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Thing 3: Credit Cards

In the words of Christopher Parker: “Procrastination is like a credit card: it’s a lot of fun until you get the bill” (Parker). When deciding to open up a credit card, an important financial decision and one that can prove extremely helpful if managed correctly, comes with a grocery list of things to keep in mind. Credit cards are, put simply, a way of allowing the user to go into debt that they agree to pay back at a specified time in full, a useful concept in theory, but one which could and does get many into trouble.

Back in the early 1900’s, credit cards were created as a way for stores to “create customer loyalty and improve customer service” (Woolsey). This was an incredibly useful tool for many who couldn’t afford to pay in full at the time of purchase. By the 1970’s, official bank credit cards were being issued and used all around the United States. And with the rise of credit cards, the world came to realize the consequences of poor management of this over-zealously used “free money”. Credit cards began to come more and more complicated, starting to implement contracts card credit card agreements. These agreements outlined the structures and features of the card, and are often very dense and complex. Having never opened a credit card myself, I do not have first-hand experience with these contracts, but I intend to do as much research as possible to reduce the chance of signing up for something I am not aware of.

The CFPB, or Consumer Financial Protection Bureau, is an independent agency of the United States government designed to provide credit card users the information to combat scams, unreasonable charges, unwise credit card choices, and an overall knowledge of how credit card agreements work. They have a public database full of actual credit card agreements that outline specific credit cards and what they entail, including “conditions, pricing, and fee information” (“Credit Cards”, 2016). Not only will this allow me to dig deep and find out credit card plans to avoid, it also offers helpful advice regarding credit cards involving paying for school, retirement, purchasing/paying for a house, and information on avoiding credit card discrimination.

Although unfair credit card agreements are an important thing to avoid, there are other dangers to owning a credit card. In particular, failing to pay the credit you accrue during the agreed upon period of time, credit card companies are ruthless in getting their money back. Credit cards implement compounding interest when debt is not paid at the end of the billing period. This compounding interest raises the amount of money you owe the credit card company, leading to a snowball effect of debt if not handled quickly. In order to avoid this, I plan to, when building my financial budget, designate a set amount of my paycheck to the credit card (making sure it is less than the credit limit of the card), and sticking to that number when spending with that credit card. This can easily be done by avoiding using a credit card on very large purchases that you aren’t guaranteed to have the money for later on down the road, and instead using it on smaller, habitual costs such as cups of coffee in the morning or a snack during the day.

In order to build credit to be able to take out loans in the future for large purchases such as a home or a car, I plan on opening a credit card as soon as possible and using that card as responsibly as I can. By paying my credit card bill on time, every time, my credit will grow and the odds of being able to seek financial help in the future will grow exponentially (“How to Repair”, 2016). Additionally, I plan on requesting to see my annual credit report (found at annualcreditreport.com) to insure that I am properly handling my credit card.

A final potential danger in using a credit card is identity theft. According to the Federal Trade Commission, if you discover that your identity has been stolen, the immediate steps you should take include: place an initial fraud alert, order your credit report, and create an identity theft report (Taking Charge, 2016). After taking these steps and freezing your accounts, you should thoroughly go through your credit report to figure out if purchases were made using your card without your knowledge. If so, those false payments should be reported to your credit card company. If all goes well, the perpetrator will be caught, and you can continue to use your credit card.

Credit cards are a very useful commodity of modern times, and is something that I am almost guaranteed to use at some point in my life. I know full well that, pardon my pun, with great power comes great responsibility. The same is true when it comes to finances. In order to avoid bad credit, going into debt with a credit card company, and identity theft, there are steps and personal policies I can implement to reduce the inherent risk of using a credit card and get the most out of the expience.

Works Cited

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