

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

Please answer the following questions for us – it will help us learn more about the problems our participants face so that we can make the classes better. Please **circle** your answer.

- (1) Do you currently have and use a bank account? **YES / NO**
- (2) Do you balance your checkbook every month? **YES / NO**
- (3) Do you keep a written budget for your family’s income and expenses? **YES / NO**
- (4) Do you often run out of money before payday? **YES / NO**
- (5) Did you ever use a check cashing outlet or get a payday loan? **YES / NO**

If you said “YES”, please circle your answer for the LAST YEAR: How often did you use such services?

**0            1 or 2 times            3 to 6 times            once per month            twice per month**

- (6) Did you order your credit report in the last 12 months? **YES / NO**
- (7) Do you have credit problems? **YES / NO**
- (8) How many credit cards do you have? Please circle your answer.

**0            1            2            3 or more**

(9) What brought you to our class today? Please tell us what you would like to learn about:

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Please **circle** the correct answer for each question.

- |   |   |
|---|---|
| <p>1. What is credit?</p> <ul style="list-style-type: none"> <li><b>A.</b> The amount of money you owe</li> <li><b>B.</b> The amount of money you earn</li> <li><b>C.</b> The amount of money available to you through lenders</li> <li><b>D.</b> The money in your checking account</li> </ul> | <p>2. Charging a purchase means you will:</p> <ul style="list-style-type: none"> <li><b>A.</b> Have to pay immediately</li> <li><b>B.</b> Have to pay cash</li> <li><b>C.</b> Have to pay interest</li> <li><b>D.</b> Have to pay when you feel like it</li> </ul>                                |
| <p>3. When filling out a loan application, you should:</p> <ul style="list-style-type: none"> <li><b>A.</b> Estimate your income and expenses</li> <li><b>B.</b> Minimize your expenses and debt</li> <li><b>C.</b> Be vague</li> <li><b>D.</b> Provide your account balances</li> </ul>        | <p>4. Lower risk of a loan results in...</p> <ul style="list-style-type: none"> <li><b>A.</b> Lower interest and better terms</li> <li><b>B.</b> Higher interest and worse terms</li> <li><b>C.</b> Lower interest and worse terms</li> <li><b>D.</b> Higher interest and better terms</li> </ul> |
- 5. Predatory lenders charge extremely high interest rates and fees. . **TRUE / FALSE**
  - 6. If you have good credit, you should “buy now, pay later.” **TRUE / FALSE**
  - 7. There are advantages and protections when you use a credit card. **TRUE / FALSE**
  - 8. A debt management program should be included in your budget planning. **TRUE / FALSE**
  - 9. The less interest you pay over the life of a loan, the less money you will have to spend on yourself. **TRUE / FALSE**
  - 10. The 3 C’s of credit refer to cash, checks, and credit cards. **TRUE / FALSE**

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

Please tell us about your class experience so that we can improve our classes Please circle your answer.

**(1) Overall, I felt the class was useful for me. YES / NO**

If you said "NO", why not? \_\_\_\_\_  
\_\_\_\_\_

(2) The instructor was knowledgeable and prepared. YES / NO

(3) The instructions were clear and easy to follow. YES / NO

(4) The examples and exercises will help me to apply the skills I learned. YES / NO

If you said "NO", why not? \_\_\_\_\_  
\_\_\_\_\_

(5) I will use the handouts and worksheets again. YES / NO

(6) The participants had a lot of opportunities to exchange experiences and ideas. YES / NO

(7) I got all my questions answered. YES / NO

If you said "NO", did you ask your questions of the instructor? YES / NO

(8) I achieved the following class objectives:

a. I can explain what credit is. YES / NO

b. I can describe basic terms related to credit. YES / NO

c. I can compare different credit card agreements that pick the best card for me. YES / NO

d. I learned how to use credit cards responsibly. YES / NO

e. I learned how to read and correct errors on my credit card statement. YES / NO

(9) The classroom was suited for a good learning atmosphere. YES / NO

(10) **What was the most useful part of the class?**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please answer the questions on the back of this page to tell us what you learned during the class.  
Thank you very much ☺

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

Please **circle** the correct answer for each question.

- |   |  |
|---|--|
| 1. What is debt?<br><b>A.</b> Amount of credit you are using at a time<br><b>B.</b> Amount of money owed to you<br><b>C.</b> Total sum of your monthly bills<br><b>D.</b> The amount of credit available to you | 2. What happens when you use a credit card?<br><b>A.</b> You withdraw money from your savings<br><b>B.</b> You take out a loan<br><b>C.</b> You use money from a checking account<br><b>D.</b> You borrow money from the store |
| 3. Which are warning signs of debt problems?<br><b>A.</b> Taking cash advances on credit cards<br><b>B.</b> Charging your groceries<br><b>C.</b> Increasing your debt each month<br><b>D.</b> All of the above  | 4. The first step in borrowing money is:<br><b>A.</b> To ask your parents for money<br><b>B.</b> To ask friends for money<br><b>C.</b> To fill out a loan application honestly<br><b>D.</b> To estimate on a loan application  |
5. Rent to own is usually cheaper than taking out a consumer loan. TRUE / FALSE
6. The intelligent use of credit and credit cards is an important part of your  
your personal financial success. TRUE / FALSE
7. Based upon interest rates and minimum payments, all credit cards are alike. TRUE / FALSE
8. If a billing error occurs on your credit card statement, you should notify  
the credit card company. TRUE / FALSE
9. If you report your lost or stolen credit card, you are liable for no more than  
\$50 if somebody uses your lost or stolen credit card. TRUE / FALSE
10. An installment loan does not have fixed monthly payments. TRUE / FALSE

*Please answer the questions on the back of this page to tell us more about your class experience.*

*Thank you very much 😊*

# Important Lending Terms

## Loan Terms

**Installment Loan** – a loan that is repaid in equal monthly payments (the same amount each month) for a specific period, usually several years (for example car loan, home mortgage)

**Revolving Credit** – for example a credit card, there is no specific monthly amount because it depends on much credit you use, you can use up to your credit limit and as you pay back the money, you can borrow it again

**Secured Loan** – a loan where the borrower offers collateral for the loan. If the loan is not paid back as agreed, the lender can take the collateral and keep it as repayment.

