



Understanding Credit Cards

Advanced Level

What is a Credit Card?

Credit card - a plastic card that you can use to access a line of credit that has been established in advance



A person can borrow up to an established credit limit.



Credit limit – maximum dollar amount that can be borrowed.



Is a credit card open-end or closed-end credit?

Credit Card Interest



Interest is charged **each month** the balance is not paid in full

Rate at which interest is charged is referred to as:

Annual Percentage Rate (APR)

The cost of credit expressed as a yearly interest rate

Minimum Payment



A minimum payment is due **each month** the card has a balance

To prepare for her first semester of college, Miranda purchased a new computer for \$1,000 and textbooks for \$500, spending a total of \$1,500 on her credit card charging 15% APR. How much would Miranda pay in interest if she makes the minimum payment?

	Payment Made	Time to pay off card	Total amount of interest paid	Total amount paid
Full Payment	\$1,500	1 month	\$0	\$1,500
Partial Payment	\$135	1 year	\$125	\$1,625
Minimum Payment	\$30	11 years	\$1,413	\$2,913

Credit Card = Helpful Financial Management Tool

...if managed responsibly

Develop
positive credit
history

Convenient
payment tool

Protected from
unauthorized
charges

Credit card
safer for online
shopping

Credit card
bonuses

Develop a Positive Credit History



Credit card use can have a positive or negative impact on your credit history

Follow these positive behaviors:

Pay credit card balances in full every month

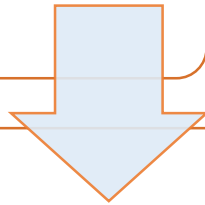
Pay credit card bills on time

Be conscious of how credit cards affect your credit history

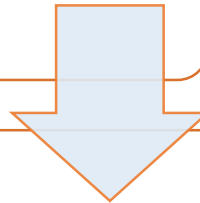
Check the monthly credit card statement for errors

