Credit Cards

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You see this piece of plastic everywhere. From the gas station to the bookstore, the supermarket to the mall. You know what it is and can readily identify it if quizzed. Have you figured it out yet?

It’s a credit card, one of the most important financial tools in your wallet—a tool many students don’t know how to utilize. We talked with Tom Gannon, vice president of public policy at MasterCard Worldwide, to gain insight on how college-aged kids should (or shouldn’t) be using credit cards.

Consider these key factors when looking for a credit card to best suit your needs:

**Spending habits:** Decide how you will use your card. Paying the balance in full each month? Select a card with no annual fee. If you plan on carrying a balance, you’re better off with a card that has low interest rates.

**Credit limit:** Simply said, the credit limit influences your purchasing power. Beginners are wise to start off with a low credit limit so they become accustomed to practicing responsible credit card habits.

**Fees and penalties:** Avoid cards that charge an application or processing fee.

**Incentives:** If you’re contemplating large purchases that you intend to pay off, reward cards are a smart option.

And familiarize yourself with the following terms:

**Credit limit:** Maximum amount of credit a company will allow a card holder to borrow on a card.

**Credit score (FICO score):** Computed based on information in your credit report; helps lenders to make judgments about granting you a loan or a credit card.

**Over the limit fee:** A fee charged when you exceed your credit limit through purchases, fees or finance charges; to avoid this fee, don’t exceed your credit limit!

**Annual percentage rate (APR):** Rate applied each month an outstanding balance is present; Intro APR is the initial interest rate charged for a specified period of time.

**Annual fee:** Charge for use of a credit card levied each year and is billed directly to the customer’s monthly statement.

Students should also be aware that there are both regular credit cards and student credit cards. The two work in the same manner, but student cards are available to students who may not have a previously established credit rating. Typically these cards carry low credit limits to protect students from amassing large amounts of debt.

“Don’t use your card for purchases you can’t afford to buy with cash,” Gannon says. “You’re able to pay off your full balance on time every month, you’ll steer clear of late fees and keep finance charges at a minimum.”

Now you’re prepped with the best advice to find the right card for you. And don’t forget: always read the fine print.

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**Resources**

Creditcards.com offers a credit card finding program in which students may choose their credit limit (if known), why they plan to use the card and what type they want (low interest, cash back, airline rewards, etc.) [http://www.creditcards.com/credit-card-finder/](http://www.creditcards.com/credit-card-finder/)

Top credit card issuers according to creditcards.com are:

- American Express
- Bank of America
- Capital One
- Chase
- Citi Credit Cards
- Discover
- First PREMIER Bank
- HSBC Bank
- MasterCard
- Visa


Credit cards cannot be issued to people under the age of twenty-one unless they have an adult co-signer or show proof that they have the means to repay the debt (proof of reasonable income)

College students will be required to receive permission from parents or guardians in order to increase credit limit on joint accounts they hold with those adults.

People under the age of twenty-one will now be protected from pre-screened credit card offers unless they specifically opt-in for offers.