

## Do You Know How to Avoid the Top Mistakes People Make with Student Credit Cards?

If you're like most people, student credit cards are the first chance you have to establish a credit rating. But credit cards designed for students are packed with features that make it easy to use them unwisely: high interest rates, encouragement from credit card companies to splurge on yourself, and being offered credit during a time when you're likely to be broke all contribute to running up credit rating destroying levels of debt. Here's how to avoid that:

- \* Don't use your card often. Charge only what you can afford to pay in full at the end of the month, and try to avoid using your cards unless you are in an emergency. (Needing a new video game like life itself is not an emergency.) A couple of small charges a month is enough to establish your creditworthiness without accumulating debt.

- \* Pay off all your charges each month. The higher your unpaid balance, the more interest you accumulate; if your balance is high enough, you could find yourself struggling to pay off the interest, with no end in sight to the rest of the debt. Over the course of months or years, you'll pay more in interest on each of your purchases than you paid for the purchase itself. Rather than getting caught in that downward spiral, pay off all your student [credit cards](#) in full every billing cycle.

- \* Pay on time, right down to the hour. The penalty for paying late is a fee of \$35 or more... and at some credit card companies, "late" means the check or electronic transfer arrives at 1 p.m. and not at noon. The company can also hike up your interest rate to your default rate, a leap of ten percentage points or more, on the grounds that your lateness shows you can't afford to pay your bills and you are a poor credit risk. It doesn't matter that you have plenty of money in the bank and just forgot to put the check in the mail because of midterms. The fine print on the back of the agreement you signed with the company gives the company permission to do it, and they'll take advantage of it. So get your bills or electronic payments for your student credit cards on their way a few days early, and consider setting up automatic payments to be absolutely sure the money will be sent. If you realize you're going to be late, call the company immediately and see if you can make a rush payment. Rush payments may cost an extra \$15 or so, but they are credited to your account immediately, which can save your credit rating. If even a rush payment won't help, call the company and ask whether they'll waive the late fee and the hike in your interest rate this time. Credit card companies will often cut some slack for customers who have an otherwise good history with them.

### About the Author

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