

## COMPARISON SHOPPING FOR A CREDIT CARD

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Directions: Complete this table using the *Sample Credit Card Offers*

	Card 1	Card 2	Card 3
What is the Annual Percentage Rate (APR) for Purchases			
Is the APR for purchases a fixed-rate APR or variable-rate APR?			
Introductory APR- What is the rate and how long does it last?			
What is the APR for Balance Transfers?			
What is the APR for Cash Advances?			
What is the Penalty APR?			
Is there a minimum interest charge? If so, how much?			
Set-up and Maintenance Fees			
Transaction Fees			
Penalty Fees			
How is the balance calculated?			

	Card 4	Card 5	Card 6
What is the Annual Percentage Rate (APR) for Purchases			
Is the APR for purchases a fixed-rate APR or variable-rate APR?			
Introductory APR- What is the rate and how long does it last?			
What is the APR for Balance Transfers?			
What is the APR for Cash Advances?			
What is the Penalty APR?			
Is there a minimum interest charge? If so, how much?			
Set-up and Maintenance Fees			
Transaction Fees			
Penalty Fees			
How is the balance calculated?			

**Summarize by answering the following questions:**

1. If selecting a credit card based on APR only what card would be the best choice?
2. List 3 "offers" that sound attractive to entice someone to sign up for a card.
3. Why do credit card companies and stores promote credit so much?
4. Explain in at least 5 complete sentences which offer out of the six you explored is the BEST credit card offer and why.
5. Describe in at least 3 complete sentences which offer out of the six is the worse choice and why.

## Sample Credit Card Offer 1

Interest Rates and Interest Charges	
<b>Annual Percentage Rate (APR) for Purchases</b>	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.
<b>APR for Balance Transfers</b>	15.99% <ul style="list-style-type: none"> <li>• This APR will vary with the market based on the Prime Rate</li> </ul>
<b>APR for Cash Advances</b>	21.99% <ul style="list-style-type: none"> <li>• This APR will vary with the market based on the Prime Rate</li> </ul>
<b>Penalty APR and When it Applies</b>	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> <li>1. Make a late payment;</li> <li>2. Go over your credit limit;</li> <li>3. Make a payment that is returned; or</li> <li>4. Do any of the above on another account that you have with us.</li> </ol> <p><b>How long will the Penalty APR apply?</b> 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>
<b>How to Avoid Paying Interest on Purchases</b>	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.
<b>Minimum Interest Charge</b>	If you are charged interest, the charge will be no less than \$1.50.
<b>For Credit Card Tips from the Federal Reserve Board</b>	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at <a href="http://www.federalreserve.gov/creditcard">http://www.federalreserve.gov/creditcard</a>
Fees	
<b>Set-up and Maintenance Fees</b>	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 available initially. 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"> <li>• <b>Annual Fee:</b> \$20</li> <li>• <b>Account Set-up Fee:</b> \$20 (one-time fee)</li> <li>• <b>Participation Fee:</b> \$12 annually (\$1 per month)</li> <li>• <b>Additional Card Fee:</b> \$5 annually (if applicable)</li> </ul>
<b>Transaction Fees</b>	<ul style="list-style-type: none"> <li>• <b>Balance Transfer:</b> Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100)</li> <li>• <b>Cash Advance:</b> Either \$5 or 3% of the amount of each cash advance, whichever is greater</li> <li>• <b>Foreign Transaction:</b> 2% of each transaction in U.S. dollars</li> </ul>
<b>Penalty Fees</b>	<ul style="list-style-type: none"> <li>• <b>Late Payment:</b> \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000</li> <li>• <b>Over-the-limit:</b> \$29</li> <li>• <b>Returned Payment:</b> \$35</li> </ul>

\* 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

## Sample Credit Card Offer 2

Interest Rates and Interest Charges	
<b>Annual Percentage Rate (APR) for Purchases</b>	14.99% This is a variable-rate APR that will vary with the market based on the Prime Rate.
<b>APR for Balance Transfers</b>	0 % introductory APR for six months. After that, your Balance Transfer APR will be 18.99% <ul style="list-style-type: none"> <li>• This APR will vary with the market based on the Prime Rate</li> </ul>
<b>APR for Cash Advances</b>	24.99% <ul style="list-style-type: none"> <li>• This APR will vary with the market based on the Prime Rate</li> </ul>
<b>Penalty APR and When it Applies</b>	29.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> <li>1. Make a late payment;</li> <li>2. Go over your credit limit;</li> <li>3. Make a payment that is returned; or</li> <li>4. Do any of the above on another account that you have with us.</li> </ol> <b>How long will the Penalty APR apply?</b> 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.
<b>How to Avoid Paying Interest on Purchases</b>	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.
<b>Minimum Interest Charge</b>	There is no minimum interest charge.
<b>For Credit Card Tips from the Federal Reserve Board</b>	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at <a href="http://www.federalreserve.gov/creditcard">http://www.federalreserve.gov/creditcard</a>
Fees	
<b>Set-up and Maintenance Fees</b>	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"> <li>• <b>Annual Fee:</b> \$0</li> <li>• <b>Account Set-up Fee:</b> \$20 (one-time fee)</li> <li>• <b>Participation Fee:</b> \$15 annually</li> <li>• <b>Additional Card Fee:</b> \$5 annually (if applicable)</li> </ul>
<b>Transaction Fees</b>	<ul style="list-style-type: none"> <li>• <b>Balance Transfer:</b> Either \$25 or 5% of the amount of each transfer, whichever is greater (maximum fee: \$100)</li> <li>• <b>Cash Advance:</b> Either \$25 or 5% of the amount of each cash advance, whichever is greater</li> <li>• <b>Foreign Transaction:</b> 3% of each transaction in U.S. dollars</li> </ul>
<b>Penalty Fees</b>	<ul style="list-style-type: none"> <li>• <b>Late Payment:</b> \$30</li> <li>• <b>Over-the-limit:</b> \$30</li> <li>• <b>Returned Payment:</b> \$30</li> </ul>

\* 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