Convenient Payment Tool

No need to carry
large amounts of cash



Useful in emergencies



Often required to
hold a reservation

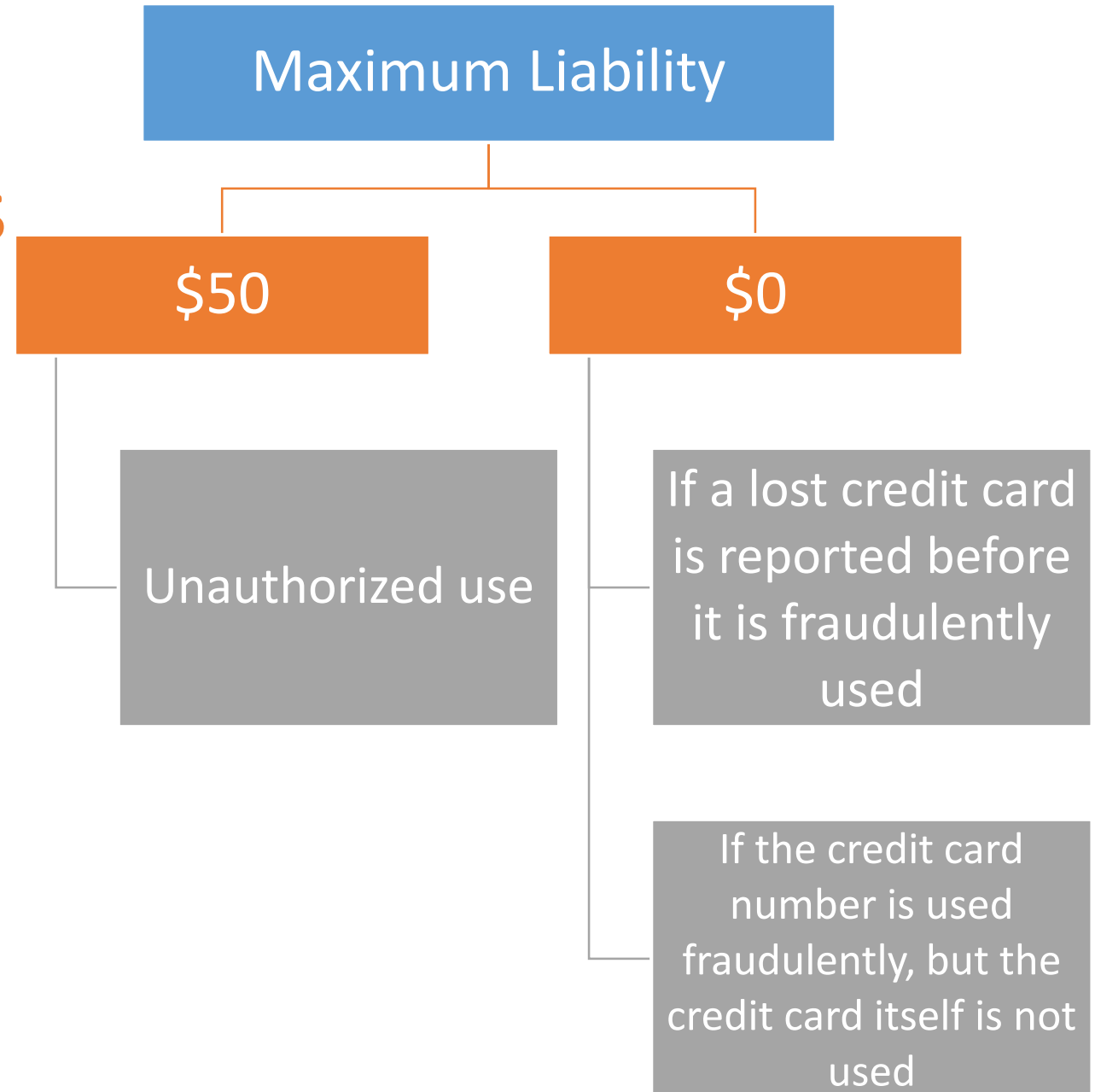


How is a
credit card a
convenient
payment tool?



Be conscientious of all
credit card purchases to
not overspend!

Protect Yourself from Unauthorized Charges




Report lost or stolen cards immediately!



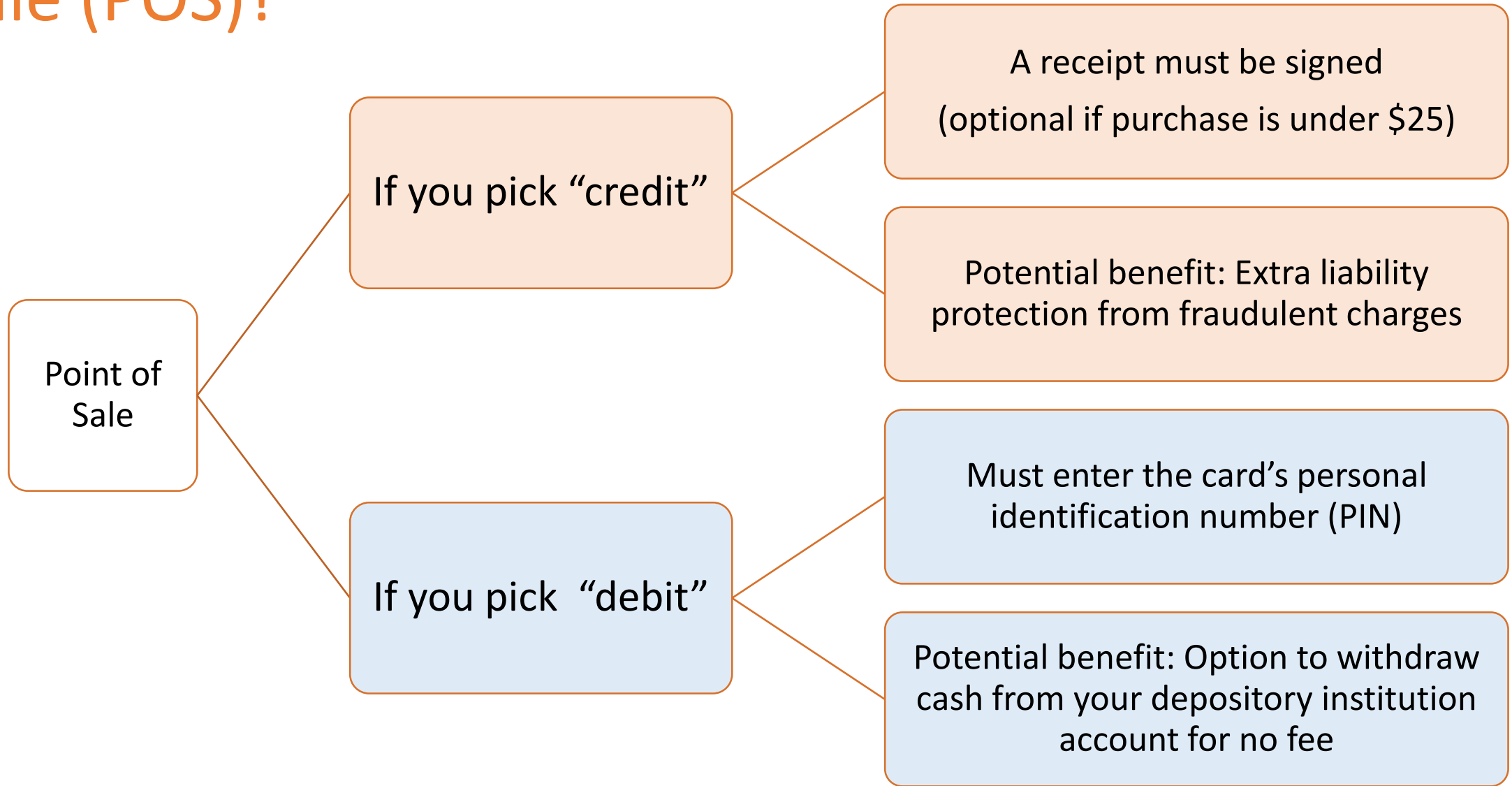
Check your statements monthly!

