

CREDIT CARD BASICS

MANAGING YOUR CREDIT TODAY.
BUILDING CREDIT FOR TOMORROW.



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CREDIT CARD BASICS

YOUR FIRST CREDIT CARD IS A RITE OF PASSAGE.

This may be the first time in your life you're being entrusted with a credit line, which means you can spend money you probably haven't earned yet. Using your card responsibly shows you know how to manage money and puts you on the road to building a solid credit history.¹

CREDIT CARDS 101

A credit card is basically a loan from your financial institution. They assign you a predetermined credit limit, and you can pay back whatever you charge either in full or in monthly installments. If you don't pay back the entire amount owed each month, you will owe interest on the outstanding amount and any new purchases. For Balance Transfers and Cash Advances, interest begins accruing from the date of the transaction.

Credit cards offer the convenience of being able to buy what you need now with the security of not having to carry cash. You also receive fraud protection, and in some cases, rewards for making purchases.

With these advantages also come responsibilities. You need to manage credit cards wisely by understanding all of the card's terms and conditions; paying on time; and realizing the true cost of purchases and transactions made with credit.



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Favorable scores above 700 will offer more possibilities and lower interest rates among lenders.

850

800

700

600

500

400

300

A score in this range may only allow for loans at high interest rates.

You'll likely have trouble securing credit with a score under 600.

UNDERSTANDING YOUR CREDIT SCORE

In the simplest terms, a credit score is a number that helps financial institutions predict how likely you are to repay your debt. The higher the number, the better the score, which indicates a strong credit history.

Credit scores are based on credit history and things like race, religion, national origin, gender, age, education, or marital status are prohibited from factoring into a credit decision.

Your credit score is fluid. Every time you apply for, use, make, or miss a payment on a loan or credit card, you build another entry on your credit report — and raise or lower your credit score. The best way to have an excellent credit score is to start out doing everything right and keep it that way. Here are some good guidelines:

- ✓ **Establish a good credit record.**
Open a credit card in your name, use it wisely, and limit the number of cards you open.
- ✓ **Be sure to pay your monthly balance on time.**
If you miss your payment due date, send it as soon as possible.
- ✓ **Be mindful of your balance and credit limit.**
Keeping well within your credit limit can help you manage payments and credit score.
- ✓ **Make more than the minimum payment.**
Even a few extra dollars a month can have a positive impact to your credit score.
- ✓ **Check your credit report throughout the year to make sure it is error-free.**
Each of the three major credit reporting agencies offer you a free credit report once a year. Since each reporting agency offers a free report, pull one in January, May, and September, each time from a different agency, so you can monitor your activity throughout the year. Visit [annualcreditreport.com](https://www.annualcreditreport.com) to get your free report today.

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GLOSSARY

Before you open a credit card, make sure you understand these basic credit card terms:

- **Annual Fee:** what you'll be charged each year for having the card, even if you don't use it. Many cards have no annual fee, so shop around.
- **Annual Percentage Rate (APR):** an annualized interest rate. Credit cards often have different APRs for Purchases, Cash Advances, and Balance Transfers, so make sure a low APR in one category isn't offset by an unreasonably high APR in another. Also, if there's a low introductory APR, note how long it's offered and what the rate rises to afterward.
- **Balance Transfer Fee:** sometimes charged to transfer balances from one credit card to another.
- **Cash Advance Fee:** charged when you are getting cash from your line of credit. Cash Advances can bail you out of emergencies, but can become expensive loans if you don't pay them off quickly.
- **Late Payment Fee:** charged if payment is received after the due date.
- **Minimum Interest Charge:** imposed whenever you carry forward a balance.



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Once you do find a credit card that is right for you, practice good financial habits.

Make sure you pay on time, don't go over your credit limit, and don't spend more than you can afford to repay. Some credit card issuers offer personalized and automatic alert messages, sent to you via email or text message,² to help you keep track of:

- Available credit
- Balances
- Payment due date
- Payment history
- Purchase activity

Understand your rights as a credit cardholder.

You're entitled to protection:

- Zero Fraud Liability³ means you may not be responsible for fraudulent charges when you report them promptly.
- You can dispute a charge if you're dissatisfied with the quality of merchandise or services and the merchant refuses to make things right.

¹ Late payments or going over the credit limit may damage your credit history.

² Standard messaging charges apply through your mobile carrier and message frequency depends on account settings.

³ Elan Financial Services provides zero fraud liability for unauthorized transactions. Cardmember must notify Elan Financial Services promptly of any unauthorized use. Certain conditions and limitations may apply.