

You need to enable JavaScript to run this app. Your request is being processed. Please wait. FDIC-Insured - Backed by the full faith and credit of the U.S. Government Accept Mail Offer See If You Pre-Qualify For What's Ahead Customer Service Sign In Credit One Central Categories Credit Education Personal Finance Life Events Financial Planning Glossary Home Blank Credit Education What Are Unsecured Credit Cards? Author: Heather Vale April 30, 2025 Topics: Credit Card Credit Score Rebuild Credit Unsecured credit cards can boost your financial situation, but only if you manage them properly. Heres everything you need to know before getting one. In this article: Key Takeaways What Are Unsecured Credit Cards? The Difference Between Secured and Unsecured Credit Cards How Unsecured Credit Cards Work What Are the Interest Rates for Unsecured Credit Cards? How to Apply for an Unsecured Credit Card Benefits and Disadvantages of Unsecured Credit Cards What Are the Alternatives To Unsecured Credit Cards? Bottom Line Credit cards come in a variety of forms and serve a range of purposes. You may have heard of secured credit cards, which many people use to build credit. But what exactly is an unsecured credit card, and how does it work? Key Takeaways Most consumer credit cards are unsecured Unsecured cards dont require a security deposit Qualifying for an unsecured card usually requires a positive credit history Making timely payments on a credit card can help build credit A higher credit score usually means higher credit limits and lower interest rates What Are Unsecured Credit Cards? When you think of a credit card, youre probably thinking of an unsecured credit card first and foremost. The majority of consumer credit cards are unsecured, which means you dont need to provide collateral or a deposit in order to get approved for one. Your positive credit history is its own proof that you know how to properly manage credit and will pay your bills on time. Unsecured credit cards are also called traditional credit cards. Consumers who cant qualify for an unsecured card can usually get a secured credit card in the meantime. The Difference Between Secured and Unsecured Credit Cards Theres one major difference between an unsecured credit card and a secured card . And thats the security deposit required as collateral on a secured card. Unsecured credit cards are riskier for creditors, so theyre typically harder to get than secured cards. If you have a good credit score , youve already proven that you can be trusted, so creditors are usually willing to take that risk. Secured credit cards allow you to establish positive payment habits if you have a poor credit score, or even no credit score. You put down a deposit, which is usually equal to the credit line. So if you provide a \$300 deposit as collateral to get a secured card, your credit line will likely be \$300 as well. If you only qualify for a secured credit card , its because your credit history shows you may be likely to default on an unsecured card, or because you havent established enough of a credit history yet. This is often the case for young adults or recent immigrants to the country, since your credit history doesnt follow you across borders. However, once youve used a secured credit card for a few months to a few years and established a pattern of paying on time, you can often graduate from secured card to unsecured . At that point youll get your deposit back sometimes with interest. How Unsecured Credit Cards Work When youre approved for an unsecured credit card, youre given a credit limit and a list of terms and conditions. Your interest rate, annual fee , late fee, and other potential charges are shown up front, along with whether or not you have a grace period on new purchases. You can charge purchases to the card, up to your credit limit. However, keeping your credit utilization ratio below 30% is recommended if you want to have a good credit score. And maxing out the card is never a good idea. When you use your credit card to make purchases, those amounts are applied to your balance. Then you need to make payments of at least the minimum before your due date in order to keep your account in good standing. If you pay the minimum on time but dont pay off your balance in full each month, you can avoid late fees and dings on your credit report but youll still be charged interest on the remaining balance. What Are the Interest Rates for Unsecured Credit Cards? Credit card interest rates are typically variable, which means they can change with overall economic conditions and the federal funds rate (aka Fed rate). As a result, the average credit card interest rates increased substantially in the decade from 2013 to 2023, going from just under 13% to almost 23%. If the Federal Reserve cuts the Fed rate, credit card interest rates wont necessarily follow suit immediately. But regardless of the range at any given time, having a higher credit score usually translates to a lower interest rate, and vice versa. How to Apply for an Unsecured Credit Card Lots of credit cards exist, and many of them have rewards structures that appeal to consumers with specific interests and spending habits. Some cards are for students, some are focused on travel , and others offer rewards on everyday purchases like gas and groceries. So, the first step is to research card options that fit your interests, buying patterns, and credit score. Next, its a good idea to see if you pre-qualify before applying for any unsecured credit card. That allows you to estimate your chances of approval without triggering a hard inquiry on your credit report. Finally, if you find a card you like and you pre-qualify for it, you can submit an application. Filling it out online is the easiest way, and most issuers can give you a decision within a few minutes. Just enter your personal information, including name, address, date of birth, Social Security number, employment information, and annual income. The creditor will run a credit check before either approving or declining your application. Benefits and Disadvantages of Unsecured Credit Cards Like anything in life, unsecured credit cards have pros and cons. Benefits of unsecured credit cards The credit line allows you to conveniently make purchases now and pay them off later. You dont need to pay a security deposit or offer collateral before opening an account. Different credit cards offer rewards and benefits to align with

