Understanding Credit Card Interest

A practical guide to borrowing costs and the emotions behind credit decisions

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Prepared October 11, 2026

When approval feels like relief

When money is tight, a credit card offer can feel like a lifeline. Approval may offer reassurance, but it does not establish that the borrowing is affordable. Before accepting an offer, understand the interest rate, fees and repayment terms. A credit limit is borrowed money, not additional income.

Financial trouble can make it difficult to slow down and compare offers. Take time to read the terms before applying. A credit rating describes borrowing history; it does not measure your worth as a person.

What the interest rate means

APR stands for annual percentage rate. On a credit card, the purchase APR is the yearly interest rate used to calculate charges on purchase balances when interest applies. It is not a monthly rate. Fees can add to the cost separately, and purchases, balance transfers and cash advances may have different APRs. [4]

Credit standing and borrowing costs

The figures below show regular purchase rates, not introductory offers. The three category averages describe card offers in a marketplace survey; they are not guaranteed rates for individual applicants. [1, 2]

Credit standing	Score range	Purchase APR	Monthly interest on $5,000
Poor or rebuilding	300-639	29.24% example*	$122
Fair	640-699	26.88% average	$112
Good	700-749	23.37% average	$97
Excellent	750-850	17.15% average	$71

Source dates: WalletHub rates as of October 5, 2026; Capital One offer checked October 11, 2026. *The poor-credit row uses the Capital One Platinum Secured card as an example, not a poor-credit average. This secured card requires a refundable deposit; approval is not guaranteed. WalletHub does not publish a separate poor-credit average in this survey. [1, 2]

Score bands follow WalletHub categories so they align with its survey; these are not FICO category boundaries. Fair is sometimes described informally as average credit, but it does not mean the national average score. [3]

Make the cost visible

At the rates above, the fair-credit average costs about $41 more per month than the excellent-credit average on a $5,000 balance. If you paid $150 in the fair-credit illustration, roughly $112 would cover interest and only $38 would reduce the balance, before fees or new charges.

Illustrations use balance x APR / 12, rounded to whole dollars. Actual charges depend on daily balances, billing-cycle length and the card agreement. These are monthly cost examples, not payoff schedules.

Read the terms before you accept

Regular purchase APR. Look beyond the opening offer. Confirm the rate that applies after any promotion and whether the rate is variable. Your credit profile and the card product both affect what you may be offered. [1, 4]

Promotional terms and fees. Check the expiration date and which transactions qualify. A 0% balance transfer can still have a transfer fee. For example, a 3% fee on $5,000 adds $150. Cash advances can carry separate rates and fees; check when interest begins. [4, 6]

Minimum payment and payoff estimate. The minimum is the amount required for that billing period. Paying only that amount can keep you in debt for years. Check the repayment information on your statement. Estimates assume you do not add new purchases. [5]

When purchases can avoid interest

If your card provides a purchase grace period and you are not carrying a balance, paying the full statement balance by the due date generally avoids interest on new purchases. Paying the minimum does not accomplish this. Carrying a balance may cause you to lose the grace period, so new purchases can begin accruing interest. Cash advances generally do not receive the same protection. [7]

A manageable plan when money is tight

1. Write down the facts. For each card, record the balance, purchase APR, minimum payment, due date and any promotion expiration date. Use your latest statements rather than your memory.

2. Prevent avoidable setbacks. Budget for required minimums and essential living costs. Use reminders or carefully managed autopay. If a payment is becoming unaffordable, contact the issuer early to ask about hardship options and their terms.

3. Direct extra money deliberately. After required minimums, putting extra money toward the highest-rate balance generally reduces interest fastest. A smallest-balance-first approach may help motivation, but can cost more interest. Choose a plan you can sustain and limit new charges while repaying.

4. Compare the full cost before moving debt. A transfer or consolidation only helps if the rate, fees and payment terms improve your situation. Plan for the end of promotional periods and avoid running the old balances back up.

One step today: Open your latest statement and find the purchase APR. Learning the price of your debt is the first step toward deciding what to do about it.

Sources and calculation notes

Rates are a dated snapshot and can change. WalletHub reports its offer metrics using a database of more than 1,500 credit card offers. Its category averages should not be treated as the rates every borrower in a score band actually pays. Educational information; individual card terms control.

[1] WalletHub. Credit Card Landscape Report. Accessed October 11, 2026.

[2] Capital One. Platinum Secured card purchase APR and terms. Accessed October 11, 2026.

[3] WalletHub. What Is Creditworthiness. Accessed October 11, 2026.

[4] CFPB. Credit and charge card applications and solicitations. Accessed October 11, 2026.

[5] CFPB. Understanding the three year repayment box. Accessed October 11, 2026.

[6] FDIC. Credit Card Checks and Cash Advances. Accessed October 11, 2026.

[7] CFPB. What is a grace period for a credit card. Accessed October 11, 2026.