

# Credit Card Management & Benefits

## Learn the basics

### What Is a Credit Card?

A credit card is a payment card issued by a financial institution that allows the cardholder to borrow funds to make purchases. Interest is accrued when there is a balance carried over from one month to the next. The cardholder commits to repay the borrowed money along with any accrued interest, adhering to the terms and conditions established by the issuer.

Credit cards often have a bad reputation, as many people believe they lead to debt and should be avoided. While mismanaging credit cards can result in debt, they also offer several advantages and can be more beneficial than other forms of payment in some scenarios.

### Benefits of Credit Cards

Credit cards can be used as a tool to protect purchases, keep your financial accounts safe, build credit, and more.

#### **Credit cards can help you build or rebuild credit.**

Your credit score is determined by your credit report, which tracks your history of borrowing and repaying money through loans and credit cards. However, if you have no credit history, you will not have a strong credit score.

The easiest way to begin building credit is by using a credit card. As bills are paid on time, your credit score will increase. A good credit score is important when making a big purchase, such as a house or a car, or if you want a credit card with a lower interest rate and more rewards.

The key to building credit with a credit card is to make small purchases and *pay off the balance in full, on time, every month.*



#### **Credit cards offer security features.**

Credit cards offer various security features, such as transaction alerts, PIN security, biometrics and advanced chip technology designed to protect and keep your account safe.

For an additional layer of security, credit cards can be added to a digital wallet, where the information is encrypted and tokenized.

#### **Credit cards offer fraud protection.**

Using a credit card helps to minimize the impact of fraud. If a credit card is used fraudulently, you are not out any money upfront. You can simply report the fraud to your credit card issuer, and you will not be held responsible for the charges while the matter is being resolved.

In contrast, if your debit card is used by a thief, the money is immediately withdrawn from your account. It may take time to reverse the fraudulent transactions and restore your funds. During this time, scheduled payments or checks could bounce if you have insufficient funds.

Due to extra security and fraud protection, online shopping is a great example of when you should choose to use a credit card over a debit card. Credit cards also provide an easy path if you need to dispute an item for being defective or unsatisfactory.

Even when shopping in-store, it is often safer to use a credit card instead of a debit card or cash. Especially if you need to prepay or make a down payment on an item being ordered.

**Many credit cards offer insurance benefits.**

Some cardholders are not aware of the insurance benefits and consumer protections their credit card comes with. These can include perks like rental car insurance, travel insurance, and extended warranties beyond the manufacturer’s coverage. Before signing up for a card, make sure to review the agreement and disclosures to understand the specific benefits the card offers.

**Most credit cards are accepted worldwide.**

Worldwide acceptance can be especially helpful when traveling. In some foreign countries, merchants may not accept debit cards, even if they have a major bank logo on them.

Many rental car companies and hotels prefer credit cards since it allows them to easily charge for any potential damage to a car or a room. When they put your card on file, they block off a portion of your available credit to cover any unanticipated costs.

If you use a debit card, the company may put a hold of several hundred dollars on your account as a precaution.

**Most credit cards have rewards.**

Some credit cards offer rewards programs that allow cardholders to earn points for each dollar spent. Rewards are a great way to benefit from your spending.

Once enough points are accumulated, they can be redeemed for cash back, travel, gift cards from retailers and restaurants, or for merchandise items. It is important to pay your balance in full to maximize the rewards.

## How to Manage Credit Cards Responsibly

**Pay your bill on time and in full.**

Timely payments are crucial since payment history is the most significant factor in your credit score. If your payment is 30 days past due, it can be reported to the credit bureau, where it stays on your report for seven years.

Paying your balance in full by the due date helps you to avoid interest and keeps your credit score strong. If you cannot pay the full balance, try to pay more than the minimum amount due. This will help to lessen the total amount of interest accrued.

**Understand the fees and terms of your credit card.**

Credit card disclosures are required by law and help consumers to understand the costs and responsibilities that come with a specific card.

Understanding these disclosures can help you to make informed decisions about choosing or managing a card. It is important to read them before applying for a credit card so you can avoid unexpected costs.

To get the most out of your credit card, stay familiar with its disclosure. The top of each credit card’s disclosure will outline key information about interest rates, interest charges, and fees.



APPLICATION AND SOLICITATION DISCLOSURE



MASTERCARD PLUS

<b>Interest Rates and Interest Charges</b>	
Annual Percentage Rate (APR) for Purchases	<b>11.90%</b>
APR for Balance Transfers	11.90%
APR for Cash Advances	11.90%
Penalty APR and When it Applies	None
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
For Credit Card Tips from the Consumer Financial Protection Bureau	To learn more about factors to consider when applying for or using a credit card, visit the website of the Consumer Financial Protection Bureau at <a href="http://www.consumerfinance.gov/learnmore">http://www.consumerfinance.gov/learnmore</a> .
<b>Fees</b>	
Annual Fee	None
Transaction Fees	None
- Balance Transfer Fee	None
- Cash Advance Fee	None
- Foreign Transaction Fee	0.80% of each transaction in U.S. dollars completed outside the U.S. 1.00% of each transaction in U.S. dollars completed in a foreign currency
Penalty Fees	None
- Late Payment Fee	None
- Over-the-Credit Limit Fee	None
- Returned Payment Fee	None



### Set up account alerts.

Considering enabling text or email alerts on your credit card accounts to help track your spending, prevent late payments, and spot fraud. The types of alerts offered may vary by card issuer.

APCI FCU offers APCI eAlerts that include:

- **Transactions alerts:** when your card is used in-store Internationally.
- **Merchant alerts:** when your card is used at a specific merchant or channel (in-store, eCommerce, ATM).
- **Spending limit alerts:** when your card use exceeds specific transaction, or monthly spend limits.

### Review your monthly statements carefully for accuracy.

Regularly checking your credit card statements is a great way to stay aware of your spending and allows you to quickly identify any unfamiliar transactions. Potential issues with your account can go unnoticed if you are not checking your statements monthly.

### Report lost or stolen cards immediately.

If your card is lost or you suspect someone has stolen your account number, report it right away. Once reported, your card and account will be deactivated to prevent additional unauthorized use.

Many card issuers, including APCI FCU, offer a temporary card lock feature. This is convenient for situations where you cannot find your card, but do not believe it is actually lost or stolen. A temporary lock prevents new transactions from occurring, while allowing previously authorized transactions to be processed. Once you find your card, you can easily unlock it and resume normal use.

### Avoid temptation to “max out” your credit cards.

One of the biggest risks with credit cards is the ease of overspending money that you do not have, making it difficult to pay back.

If you are prone to impulse spending, keep your card in a secure but inconvenient place to make it harder to access. Avoid saving your credit card information with online retailers. This creates a barrier to where purchasing is just one click away.

It is important to keep your credit usage low. Using more than 30% of your available credit can hurt your credit score, even if you pay off the balance. If your balance is already high, stop using the card and create a plan to pay the balance down. This may require sticking to a strict budget or earning additional income to tackle the debt.

### Beware of closing unused credit cards.

Closing a credit card you no longer use may seem like a good idea, but it can actually negatively affect your credit score.

Closing an account reduces your total available credit, which increases your credit utilization rate. A credit utilization rate is the percentage of available credit that you are currently using. It is calculated by dividing the total outstanding balances on your credit cards by your total credit limit. Multiply that number by 100% to get your percentage.

Additionally, a longer credit history is beneficial. If you are closing a card that lowers the average age of your credit accounts, it may harm your credit score.

Instead of closing an unused card, consider setting up transaction alerts and monitoring your credit report regularly to protect against fraud.