

CONSUMER PROTECTION

TIPS FOR YOUNG ADULTS

QUICK TIPS

ABOUT

CREDIT CARDS

When you use credit, you are borrowing money with a promise to repay at a later date. *Credit is not free.* It allows you to buy things when you don't have cash, but you will be charged interest and fees.

Using a credit card responsibly helps you build a good credit history. Your credit history is on your credit report (which reflects your credit score). A good credit score will help you take out loans more easily and even get better interest rates.

Misusing a credit card can lead to debt troubles that can negatively affect your credit report and score.

Before Using a Credit Card...

Be sure to budget and save.

Know how much you earn each month, what bills you must pay, and save the rest. If you track and manage your spending, you may be able to pay for things in cash instead of using a credit card. But if you use a credit card, you'll be prepared when you get your statement.

Quick Tips for Choosing and Using Credit Cards Wisely

- **Shop around.** There are many different cards with different offers, interest rates, and benefits. Look for low interest rates on purchases and no annual fees. Compare the options and select the card that best meets your needs.

- **Read the fine print.** Read and understand all of the terms and conditions that apply to your card *before you sign up.*
- **Spend only what you can afford.** Your credit card has a limit, but that doesn't mean you should reach it. You will owe what you have spent within a few weeks of your purchases, so know your budget and always pay your card on time. Failure to pay on time will result in late payment fees and interest charges and will damage your credit.
- **Check your statement each month and pay off your balance in full.** Each month, the credit card company will allow you to make a minimum payment that is less than the total you owe. It may seem easy to do this, but you will be charged interest, which adds to what you owe.
- **Know when to put the card away.** If you cannot pay off the balance in full, stop using the card and keep making payments until you have paid off the balance. Always pay more than the minimum payment if you can.
- **Limit the number of credit cards in your wallet.** To avoid confusion and to prevent identity theft, limit yourself to as few credit cards as possible. For most people one credit card is more than enough.
- **Opt out of receiving credit card offers.** Register your address at optoutprescreen.com or call toll-free 1-888-567-8688.

BEWARE OF...

Credit Card Promotions

Credit, debit, and prepaid cards that are promoted on school campuses aren't necessarily safe. For information, visit the Consumer Financial Protection Bureau (CFPB) website at consumerfinance.gov.

Many credit card companies will offer a list of exceptions or attractive introductory rates that expire after a few months.

Cash Advances

You'll pay higher interest rates for cash advances on your credit card than for actual purchases.

FREE HELP

Get free professional financial counseling at an NYC Financial Empowerment Center.

Counselors can help you create a budget, reduce your debt, negotiate with your creditors, understand your credit report, improve your credit score, and more. Call 311 to schedule an appointment near you or visit nyc.gov/TalkMoney for more information.

Get a free copy of your credit report and review it carefully.

Go to annualcreditreport.com or call toll-free 1-877-322-8228.

OTHER RESOURCES

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) requires that credit card companies provide cardholders with clear and understandable forms and statements; establishes rules regarding rate increases; and provides special protections for students and young people.

To the right is a sample of some of the information that credit card companies must provide on statements so you understand the consequences of late payments or paying only the minimum payment due.

Read DCWP's tip sheet "COMMON CREDIT REPAIR SCAMS."

G-18(D) Periodic Statement New Balance, Due Date, Late Payment and Minimum Payment Sample (Credit Cards)

Payment Information

New Balance \$1,784.53
Minimum Payment Due \$53.00
Payment Due Date 4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

If you would like information about credit counseling services, call 1-800-xxx-xxxx.

Source: Federal Reserve Board

About Consumer Protection Tips for Young Adults

Young adults face consumer challenges every day. The Department of Consumer and Worker Protection (DCWP) created a series of tip sheets to educate young adults about their rights and how the spending decisions they make today will affect their future.