individual needs and interests. Unsecured credit cards often come with better rewards and benefits than any other type of payment card. Unsecured credit cards may offer higher credit limits and lower interest rates than secured credit cards.

Disadvantages of unsecured credit cards Applying for a card is a hard pull on your credit report. Its more difficult to qualify for a higher credit limit and lower interest rates if you dont have a solid credit history. Its easy to rack up your balance and end up buried in debt if you dont have a plan for systematically paying it down. If you miss a payment or pay late, youll be charged late fees and see a negative line item on your credit report.

What Are the Alternatives To Unsecured Credit Cards? Some things cant be purchased with cash or check. When you need to pay with plastic, you have four common options besides unsecured credit cards. Secured credit cards are the most obvious alternative to a traditional credit card. Many people who dont qualify for a traditional unsecured card will use a secured card to build credit first. Debit cards look like credit cards, but they dont offer you any type of credit. All debit cards require some type of linked bank account, and your purchases are debited from that account. So, you need to already have the money available when you use a debit card to make a payment. Prepaid cards are like debit cards that arent linked to an external account. Instead, you load money directly onto the card in advance and can spend up to the amount that you have on the card before loading it again. Gift cards are similar to prepaid cards but often cant be reloaded so once youve used up the balance, its done. Some gift cards are only for specific merchants, while others allow you to make purchases anywhere credit cards are accepted. All of these payment cards function very much like an unsecured credit card at the point of purchase, but debit cards, prepaid cards and gift cards may require a PIN. Only secured credit cards are processed exactly like unsecured credit cards, while also allowing you to build your credit history in the same way.

Bottom Line If you dont have an unsecured credit card, it might seem like the holy grail of financial products. But unsecured credit cards have some pros and cons, so you need to consider whether getting one is the right move for you. Once you decide youre ready to apply for an unsecured credit card, its important to choose one that fits your needs and credit score. Credit One Bank offers a range of cards for different stages of the financial journey, and you can quickly and easily see if you pre-qualify .

About the author: Heather Vale Heather is an accomplished writer and editor in the financial and business industries, with expertise in credit building, investments, cryptocurrency, entrepreneurship, and thought leadership. She loves investigating and pulling apart complicated topics to make them simple, engaging, and easy to understand. But she also enjoys writing about the personal side of life, including self-help, creativity, relationships, families, and pets. She approaches everything from a yin-yang perspective, so her passion for wordplay and metaphors is always balanced with an intense focus on accuracy. Heather has a BFA in Visual Arts from York University, and has worked as a journalist in all media: TV, radio, print, and online. This material is for informational purposes only and is not intended to replace the advice of a qualified tax advisor, attorney or financial advisor. Readers should consult with their own tax advisor, attorney or financial advisor with regard to their personal situations.

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