**Credit Card Applications**

Before we get into shopping for a card, let's go over some important terms you'll encounter in credit-card brochures or discussions with potential lenders:

* **Annual fee** - A flat, yearly charge similar to a membership fee
  + Many companies offer "no annual fee" cards today, and lenders who do charge annual fees are often willing to waive them to keep your business.
* **Finance charge** - The dollar amount you pay to use credit
  + Besides interest costs, this may include other charges such as **cash-advance fees**, which are charged against your card when you borrow cash from the lender. (You generally pay higher interest on cash advances than on purchases -- check your latest bill to find out what you're paying for this service!)
* **Grace period** - A time period, usually about 25 days, during which you can pay your credit-card bill without paying a finance charge
  + Under almost all credit-card plans, the grace period only applies if you pay your balance in full each month. It does not apply if you carry a **balance forward**. Also, the grace period does not apply to cash advances.
* **Annual percentage rate** (APR) - The yearly percentage rate of the finance charge
  + **Interest rates** on credit-card plans change over time. Some of these adjustments are tied to changes in other interest rates, such as the **prime rate** or the **Treasury Bill rate**, and are called **variable-rate plans**. Others are not explicitly tied to changes in other interest rates and are called **fixed-rate plans**.
* **Fixed rate** - A fixed annual percentage rate of the finance charge
* **Variable rate** - Prime rate (which varies) plus an added percentage (For example, your rate may be PR + 3.9 percent.)
* **Introductory rate** - A **temporary**, lower APR that usually lasts for about six months before converting to the normal fixed or variable rate (This is a hot topic -- more about it later.)

Experts say that if you're smart, you'll do the same kind of comparison shopping for a credit card that you do when you're looking for a [mortgage](http://money.howstuffworks.com/mortgage.htm) or a [car loan](http://auto.howstuffworks.com/car-financing.htm). This is a good idea because the choices you make can save you money. The process is not a simple one -- here are some tips that should help you get started:

1. **Do some research** - There are plenty of places, both online and offline, where you can read about credit-card offerings and even get credit-card ratings, but since rates and plans change so often, it's a good idea to call the institutions you're interested in to confirm the information and to see if there are other plans that might work for you.

A reliable and non-commercial resource is the [Federal Reserve Board](http://www.howstuffworks.com/framed.htm?parent=credit-card.htm&url=http://www.federalreserve.gov/pubs/shop/). Also, the non-profit consumer credit organization [U.S. Citizens for Fair Credit Card Terms](http://www.howstuffworks.com/framed.htm?parent=credit-card.htm&url=http://www.cardratings.org/) offers credit-card ratings from its research (and so do a lot of commercial organizations -- many of whom are also credit-card issuers).

1. **Make a list** - Make a list of credit-card features that fit your financial needs and rank the features according to how you plan to use the card and pay your monthly bill.
2. **Review the plans** - Review all of the information you've gathered on different plans. Pay special attention to the APR - - you want a low rate, but not necessarily the lowest. This is because, depending on your lifestyle and payment habits, you might benefit more from a card that offers cash rebates, discounts or [frequent-flier miles](http://travel.howstuffworks.com/ff-programs.htm).
3. **Check out credit unions** - Look into the possibility of joining a credit union. Credit unions are non-profit, and they have lower overhead so they can charge lower interest rates. Credit unions are newer to the credit industry so they are eager to generate credit-card loans. However, you'll probably be required to open a share account or [savings account](http://money.howstuffworks.com/question726.htm) to join.

Credit unions typically are limited to a particular employer and its employees, but that's changing. Due to industry consolidations, credit unions are rapidly expanding their fields of membership. To find out which credit union you may be eligible to join, contact the [Credit Union National Association](http://www.howstuffworks.com/framed.htm?parent=credit-card.htm&url=http://www.cuna.org/data/cu/cuna/contact.html) (CUNA).

1. **Compare plans** - If you already have a credit card, be sure that you're making a good move before you swap cards. If you are a current cardholder and have a good [credit rating](http://money.howstuffworks.com/credit-score.htm), see if the institution that issued your card will lower your current rate. Don't be afraid to negotiate!

These are steps to take when deciding on a credit card. But your actual breadth of options depends in great part on your [credit history](http://money.howstuffworks.com/credit-report.htm).