Safer Online Shopping

 What is the difference between a credit card and a debit card?



Should you choose “debit” or “credit” at a point of sale (POS)?



Additional Benefits



May charge additional fees or higher interest rates



Carefully evaluate if the benefits outweigh the cost



Would you be willing to pay higher/additional fees or higher interest rates to obtain credit card benefits? Explain.

Credit Cards

Advantages & Disadvantages





How many
advantages
can you think
of?

How many
disadvantages
can you think
of?

Credit Cards

Advantages & Disadvantages

- 
- Convenient payment tool
 - Useful for emergencies
 - Often required to hold a reservation
 - Able to purchase “big ticket” items and spread out payments
 - Protection against fraud
 - Opportunity to establish a positive credit history
 - Online shopping is safer than using a debit card
 - Possibility of receiving bonuses

- 
- Interest can be costly when a balance is revolved
 - Additional penalty fees may apply
 - Tempting to overspend
 - If not used responsibly, it will have a negative impact on your credit score

Credit Card Offers

Credit card issuers are required to disclose the terms and fees of credit cards in an easy to read box format



Called the **Schumer Box**



Credit cards may charge many different types of interest rates

Annual Percentage Rate (APR) for Purchases

- Interest rate paid for purchases
- Multiple interest rates may be listed
 - final interest rate may depend on creditworthiness of applicant

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Introductory Rate

- **Introductory rate:** APR that may be charged (usually increased) after the introductory period ends
- Not all credit cards have an introductory rate



How does credit worthiness impact APR?

It will influence if a person receives a credit card and the APR. APR will be higher if a person has a poor credit history.

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Fixed vs. Variable-rate APR

- **Fixed-rate APR:** cannot change during the period of time outlined in a credit card agreement
- **Variable-rate APR:** may change depending on other factors (such as economic conditions)



Would you prefer a fixed or variable rate credit card? Why?

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

APR for Balance Transfers & Cash Advances

- **Balance transfer:** act of transferring debt from one credit card to another
- Cash advance - withdrawing cash from an ATM using a credit card
- Fees may apply (even if the APR is 0%)

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Penalty APR & When it Applies

Penalty APR: interest rate charged on new transactions if the penalty terms in the contract are triggered



What could trigger a Penalty APR?

