month, a billing cycle may be as short as 25 days.

Cash Advance APR

The interest rate charged when you take out a cash advance using your credit card. Most credit cards charge a much higher interest rate for cash advances than for regular purchases.

Credit Limit

The most you can charge on your credit card. When you receive a new credit card, you are usually issued a set credit limit. You may be charged a fee of up to \$40 for trying to go over that limit. In some cases, your credit limit may be increased or decreased.

Grace Period

A grace period is the time you have before a credit card company starts charging you interest on your new purchases. Most cards have a 25-day grace period. If you have an outstanding balance, you will not be given a grace period. You will be charged interest on your balance.

Interest Rate

Credit is not free! You are being lent money by a bank. When money is lent to you, you are charged for the service. This charge is called the interest or Annual Percentage Rate (APR).

Introductory APR

A short term, usually low, interest rate offered by credit card companies to invite you to open an account. This interest rate will go up after a certain amount of time.

Late Payment

A payment that is received after the due date on the bill. Fees for this can range from \$20 to \$35 or more. Late payments may also trigger an increase in the interest rate on your account.

NOTE: Some credit card companies will raise your interest rate if you are late with other payments to other credit card companies, even if you were never late with the company that raised the rate!

Minimum Payment

Shown on your credit card statement, the lowest amount you can pay every month without additional finance charges (besides interest). Paying only the minimum payment means you will end up paying much more in interest. It is the most expensive way to use your credit card.

Transaction Fees

Fees charged when you make certain types of transactions using your credit card. Transaction fees are typically taken for cash advances and cash-like transactions, such as money orders and wire transfers.