

Managing Your Money



Credit, Loans and Debt



Scams and Identity Theft



Toolbox

Credit, Loans and Debt

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Using Credit

What It Is

What To Know

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How do I use credit?

When you use credit, it usually means using a credit card. It also might mean that you get a loan. A loan is another way to use credit.

Using credit means you borrow money to buy something.

- You borrow money (with your credit card or loan).
- You buy the thing you want.
- You pay back that loan later – with interest.

What is interest?

Interest is what you pay for using someone else's money. You repay money to whoever gave you the credit card or loan.

Credit cards and loans have different interest rates. Look for the "APR." APR means annual percentage rate. It is how much interest you pay during a whole year.

A lower interest rate means you pay less money. A higher interest rate means you pay more money. For example, a loan with a 2% interest rate costs less than a loan with an 18% interest rate.

When can I use credit?

Many people use a credit card to buy everyday things. You might use a credit card to pay for:

- Gas
- Groceries
- Services – like a haircut



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How do credit cards work?

When you use a credit card, someone lends you money to buy something. Here is how it works:

- You want to buy groceries.
- You pay with a credit card from a bank.
- The bank pays the store for your groceries.
- The bank sends you the credit card bill, including charges for the groceries.
- You pay your credit card bill.

How do I get a credit card?

You must apply to get a credit card. The company you apply to will check your credit history. The company uses your credit history to decide:

- if you will get a credit card
- how much you will pay for the card

Before you apply for a card, be sure you compare at least three cards. You want to get the best deal you can.

How do I compare credit cards?

Credit cards offer different deals. Before you get a credit card, find out these things:

- **What is the annual fee?** This is what you pay to use the card for a year.

What is the APR? APR means annual percentage rate. This is how

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You can build a credit history or improve your credit history. One way is to get credit and use it wisely. That takes time.

How can I get credit?

If you do not have credit, the best place to start is with a **credit card**.

Compare several credit cards. Apply for the one that gives you the best deal. Look for:

- a low annual fee
- a low APR, or annual percentage rate
- lower fees:
 - if a payment is late
 - if you go over your credit limit
- a long grace period. This is the time between when you spend money and when the card charges you interest. Look for one that is at least 25 days long

If you cannot get a regular credit card, try to get a secured credit card. Apply only for cards that report your history to the three credit reporting companies.

Look for a secured card with:

- no application fee
- a low APR, or annual percentage rate
- lower annual fees
- no processing fees
- higher interest rates on the money you deposit