1. **Make a late payment**
2. **Go over your credit limit**
3. **Make a payment that is returned**
4. **Do any of the above on another account that you have with them.**

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. <p>How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

How To Avoid Paying Interest on Purchases

Pay your bill in full by the due date

Minimum Interest Charge

Typically \$0.50 - \$2 per month

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> Make a late payment; Go over your credit limit; Make a payment that is returned; or Do any of the above on another account that you have with us. <p>How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> Annual Fee: \$20 Account Set-up Fee: \$20 (one-time fee) Participation Fee: \$12 annually (\$1 per month) Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 Over-the-limit: \$29 Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Explore the Federal Reserve Board website

www.federalreserve.gov/creditcard

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> Make a late payment; Go over your credit limit; Make a payment that is returned; or Do any of the above on another account that you have with us. <p>How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> Annual Fee: \$20 Account Set-up Fee: \$20 (one-time fee) Participation Fee: \$12 annually (\$1 per month) Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 Over-the-limit: \$29 Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill



Identify **three** resources on this site that could help you in the future when it comes to managing your credit cards

Set-up and Maintenance Fees

- Annual fee: yearly fee that may be charged for having a credit card
- Set-up fee: fee for opening the account
- Participation fee: monthly fee for having the credit card
- Additional card fee: fee to have a second person on the account

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

 Why would a consumer choose a credit card with an annual fee?

Benefits, such as airline miles, the card offers are of greater value to them

Transaction Fees

- Balance transfer fees
- Cash advance fees
- Other

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Penalty Fees

Penalty fees in addition to Penalty APR

- **Late-payment fee:** charged when a cardholder does not make the minimum monthly payment by the due date
- **Over-the-limit fee:** charged if the account balance goes over the set credit limit
- **Returned payment fee:** applies if the cardholder does not have enough money to cover a payment.

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

How We Calculate Your Balance

Credit card companies use one of several methods to calculate an outstanding credit card balance

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> Make a late payment; Go over your credit limit; Make a payment that is returned; or Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> Annual Fee: \$20 Account Set-up Fee: \$20 (one-time fee) Participation Fee: \$12 annually (\$1 per month) Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 Over-the-limit: \$29 Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Loss of Introductory APR

If the card has an introductory rate, this area will list how the lower introductory rate can be lost

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> Make a late payment; Go over your credit limit; Make a payment that is returned; or Do any of the above on another account that you have with us. <p>How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> Annual Fee: \$20 Account Set-up Fee: \$20 (one-time fee) Participation Fee: \$12 annually (\$1 per month) Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 Over-the-limit: \$29 Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Credit Card Chaos



Credit Card Chaos

Does your credit card offer have a:

Fixed-rate APR for Purchases

OR

Variable-rate APR for Purchases



Card 3 – 15.99%

Card 1 – 14.99%
Card 2 – 14.99%

Credit Card Chaos

Does your credit card offer have an **Introductory Rate**?

No Introductory Rate

Introductory Rate

OR



Card 2



Card 1 – 12.99-14.99% for one year
Card 3 – 11.99% for one year

Credit Card Chaos

Does your credit card offer have an:

**APR for Purchases
greater than or equal to
15%**

OR

**APR for Purchases
less than 15%**



Card 3



Card 1
Card 2

Credit Card Chaos

Does your credit card offer have a **Minimum Interest Charge?**

Minimum Interest Charge



Card 1 - \$1.50
Card 3 - \$2.00

OR

No Minimum Interest Charge



Card 2

Credit Card Chaos

Does your credit card offer have an **Annual Fee**?

Annual Fee



Card 1 - \$20
Card 3 - \$15

OR

No Annual Fee



Card 2

Credit Card Chaos

Does your credit card offer have a **Balance Transfer Fee**?

**No Balance
Transfer Fee**



Card 3

OR

**Balance
Transfer Fee**



Card 1 - \$5 or 3%
Card 2 - \$25 or 5%

Credit Card Chaos

Does your credit card offer have a **Late Payment Fee**?

**Late Payment
Fee**

OR

**No Late
Payment Fee**



Card 1 - \$29 if balance less than \$1000 or
\$35 for balances greater than \$1000

Card 2 - \$30

Card 3 - \$35



How Do I Obtain a Credit Card?

