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FEDERAL DEPOSIT INSURANCE CORPORATION  
**consumer news**

## Take Charge of Your Credit Cards

### *Tips for choosing and using*

Credit cards can offer you many benefits: a convenient way to make purchases, the ability to build credit history, and the potential to earn rewards. To make the most of your credit cards, make sure you understand the terms. Purchases you make with your credit card are loans that must be repaid. Here are some tips for choosing and using credit cards.

#### **Pay on time and as much as you can to avoid or minimize fees and interest charges**

If you make a payment after the due date, you'll likely be charged a late fee. Late payments are also reported to the major consumer reporting agencies, which can affect your credit history. While it may sound like a bargain to pay the minimum amount due, the long-term costs can be staggering. You will generally be charged interest on the unpaid portion of your balance at the beginning of a new billing cycle and your credit card issuer may start charging you interest from the time of

purchase. If you can't pay the full amount, paying even slightly more than the minimum amount due can reduce your interest costs.

#### **A good credit report can lead to good credit card offers**

Credit card issuers use your credit report to decide whether to offer you a card and how they will determine your interest rate and credit limit. Correcting inaccuracies on your credit report may help you improve your credit history and credit score. By checking your credit report regularly, you also can find out if an identity thief has opened credit cards or other accounts in your name. By federal law, you are entitled to one free copy of your credit report every 12 months from each of the three major nationwide consumer reporting agencies, also called credit bureaus: Equifax, Experian, and TransUnion. A good website to order your free credit report is [AnnualCreditReport.com](https://www.annualcreditreport.com/index.action) (<https://www.annualcreditreport.com/index.action>). Read more here about what goes into your [Credit Reports and Credit Scores](https://www.fdic.gov/resources/consumers/consumer-news/2021-08.html) (<https://www.fdic.gov/resources/consumers/consumer-news/2021-08.html>).

#### **Shop and compare card terms and conditions**

Although you may receive credit card offers, don't assume these are always the best deals for you. If you decide to apply for a card, compare multiple products from several lenders. Various websites can help you compare product offerings from different companies, but be aware that some sites list

only companies that pay to advertise on with those sites. So, what factors should you consider when comparing key terms and conditions?

**Annual Percentage Rate (APR):** The APR represents the annual cost of the credit. In general, there are three types of APRs that might be applicable to your card: those for purchases, balance transfers from another card, and cash advances. Also pay attention to introductory rates. Some credit offers, such as balance transfers, come with special low interest rates that will increase after the promotional period ends.

**Fees:** These can include annual fees, balance transfer fees, cash advance fees (in addition to any interest you might pay), foreign transaction fees, and penalties for late payments or returned payments. Determine if fees can change over time, as many cards will waive an annual fee for the first year but will charge it in later years.

**Rewards:** These programs can be complicated, with specific eligibility rules. Know what you need to do to qualify for rewards, which might include meeting spending requirements, and how much you would have to spend to accumulate enough points or miles to get what you want. Understand what you need to do to maintain your reward points, since they can sometimes expire if an account is closed or considered inactive. If you do not understand or still have questions, ask your

credit card company to explain how the rewards program works.

### **Do your homework before signing up for promotional offers or add-on products**

Some credit cards come with promotions that are enticing but may cost you more money in the end. For instance, some credit cards marketed by retail stores offer “no interest” on balances for a certain period of time, such as the first 12 months after purchase. If you don’t pay off the entire purchase balance by the end of the timeframe that was disclosed, you may be charged all of the interest that accrued since the date of purchase. With any deferred interest offer, it’s important to pay the balance in full before the promotional period ends. If you can’t do that, a better fit might be a credit card with a low APR that doesn’t expire after the promotional period.

Additionally, credit card companies might offer other credit-related products, such as credit protection (to pay, suspend or cancel part or all of your outstanding balance in the event of a specific hardship) and identity theft protection (to monitor your credit reports for signs that a thief attempted to use your name to commit fraud). Make sure you fully understand how these products work and how much they cost by reading the fine print and asking questions before you sign up. Also, evaluate whether the price you will pay justifies the value you will get from the product.

### **Review your credit card statements for billing errors**

If you notice a billing error, such as an unauthorized charge on your statement, contact the card issuer as soon as possible to resolve the issue. In general, federal law limits your liability for unauthorized charges on a credit card if your card is lost or stolen, but you must notify the card issuer within certain timeframes.

### **Adding an authorized user to your account**

Adding an authorized user can be a way to [jointly manage your finances](https://www.fdic.gov/resources/consumers/consumer-news/2022-07.html) (<https://www.fdic.gov/resources/consumers/consumer-news/2022-07.html>) or to [help someone else \(such as a relative under 21 years old\)](https://www.fdic.gov/resources/consumers/consumer-news/2023-12.html) (<https://www.fdic.gov/resources/consumers/consumer-news/2023-12.html>), establish a credit history. But remember that you will be liable for any charges the authorized user makes with the card, so it’s best to have a mutual understanding about your expectations as the account owner. Consider asking your card issuer to place a spending limit on the card assigned to the authorized user. And be sure to regularly monitor the account and take appropriate action, if necessary.

### **Destroy or stop convenience checks you do not plan to use**

Your credit card company may offer you convenience checks, which allow you to make payments via check that show up as a

charge on your credit card. If you decide to keep the convenience checks you are sent, be sure to keep them safe so no one uses them without your knowledge. If you decide not to keep them, be sure to destroy them. Stopping unsolicited convenience checks saves paper, avoids the risk the checks might be stolen from your mailbox or home, and helps discourage you from using the checks. Thieves rummage through trash looking for valuable papers, such as convenience checks and bank statements, so do your best to destroy these documents before you toss them away.

Knowing how to choose and use a credit card will help you maximize the benefits of having one.

## **Additional Resources:**

[FDIC How Money Smart Are You: Compare Credit Cards](https://playmoneysmart.fdic.gov/tools/20)  
(<https://playmoneysmart.fdic.gov/tools/20>)

[FDIC Consumer Assistance Topics: Credit Cards](https://www.fdic.gov/resources/consumers/consumer-assistance-topics/credit-cards.html)  
(<https://www.fdic.gov/resources/consumers/consumer-assistance-topics/credit-cards.html>)

[Consumer Financial Protection Bureau \(CFPB\), Credit Cards](https://www.consumerfinance.gov/consumer-tools/credit-cards/)  
(<https://www.consumerfinance.gov/consumer-tools/credit-cards/>)

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