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How to pick a socially responsible credit card

By Teri Cettina

If you're a fan of the environmental concept of sustainability, you may be driving an electric car, buying locally grown food and shunning products made in sweatshops.

But what about that plastic in your pocket? Does your credit card also support the "triple-bottom-line" -- a measure of success that includes social, environmental and economic benefits?

Consumers have two major options when it comes to incorporating sustainability values into their credit life, says Todd Larsen, corporate responsibility director for [Green America](#), a nonprofit focused on using economic action to solve social and environmental problems. The first: charity affinity credit cards, which are issued by banks through partnerships with nonprofit organizations that receive a portion of the cards' revenues. The second choice is to use cards issued by smaller, local community banks and credit unions whose overall mission is to invest in their local economies, socially responsible nonprofits and "green" companies.

"I think more and more people are seeing that if you bank and have a credit card with financial institutions that don't share your values, you're actually using your money in a way that doesn't support the world you want to live in," says Larsen.

Charging for charity

If the idea of using a credit card that gives money to charity is appealing, you have an ever-expanding number of options. Some of these affinity cards, such as [Bank of America's World Wildlife Fund card](#) and the Sierra Club's Visa (issued by One PacificCoast Bank), support environmental causes, while Target's RedCard channels money to education. Other cards support low-income housing efforts, the arts and other similarly good causes. (See [chart](#) below for a sampling of offerings.)



"It can feel like an easy way for us, as consumers, to contribute financially to a nonprofit," explains Larsen. The way it works is that every time you make a charge on an affinity card, the participating bank or credit card issuer simply funnels a portion of what they would have earned as a processing fee to the participating charity. Unlike those "Do you want to round up a penny to support The Latest Good Cause?" requests you get at the grocery-store checkout counter, affinity cards pose no extra charge to you, the consumer. The contribution comes from the bank that issued the credit card.

What's not to like?

Actually, several things, says John Ulzheimer, credit expert at CreditSesame.com. For one, he believes these credit cards are a marketing gimmick. "People pick credit cards for all sorts of reasons: the rewards program, great customer service or the so-called prestige of certain cards," he says. "I think these affinity 'do-good' programs are just another way for card issuers to hit our hot buttons and talk us into applying for their cards."

Financial planner Kimberly Foss, president of [Empyryon Wealth Management](#) in Roseville, Calif., agrees: "When I go into a retailer and buy a plastic set of dishes that will take hundreds of years to break down in the landfill, I can still feel good about it because I bought my dishes on a 'green' card -- a credit card that gives back to the environment. Does that make any

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Credit Card Rate Report

Updated: 08-21-2013

National Average	14.95%
Low Interest	10.46%
Balance Transfer	12.44%
Business	12.98%
Student	13.27%
Cash Back	14.51%
Airline	14.63%
Reward	14.77%
Bad Credit	23.48%
Instant Approval	28.00%

sense?" she asks. "Not to me."

Compare costs, don't splurge

Neither Ulzheimer nor Foss are saying the cards are scams. Affinity cards do channel money to legitimate nonprofits. However, it's important to look carefully at their costs. Compare them to plain-vanilla cards -- not just their annual percentage rates (APRs) and annual fees (if they require them), but the often-forgotten fees, such as balance-transfer, over-credit-limit, card-replacement charges, and so on.

Ulzheimer also worries that consumers may actually alter their credit card spending patterns -- perhaps charging more than they usually do or shopping at higher-priced stores -- because they feel good about the card's charitable component. If you're not careful, you could end up paying more in interest and fees than the card issuer actually donates to the chosen charity.

Larsen says you may also want to check whether a megabank is sponsoring the charitable affinity card. "That's what gets complicated for a lot of people: They want to support that particular charitable organization but don't really want to support the large financial institution behind it," he says.

For these reasons, Foss advises keeping your credit cards and your charitable efforts separate. "Get a credit card with decent [rewards](#), but low fees and be sure to pay it off every month," she advises. "Then make charitable donations to whatever organization you like -- and get more bang for your buck by getting a tax write-off, too." The money nonprofits earn from affinity credit cards generally aren't tax-deductible to either you or the credit card company, since they're technically a royalty payment, and not a donation, says Green America's Larsen.

