

CREDIT CARD TERMS THAT EVERYONE SHOULD KNOW



Credit cards are vital pieces in your financial world. For that reason alone, the more you know about those small pieces of plastic, the better. Here are some credit card terms you should understand inside and out.

ANNUAL FEE

Some cards charge an annual fee. Often it's waived during the first year you have an account. If you have a card with an annual fee, make sure it's worthwhile — i.e. you're earning more than you're spending in points, rewards and other perks — to keep it.

ANNUAL PERCENTAGE RATE

The APR is your card's yearly, total cost of borrowing money via purchases. It includes the interest rate and other fees.

AVAILABLE CREDIT

Available credit is the total amount of usable credit on your account. The higher your balance, the lower your available credit.

CREDIT LIMIT

Your credit limit is similar to your available credit. As US News reports, total credit is the total amount you can charge to your card. If you maintain a solid history of payments, you can usually increase this amount by calling your credit card issuer.

CREDIT UTILIZATION RATE

Why would you call to increase your credit limit? So that your credit utilization rate is as low as possible. This ratio is calculated by dividing your credit limit by your balance. The higher your limit, the lower your ratio will likely be. When you keep your ratio low, it improves your credit score.

LATE PAYMENT

Your issuer can charge a late payment fee if you miss the monthly payment deadline. Sometimes they will waive the fee. Payments 30 days late or more will hurt your credit score.



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