

## Picking a Student Credit Card

Now that you have started college, credit card companies are going to chase you with an ardor you only wish you could see from your fellow students. As far as the credit card companies are concerned, you are a dream date: young, with an unmarked credit report and (they hope) bound less naivete about credit cards. They expect you to accept a credit card with an attractively low introductory rate, run up huge bills, then owe them tons of cash when the introductory period ends and your interest rate skyrockets. Lets disappoint them.

The first tip is to ignore the huge, sparkly "0 percent interest" printed in bright red and gold letters on the front of the brochure. That is the introductory rate. After as little as six months, it goes poof, and suddenly everything you charged to the card is accruing interest at the cards real interest rate. The interest rate on credit cards pitched to students are generally higher than standard cards, and currently are about 13 to 21 percent. Student credit cards also come with high default rates that rocket up to 25 to 31 percent if you break any of the terms of your credit card, including something as slight as paying your bill a day late. The new, higher interest rate applies retroactively to all your purchases, so even if you charged an item when your interest rate was zero, at the end of the introductory period you must pay 13 percent (or 19 percent, or 30 percent) until your entire balance is paid off. When your interest compounds, you might end up paying two or three times the original cost of an item.

The key is to choose a card with the lowest possible regular interest rate, then spend as though you were already paying that rate on your purchases. To puzzle out which interest rate is a credit cards real rate, look for the fine print or find the chart that lays out the rates. Find the standard purchase annual percentage rate (APR) and the standard cash advance APR. These are the real rates, which will kick in after the introductory period. Compare all of your student credit card offers, ignoring the introductory rates and all the frills and cash back offers; the only important considerations are the standard purchase APR and the standard cash advance APR.

Once you have found the credit cards with the lowest regular interest rates, read the rest of the fine print for catches like annual fees and high default interest rates, and use it to narrow your selection. Now that you have a few likely offers with low interest rates and no nasty surprises, you are free to consider rewards packages and pick the student credit card you like best. Enjoy your new credit card and set the foundation for your future credit... on your terms.

## About the Author

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