Shop around

Compare credit card offers and determine which card best fits your needs

Complete a credit application

A form requesting information about a person's ability to repay

Credit card companies send **pre-approved** credit card applications in the mail when the individual has passed the initial credit check

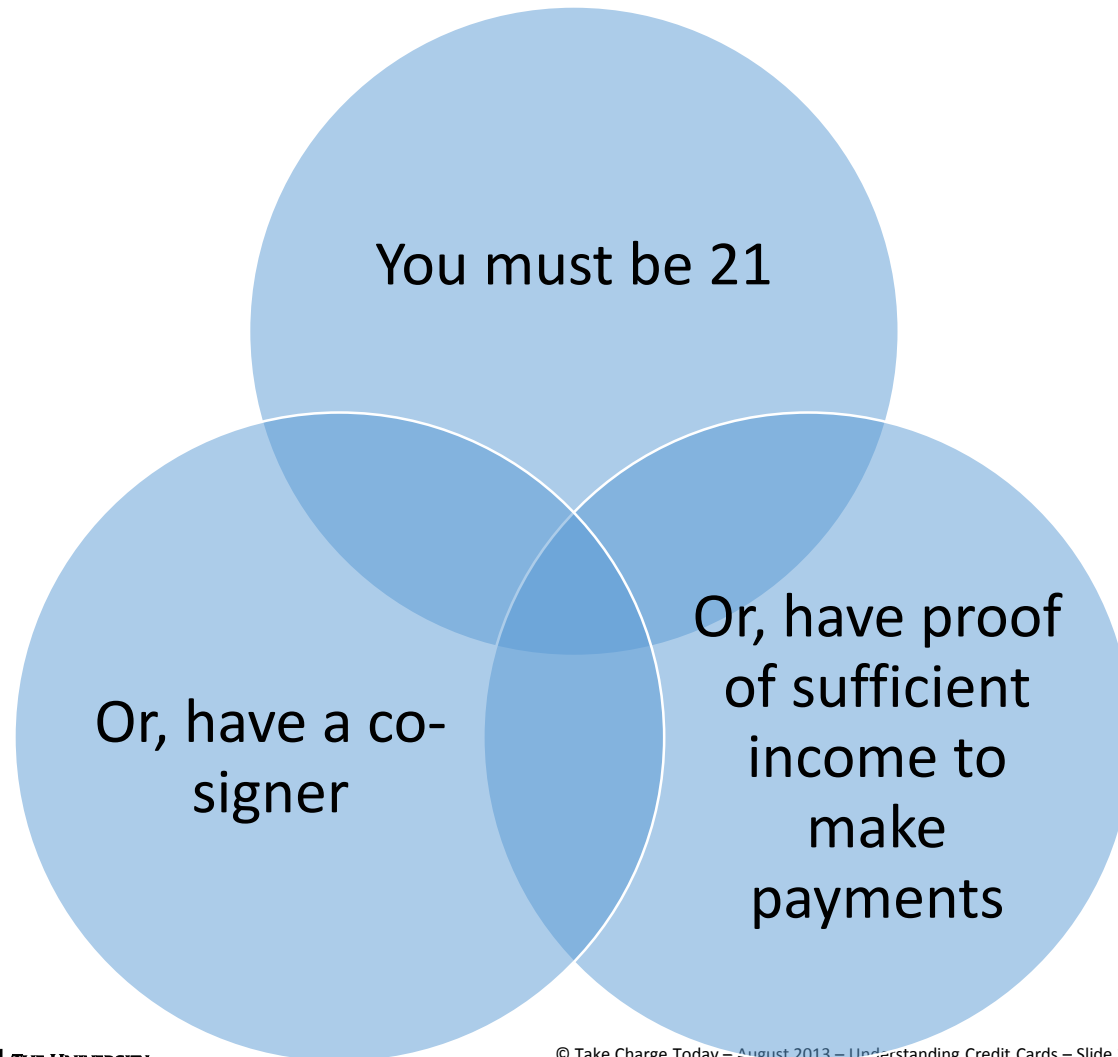


Approval?

Applicant may or may not be approved (depends on creditworthiness)

If approved, review the final credit terms closely

Obtaining a Credit Card



If a credit card is not managed responsibly, what impact does that have on a co-signer?

What is a Credit Card Statement?



It is important to review each monthly credit card statement closely!

Andrew's Credit Card Statement

Please help Andrew interpret his credit card statement.

Summary of Account Activity Overview of credit card



How much did Andrew charge in new purchases during this credit card billing cycle?

