Credit Cards and Store Promotions

Click on the terminology to see the definition:

credit

An agreement in which a borrower receives something of value, and agrees to pay for it later.

cash advance

A withdrawal of cash from an ATM or bank teller charged to a credit card.

Interest is usually calculated from the day of the withdrawal.

Payment

dwon

A partial payment sometimes required at the time of a purchase.

finance charge

The total amount of interest paid to borrow a sum of money.

Credit Card Lingo....

credit limit	The maximum amount of credit that a financial institution or other lender will extend.
minimum payment	The amount of money the user must pay in order to retain usability of the credit card
annual fee	A yearly fee, usually ranging from $15 to $300, that's charged by the credit card company for the convenience of the credit card. **Not all credit cards have an annual fee.

Interest is NOT charged on your credit card if you pay the balance every month!!

PURCHASE!!

Interest is calculated ONLY if the balance of the credit card has not been paid by the due date.

If you don't pay the full balance, interest is calculated from the date of each purchase.

CASH ADVANCE!!

Interest is calculated starting the day of the withdrawal

There is no grace period!!

Calculate the minimum payment, and the interest on the following credit card. (5.00% or $10.00, whichever is greater).

Unpaid balance: $642.00
Interest rate per annum: 19.95% per annum
Time: 25 days

Minimum Payment: 642 x 0.05 = $32.10 or $10.00

Interest: = $642.00 x 0.1995 x 25/365
= $642.00 x 0.1995 x 0.06849315
= $8.77

Calculate the minimum payment, and the interest on the following credit card. (5.00% or $10.00, whichever is greater).

Unpaid balance: $98.00
Interest rate per: 18.75% per annum
Time: 20 days

Minimum Payment: 98 x 0.05 = $4.90 or $10.00

Interest: = $98.00 x 0.1875 x 20/365
= $98.00 x 0.1875 x 0.05479452
= $1.01

Calculate the minimum payment and the interest on the following credit card. (5.00% or $10.00, whichever is greater).

Unpaid balance:	$823.50
Interest rate per annum:	21.50% per annum
Time:	12 days

Minimum Payment: 823.50 x 0.05 = $41.18 or $10.00

Interest: = $823.00 x 0.2150 x 12/365
= $823.00 x 0.2150 x 0.032876712
= $5.82

On January 12, John charges a **cash advance** of $500.00 to his credit card. This withdrawal appears on his monthly statement issued January 27. John does not pay off this amount by the due date shown on his statement. The next monthly statement is issued on February 27. John's bank charges 18.00% annual interest for cash advances starting on the day of the withdrawal.

Calculate the interest that John is charged for the January 12 cash advance.

January

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

$I = Prt$

$I = (500.00)(0.18)(47/365)$

$I = (500.00)(0.18)(0.128767)$

$I = \$11.59$

Check out the sheet. :)