



# STUDENT ADVOCATES FOR FINANCIAL EDUCATION

## COMPARING CREDIT CARDS



So you've decided it's time to get a credit card. Everyday you receive more and more credit card offers in the mail. Each one has its own flashy gimmick to grab you and make you want to apply.

“Low APR!”

“No Annual Fee!”

“Cash Advances!”

How do you decide which one is the best for you?

Look below for some tips on comparing credit cards, and remember you DO NOT have to accept or apply for each credit card you are offered.

### Important Things to Remember

- Only use a card when there is no doubt about ability to pay off the charges at the end of the billing cycle.
- Record all expenses and keep receipts.
- Using monthly receipts, check credit statement for errors.
- Always pay off balance completely and timely.

### Miscellaneous Fees To Watch Out For

Finance Charge: charge assessed to use card

Inactivity Fee: fee applied for not using card

Application Fee: fee assessed to apply for a card

Debt Consolidation/Balance Transfer Fee: fee to consolidate account or transfer a balance

Close-out Fee: fee applied to close account/card

### The Schumer Box

Located on all credit card applications is a Schumer Box. This box lists all fees charged to the owner of the credit card for using the card. By using the Schumer Box, one can compare the costs of owning and using credit cards and decide which one is best for them. Below is a defined Schumer Box:

Annual Percentage Rate	Interest rate charged for amount borrowed in terms of per dollar per year.
Grace Period	Amount of time allowed before finance charges are applied.
Minimum Finance Charge	Minimum amount charged for card use.
Balance Calculation Method	Method used to determine balance including finance charges.
Annual Fees	Yearly charge for credit card ownership.
Transaction Fees for Cash Advances	Cash withdrawal fees.
Late-payment Fees	Penalty fees for payments not made by the due date.



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## SELECTING A CREDIT CARD

A **credit card** is pre-approved credit which can be used for the purchase of items now and payment of them later. Credit cards can assist people with money management. However, if used improperly they can cost people large amounts of money and even cause debt. Comparison shopping for a credit card is an excellent practice. The terms and conditions of accounts vary with individual cards along with the costs of borrowing. By knowing the facts, consumers will not be surprised by some of the hidden costs associated with credit cards.

23% of students are using credit cards to pay tuition and fees.

1 out of every 5 college students owes between \$3,000 and \$7,000 in credit card debt.

Almost half (47%) of college students carry four or more credit cards.

### WHY USE A CREDIT CARD?

#### Advantages

- Convenient
- Useful for emergencies
- Good way to build credit
- Able to purchase 'big ticket' items earlier
- Easy form of debt-consolidation
- Protection against rip-offs and fraud
- Way to establish credit

#### Disadvantages

- Interest is costly
- Additional fees are common
- Tempting to overspend
- Privacy is an increasing concern
- Responsible for lost/stolen cards
- Identity theft easier
- Loss of financial freedom from overspending

After determining if a credit card is the best way to go, a person should comparison shop for a credit card to determine which card works best for them. Using the information regarding the Schumer Box on the back side, fill-out the chart below to select the right credit card for your needs.

For credit card comparisons visit [www.bankrate.com](http://www.bankrate.com) or [www.e-wisdom.com](http://www.e-wisdom.com)

	<u>Example</u>	<u>Card 1</u>	<u>Card 2</u>	<u>Card 3</u>
Annual Percentage Rate	13.99%			
Grace Period	25 days			
Minimum Finance Charge	\$1.50			
Balance Calculation Method	Avg. Daily Balance			
Annual Fees	\$50.00			
Transaction Fees for Cash Advances	3% of advance			
Late-payment Fees	\$35.00			

SAFE - 210B Herrick Hall - Bozeman, MT 59717 - Phone: (406) 994-7223 - Email: [safe@montana.edu](mailto:safe@montana.edu)  
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Sources: Family Economics & Financial Education. <http://fefe.arizona.edu/> Retrieved December 2006. Bradley, G. 2005.

Credit Card Debt Exceeds Student Debt. Academe, 91(6) Retrieved November, 2006.

<http://bankrate.com/>. <http://e-wisdom.com>. Retrieved February, 2007.