Credit card terms to know

APR: For credit cards, the APR is the cost of credit expressed as a yearly interest rate.

Annual fee: A yearly fee that may be charged for having a credit card. Some card issuers assess the fee in monthly installments. Some cards do not have an annual fee.

Balance: The amount owed on the account, including the charges, interest, and fees owed.

Balance transfer fee: A fee charged when you make a balance transfer. It may be a flat fee or a percentage of the transfer. Some cards will charge 0 percent interest on balance transfers, but that doesn’t mean the transfer is free.

Credit limit: The maximum amount that may be borrowed on a credit card. Some credit card advertisements offer a credit limit “up to” a certain amount - but you may not qualify for the maximum. Maxing out a card with a low credit limit can hurt your credit score, which could make it more difficult and more expensive to borrow in the future.

“Go-to” rate: Interest rate you are charged after the introductory rate.

Grace period: The number of days you have to pay your bill in full before an interest charge is assessed on purchases.

Introductory or promotional APR: Your card may have a lower APR during an introductory or promotional period and a higher rate after that period ends. Under Federal law, the introductory period must last at least six months, and the credit card company must tell you what your rate will be after the introductory period expires.

Penalty APR: The APR charged on new transactions if you trigger the penalty terms in your credit card contract. Your credit card issuer may consider you in default if you pay late, go over your credit limit, or if your check is returned. Penalty rates usually are higher than your standard or introductory rates. If you become more than 30 days late, the penalty APR may be applied to your existing balance.

Penalty fees: Fees charged if you violate the terms of your cardholder agreement or other requirements related to your account. For example, your credit card company may charge a penalty fee if you make a late payment or if you exceed your credit limit.

About the CFPB

The CFPB is focused on making the consumer financial markets work for families by enforcing federal consumer laws and by empowering consumers to take more control over their financial lives. We are working to foster a marketplace:

- Where customers can see prices and risks up front and where they can easily make product comparisons.
- In which no one can build a business model around unfair, deceptive, or abusive practices.
- That works for American consumers, responsible providers, and the economy as a whole.

Contact Us

Website: consumerfinance.gov

General inquiries
Consumer Financial Protection Bureau
1700 G Street NW
Washington DC 20552

Submit a complaint by phone
855-411-CFPB (2372)
TTY/TDD: 855-729-CFPB (2372)

Submit a complaint online
consumerfinance.gov/complaint/

Submit a complaint by mail
Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

Find answers to frequently asked consumer questions
www.consumerfinance.gov/askcfpb/

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When Your Rates Can Rise

Credit card companies cannot raise your rate for the first 12 months after you open your account, unless:

- You have a variable rate card tied to an index and the index rises
- There is an introductory rate (introductory rates must last at least six months)
- You are 60 days late paying your bill
- Your rates can go up at any time after the first year, but the creditor must notify you about the change in advance

In general, rate increases can only apply to new charges, unless you are more than 60 days late with a payment. If you are more than 60 days late, the higher rate can be applied to both new charges and your existing balance.