

Credit Card FAQ

1. What are the general benefits and risks of credit cards?

BENEFITS	RISKS
Quick processing times	High/variable interest rates (up to 30%)
Available to start ups	Credit limit of \$25k
Low/no interest rate offers for set timeframes	

2. When may a credit card be a good option for business financing?

A credit card may be a good financing option for a business owner who needs funds quickly and will be able to pay off the balance within 6-12 months. Additionally, credit card financing can be an option for those who cannot qualify for a term loan with lower rates.

3. How does carrying a balance affect my future repayments?

Consider a credit card with an initial \$2,000 balance that charges a 12% annual interest rate. If the card owner paid a \$20 minimum payment each month, the balance would be paid off in twelve years. Alternatively if the card owner pays \$75 per month, the balance would be paid off in four years.

\$20 per month with no additional charges			\$75 per month with no additional charges		
Year	Balance	Balance + Interest	Year	Balance	Balance + Interest
1	\$2,000	\$2,240	1	\$2,000	\$2,240
2	\$2,000	\$2,240	2	\$1,340	\$1,501
3	\$1,880	\$2,106	3	\$601	\$673
4	\$1,746	\$1,955	4	Paid off	
5	\$1,595	\$1,786			
6	\$1,426	\$1,598			
7	\$1,238	\$1,386			
8	\$1,026	\$1,149			
9	\$789	\$884			
10	\$524	\$587			
11	\$227	\$254			
12	Paid off				

4. What credit score range is typically needed to be approved?

Operating businesses typically need a credit score of 680+ and startups need a score of 720+.

5. What range of limits do small business owners typically receive?

The maximum amount for a credit card is typically \$25k, with most applicants receiving a limit between \$10-15k.

6. Do I need to read the fine print?

Yes! Credit cards have additional costs and payment structures which may not be obvious to the average user, for example:

- The APR (Annual Percentage Rate) can be automatically raised if you miss payments
- The balance used to calculate interest charges can differ based on the credit card company, as some use an average monthly balance whereas others use the prior month's balance
- Details for late fee charges and over-the-limit charges are also included in the fine print

7. What should I ask when applying for a credit card?

Below is a list of questions to ask a lender during the application process:

- Is there an introductory rate? What is it and how long does it last?
- After that, what will my rate be?
- Is there an application fee?
- Are there processing fees?
- Is there an annual fee?
- Is there a late fee?
- Is there an over-the-limit fee?
- Are there any other fees, like account termination fees or balance-transfer fees?
- When and how can a variable rate be changed?
- What is the grace period before interest is applied?
- How will you inform me of any changes in my contract?
- Will the company inform me if I am about to go over my limit?
- If I go over my limit, what happens?
- What is the company policy if I have trouble paying my bill?
- May I pay my bill online?