



5 Tips for Getting the Most from Your Credit Card

1. Pay on time.

Paying your credit card account on time helps you avoid late fees as well as *penalty* interest rates applied to your account, and helps you maintain a good credit record. A good credit record leads to a higher credit score, which helps you qualify for lower interest rates. Know the date your payment is due. If your bill is due at an inconvenient time of the month—for example, if it's due on the 10th and you get paid on the 15th—contact your credit card company to see if they will change your billing cycle to fit your cash flow.

2. Stay below your credit limit.

If you go over your credit limit on your card, your card issuer could charge a fee and increase your interest rate to a higher *penalty* rate. To avoid this, keep a record of your spending or check your balance online. Also, be aware that some merchants (for example, hotel and car rental companies) put a “hold” on your credit card based on their estimate of the amount you will charge. This can reduce your available credit until the final charge is processed. See “Credit and Debit Card Blocking” (www.ftc.gov/bcp/edu/pubs/consumer/credit/cre11.shtm).

3. Avoid unnecessary fees.

Credit card companies not only charge late payment and over-the-limit fees, but also fees for cash advances, transferring balances, and having a payment returned. Some companies charge a fee when you pay your bill by phone. Pay attention to the transactions that trigger these fees. If you need a cash advance, withdraw enough so that you don't have to take a second cash advance—and incur a second fee—later in the month. Read your credit card agreement to learn more about the fees that your credit card company charges. For more information see “What are the fees?” (www.federalreserve.gov/pubs/shop/default.htm#fees2).

4. Pay more than the minimum payment.

If you can't pay your balance in full each month, try to pay as much of the total as you can. Over time, you'll pay less in interest charges—money that you will be able to spend on other things, and you'll pay off your balance sooner. See the Federal Reserve's Credit Card

Repayment Calculator (www.federalreserve.gov/creditcardcalculator) to determine possible repayment timelines.

5. Watch for changes in the terms of your account.

Credit card companies can change the terms and conditions of your account. They will send you advance notices about changes in fees, interest rates, billing, and other features. By reading these “change in terms” notices, you can decide whether you want to change the way you use the card. For example, if cash advance fees increase, you may decide to use a different card for cash advances. If you have a card with a variable rate or if you have an introductory rate that is ending, be aware that credit card companies are not required to send you a notice about raising your interest rate. Interest rates are listed on your monthly bill. Read your bill carefully and take note of any changes.

