

What Is a Credit Card?

A credit card is a short-term loan issued by a bank or financial institution. When you make a purchase, the issuer pays the merchant on your behalf, and you agree to repay the issuer — ideally in full each month.

Key Terms to Know

- **Credit Limit:** The maximum you can borrow. Staying well below it protects your score.
- **Statement Balance:** Total owed at the end of your billing cycle.
- **Minimum Payment:** Smallest amount to keep the account current. Paying only the minimum creates costly ongoing interest.
- **APR:** Annual Percentage Rate — yearly interest on unpaid balances. Typical cards: 20–30%.
- **Grace Period:** 21–25 days between statement date and due date. Pay in full and owe no interest.
- **Credit Utilization:** Balance ÷ credit limit. Keep below 30% for a strong score.

Potential Benefits

- ✓ Build positive credit history when used responsibly.
- ✓ Stronger fraud protection than debit — unauthorized charges are easier to dispute.
- ✓ Rewards (cash back, points, miles) on everyday spending.
- ✓ Emergency purchasing power when cash is unavailable.

Common Pitfalls

- Carrying a balance and paying high interest month to month.
- Only making the minimum payment — debt can take years to eliminate.
- Exceeding your credit limit, triggering fees and score damage.
- Applying for too many cards at once, which temporarily lowers your score

How the Billing Cycle Works

Step	What Happens
Purchases	You spend throughout the month.
Statement Date	Issuer closes the cycle; balance is set.
Due Date	Pay in full — no interest charged.
If Unpaid	Interest accrues daily on remaining balance.

Smart Habits for Success

- Pay your full statement balance every month — the single most impactful habit.
- Set up autopay for at least the minimum so you never miss a due date.
- Review your statement monthly to catch errors and fraud early.
- Use the card only for purchases you can already afford.
- Keep utilization below 30% of your limit (below 10% is even better).

A Note on Interest-Free Loans

If you are using an interest-free loan to pay down credit card debt, this is an opportunity to break the cycle — not just shift it. Commit to paying off the loan on schedule and changing the habits that led to the debt. The goal is lasting financial stability.

✧ A Jewish Perspective on Credit & Responsibility

The Torah tradition of interest-free lending — Gemilut Chasadim (acts of loving kindness) — reflects a deep commitment to community support without profit. Receiving that support carries responsibility in return.

- Arevut (Mutual Responsibility): Using credit wisely honors the trust placed in you by your community and lender.
- Bal Tashchit (Do Not Waste): Avoiding unnecessary debt and recurring interest is an expression of financial stewardship.
- Kavod HaBriyot (Human Dignity): Financial literacy is not about shame — it is about empowerment.