Breaking up with the megabanks

If the charity-oriented affinity card isn't right for you, a second option is to get a credit card through a community development bank or credit union that supports triple-bottom-line efforts as part of its overall business strategy. A few examples of these kinds of financial institutions: [Hope Federal Credit Union](#), which helps economically distressed communities in the southern United States, and [Self-Help Federal Credit Union](#), which focuses on serving minorities, women, rural residents and disadvantaged communities.

You may be able find similar sustainable banks and credit unions in your town through [Greenpages.org](#), or by doing an online search for community development banks and credit unions in your area. Many of these organizations are formally certified by the [U.S. Department of the Treasury](#) as Community Development Financial Institutions.

"I love these kinds of organizations because the financial terms on their credit cards are almost always more competitive than what the big banks can offer," says Ulzheimer. Although the rates aren't dazzlingly lower -- local banks and credit unions might offer a 12 percent to 15 percent average APR versus a 15 percent to 16 percent APR at a big bank -- their terms are often considerably better, Ulzheimer says. In addition, these community development financial institutions may share profits with local nonprofits (just like the charitable affinity cards) every time you complete a credit transaction with their card. "That's the gravy on top of an already competitively priced credit card," says Ulzheimer.

Foss and Ulzheimer agree, however, that a credit card's financial terms should always trump any do-good efforts it offers. "It's a financial product, period," says Ulzheimer. "It's not a charitable product first, and a financial product second."

This chart compares cards that may satisfy your credit needs and your conscience.

CHARITY AFFINITY CREDIT CARDS					
Card	Cause supported	Donation amount	Cardholder rewards	APR for purchases	Annual fee or membership requirements
One PacificCoast Bank Sierra Club Visa	Sierra Club	\$15 per new card, 0.23% of purchases	1 point in ScoreCard Rewards for every \$1 charged	9.99% - 17.99% variable	None
Bank of America Susan G. Komen MasterCard	Susan G. Komen Foundation	\$3 per new account, \$1 per annual renewal; 0.20% of purchases	1% - 3% cash back	0% for first 12 months, then 12.99% - 22.99% variable	None
Bank of America World Wildlife Fund	World Wildlife Fund	\$5 per new account, \$5 per annual	1% - 3% cash back	0% for first 12 months, then 12.99% -	None

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Visa		renewal, 0.25% of purchases		22.99% variable	
Target's RedCard	Any eligible K-12 school you choose	1% for purchases made at Target; 0.5% for other purchases	5% discount at Target, free shipping, 30 days extra for returns	22.9% variable	None

CREDIT CARDS FROM BANKS & CREDIT UNIONS WITH SUSTAINABILITY MISSIONS					
Card	Cause supported	Donation amount	Cardholder rewards	APR for purchases	Annual fee or membership requirements
Hope Federal Credit Union MasterCard and MasterCard Rewards cards	Affordable financial services in the Mid-South U.S.	N/A	None, for regular MasterCard. 1 point in CU Rewards per \$1 charged on MasterCard Rewards card	4.99% for first 6 months, then 7% - 18% variable on MasterCard or 8% - 18% variable on MasterCard Rewards card	Credit union membership required. No annual fee
Permaculture Credit Union Visa	Permaculture, the environment	N/A	N/A	12.99% - 22.99% variable	Credit union membership required. No annual fee
One PacificCoast Bank Salmon Nation Visa	Ecotrust's Salmon Nation project to protect Pacific salmon	\$15 per new card, 0.23% of purchases	1 pt. in ScoreCard Rewards for every \$1 charged	9.99% - 17.99% variable	None
Santa Cruz Community Credit Union Visa (Santa Cruz, Watsonville, Calif.)	Community Visa Donation Fund , which gives to 5 community causes chosen by members annually	5 cents per transaction	N/A	12.4%	Credit union membership required. No annual fee

Source: CreditCards.com research, August 2013. Cards can and do change offers frequently. To report a change, email editors@creditcards.com.

See related: [Giving charity gift cards? Mind the fine print](#), [Give more with less through charity credit cards](#), [10 ways to go green with credit cards](#)

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