\$517.12

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1786.00
Payments	-450.00	Minimum Payment Due	\$53.00
Purchases	+517.12	Payment Due Date	4/20/12
Balance Transfers	+785.00	1	
Cash Advances	+318.00	2	
Past Due Amount	+0.00	3	
Fees Charged	+69.45	4	
Interest Charged	+11.36	5	
New Balance	\$1,786.00	6	
Credit Limit	\$2,000.00	7	
Available credit		8	
Statement closing date		9	
Days in billing cycle		10	

Summary of Account Activity	
Previous Balance	535.07
Payments	-450.00
Purchases	+517.12
Balance Transfers	+785.00
Cash Advances	+318.00
Past Due Amount	+0.00
Fees Charged	+69.45
Interest Charged	+11.36
New Balance	\$1,786.00
Credit Limit	\$2,000.00
Available credit	\$214.00
Statement closing date	3/22/2012
Days in billing cycle	30

2012 Totals Year-to-Date	
Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.74

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Payment Information

- Total new balance
- Minimum payment amount
- Date payment is due



What is Andrew's minimum payment due for this billing cycle?

\$53.00

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1786.00
Payments	-450.00	Minimum Payment Due	\$53.00
Purchases	+517.12	Payment Due Date	4/20/12
Balance Transfers	+785.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APR's may be increased up to the Penalty rate of 28.99%	
Cash Advances	+318.00	Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example...	
Past Due Amount	+0.00	If you make no additional charges using this card and each	You will pay off the balance shown
Fees Charged	+69.45	And you will end up paying an	of...
Interest Charged	+11.36		
New Balance	\$1,786.00		

Payment Information	
New Balance	\$1,786.00
Minimum Payment Due	\$53.00
Payment Due Date	4/20/12
Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APR's may be increased up to the Penalty rate of 28.99%	
Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example...	

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	8 years	\$2,785
\$62	3 years	\$2,232 (Savings=\$553)

2012 Totals Year-to-Date	
Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.74

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Late Payment Warning

What will happen if a payment is late—usually additional fees and a higher interest rate

Minimum Payment Warning

Estimate of how long it can take to pay off balance if only minimum payment is made



How long will it take Andrew to pay off the balance of his credit card if he only pays the minimum payment?

8 years

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1,786.00
Payments	50.00	Minimum Payment Due	\$53.00
Purchases	12.00	Payment Due Date	4/20/12
Payment Information			
New Balance		\$1,786.00	
Minimum Payment Due		\$53.00	
Payment Due Date		4/20/12	
Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APR's may be increased up to the Penalty rate of 28.99%			
Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example...			

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	8 years	\$2,785
\$62	3 years	\$2,232

2012 Totals Year-to-Date			
Total fees charged in 2012		\$90.14	
Total interest charged in 2012		\$18.74	

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Notice of Changes to Your Interest Rates

Notifies card holder if rates are changing (typically a result of the Penalty APR being triggered)



Has Andrew triggered the Penalty APR?

Yes, he will pay 28.99% on all transactions made after 4/9/12

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1786.00
Payments	-450.00	Minimum Payment Due	\$53.00
Purchases	+517.12	Payment Due Date	4/20/12
Balance Transfers	+785.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee and your APR's may be increased up to the Penalty rate of 28.99%	
Cash Advances	+318.00		
Payment Due Amount	\$10.00		

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. If you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.


Revised Terms, as of 5/10/12	
will apply to those transactions as well.	APR for purchases 16.99%

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
XXXX1	2/22	2/23	Store #1	\$517.12
XXXX2	2/25	2/25	Payment	\$450.00 -
XXXX3	2/26	2/26	Cash Advance	\$318.00
XXXX4	2/27	3/1	Balance Transfer	\$785.00
Fees				
XXXX5	2/23	2/23	Late Fee	\$35.00
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
			Total Fees for this Period	\$69.45
Interest Charged				
			Interest Charge on Purchases	\$6.57
			Interest Charge on Cash Advances	\$4.79
			Total Interest for this Period	\$11.36
2012 Totals Year-to-Date				
			Total fees charged in 2012	\$90.14
			Total interest charged in 2012	\$18.74

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Important Changes to Your Account Terms

- Must be notified of any significant changes
- Any changes can only apply to new charges
- Account can be closed before the changes go into effect

 Other than implementation of the Penalty APR, will there be any other changes to Andrew's account terms?

Yes, his APR for Purchases is increasing to 16.99%

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1786.00
Payments	-450.00	Minimum Payment Due	\$53.00
Purchases	+517.12	Payment Due Date	4/20/12
Balance Transfers	+785.00	1 2 3 4 Rate Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee and your APR's may be increased up to the Penalty rate of 28.99%	
Cash Advances	+318.00	Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. Example...	
Past Due Amount	+0.00	If you make no additional charges using this card and each month you pay...	
Fees Charged	+69.45	Only the minimum payment	8 years
Interest Charged	+11.36	\$62	3 years
New Balance	\$1,786.00		\$2,232
Credit Limit	\$2,000.00		
Available credit	\$214.00		
Statement closing date	3/22/2012		
Days in billing cycle	30		

Notice of Changes to Your Interest Rates

Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement. These changes will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, any changes to APR's described below will apply to these transactions.

Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.

If you are already being charged a higher Penalty for purchases: In this case, any changes to APR's described below will not go into affect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.

Revised Terms, as of 5/10/12	
APR for purchases	16.99%

2012 Totals Year-to-Date	
Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.74

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Transactions

- List of all transactions since the last statement
- Should be reviewed for errors

Fees and Interest Charged

- Fees and interest charges must be listed separately



Does Andrew owe a late fee?

Yes, he owes a \$35.00 late fee

Andrew's Credit Card Statement

Summary of Account Activity		Payment Information	
Previous Balance	535.07	New Balance	\$1786.00
Payments	-450.00	Minimum Payment Due	\$53.00
Purchases	+517.12	Payment Due Date	4/20/12
Balance Transfers	+785.00	1 2 3 4 6	
Cash Advances	+318.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a 35 fee and your APR's may be increased up to the Penalty rate of 28.99%	
Past Due Amount	+0.00	Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example...	
Fees Charged	+69.45	If you make no additional charges using this card and each	
Interest Charged	+11.36	You will pay off the balance shown	
New Balance	\$1,786.00	And you will end up paying an	

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
XXXX1	2/22	2/23	Store	\$535.07
XXXX2	2/25	2/26	Paym	\$450.00 -
XXXX3	2/26	2/26	Cash	\$318.00
XXXX4	3/15	3/17	Balance transfer	\$785.00
Fees				
XXXX5			Late Fee	\$35.00
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
Total Fees for this Period				\$69.45
Interest Charged				
Interest Charge on Purchases				\$6.59
Interest Charge on Cash Advances				\$4.79
Total Interest for this Period				\$11.36

2012 Totals Year-to-Date	
Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.74

Interest Charge Calculation *Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00

Year-to-Date Totals

Total amount paid in fees and interest charges for the current year



What is the total amount of interest Andrew has paid in the year 2012?
\$18.74

Interest Charge Calculation

Summary of the different types of transactions



Why is it important to understand how to read a credit card statement?

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
XXXX1	2/22	2/23	Store #1	\$535.07
XXXX2	2/25	2/25	Payment	\$450.00 -
XXXX3	2/26	2/26	Cash Advance	\$318.00
XXXX4	2/27	3/11	Balance Transfer	\$785.00
Fees				
XXXX5	2/23	2/23	Late Fee	\$35.00
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
			Total Fees for this Period	\$69.45
Interest Charged				
			Interest Charge on Purchases	\$6.57
			Interest Charge on Cash Advances	\$4.79
			Total Interest for this Period	\$11.36
2012 Totals Year-to-Date				
			Total fees charged in 2012	\$90.14
			Total interest charged in 2012	\$18.74
XXXX5	2/23	2/23	Late Fee	\$35.00
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
			Total Fees for this Period	\$69.45
Interest Charge Calculation				
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge	
Purchases	14.99%	\$533.32	\$6.57	
Cash Advances	21.99%	\$265.00	\$4.79	
Balance Transfers	0.00%	\$575.67	\$0.00	
Cash Advances	21.99%	\$265.00	\$4.79	
Balance Transfers	0.00%	\$575.67	\$0.00	

Be Andrew's Financial Advisor

Andrew has come to you and voiced his concerns about having a credit card. He is considering getting rid of his credit card.

As a “financial advisor,” you understand that credit cards are financial tools that can be used or abused.



What three pieces of advice will you give Andrew?

Summary

To avoid paying interest on a credit card, pay the balance in full every month

A credit card can have a positive or a negative impact on credit history

Credit card companies are required to disclose the terms and fees of a credit card

If you apply for credit and are approved, be sure to review the final credit terms offered

Credit card statements outline important information about a credit card and should be checked carefully for errors