**Collateral** – the asset (anything of monetary value that you own) a borrower promises to give the lender if the borrower does not pay back the loan (for example the car for a car loan, or the house for a home mortgage)

**Unsecured Loan** – a loan where the lender does not require collateral.

## Cost Terms

**Annual Percentage Rate (APR)** – the cost of a loan expressed as yearly percentage rate. When shopping for a loan, always compare the APRs rather than the interest rates, because the APRs include the cost of interest and any other finance charges and fees!

**Fixed-rate loan** – a loan that has an interest rate that stays the same throughout the term of the loan.

**Variable-rate loan** – a loan that has an interest rate that might change during any period of the loan, as written in the loan agreement or contract. For example, many people got in trouble now with variable-rate home mortgages.

**Finance Charge** – the dollar amount the loan will cost. It includes interest, service charges, and loan fees.

## Installment Loans vs. Rent-to-Own Services

Consumer Installment Loans	Rent-to-Own Services
Usually secured installment loans (see definition above); the item you purchase is the collateral; you can use the item you bought while you are paying the loan	You do NOT own the item – you just pay to use it (monthly or weekly); If you have an agreement with the store that you rent-to-own it, the store still owns the item until you made ALL your payments
You are charged interest and can shop for the best deal	Technically not a loan, so no interest is charged; <b>BUT</b> – you usually pay much MORE than the price of the item and the difference is just like interest
Generally, less expensive than rent-to-own	Generally, you lose more money on rent-to-own than installment loans

## BUYING A NEW TV

Chris wants to buy a new TV. He is trying to decide how to pay for it – should he get an installment loan or use a rent-to-own service to buy his TV? Here is what Chris found out while shopping around:

A local electronics store was selling the television Chris wanted for \$1,500. A nearby rent-to-own store advertised the same model for \$55 every other week.

After seeing the advertisement, Chris went to the rent-to-own store to get more details. The manager told Chris he would own the television after 52 payments – and that he could return the TV at any time with no obligation.

Next Chris went to his bank and asked about getting a consumer loan for the \$1,500. The teller told him he could get a 2-year installment loan with a 12% APR for monthly payments of \$70.61.

Help Chris make a decision – should he buy his TV at the electronics store and get an installment loan or should he use the rent-to-own store? **Are there other questions you would want to ask the bank or the rent-to-own store first?** Write down your questions and any notes in the space below:

**Can you think of other ways Chris could get a new TV that might cost him less money?**

## Credit Card Truth in Lending Terms

Credit card agreements have a lot of information on them. It is important to know what to look for when you try to decide which credit card to choose. The following terms are important for you to know and check carefully on each agreement:

### **Annual Percentage Rate (APR)**

- Represents the rate of interest you are charged plus fees and is expressed as a yearly percentage rate. \* **Be careful** – many credit card offers you receive in the mail offer low-introductory APRs (teaser rates). Those often change soon after you get the card to much higher rates – read the small print carefully!
- If you plan to keep a balance on your credit card account, you want to look for a low APR.
- If you expect to pay your credit card bill in full each month, it will be more important to compare the annual fee and other charges.
- **Penalty APR** – refers to the interest the creditor will charge you if you are late in making a payment on your card. Often penalty APRs are MUCH HIGHER than the annual APR!
- **Default APR** – refers to the interest the creditor will charge you if you are late on any credit account you have, even if it is NOT with this creditor. The default APR is also usually MUCH HIGHER than the annual APR.

### **Fees**

- Many credit cards have fees attached to them, such as annual fees (what you pay each year just to have the card), late fees (if you do not pay your bill on time), over-the-limit fees (if you try to exceed your credit limit), balance transfer fees (if you transfer the balance from another credit card), cash advance fees (if you use your credit card to get cash at an ATM).
- If you have a good credit history, most credit card companies will waive the annual fee.

### **Grace Period**

- The number of days you can carry a balance without paying interest on it. If you have a grace period, you don't pay any interest if you pay your balance in full by the end of the grace period. If your card does NOT have a grace period, the creditor can charge interest from the date you charged something on your card.

### **Balance Computation Method**

- Determines how your interest is calculated – usually as average daily balance.

### **Cash Advance**

- Many credit cards will let you get cash from them, but they will charge you a fee when you do.
- This fee can be stated as a flat fee per transaction or a percentage of the amount of the cash advance.
  - For example, a fee written in the agreement as “2% / \$10” would mean you pay 2 per cent of the cash advance amount or \$10, whichever is GREATER.
- There is usually no grace period for cash advances – you pay interest on the money immediately!
- It is usually NOT a good idea to get cash or write a check from a credit card account!

### **Balance Transfer**

- Is the process of moving an unpaid credit card debt from one credit card to another. Credit card companies sometimes offer low rates to encourage you to pay off other debts with their credit card.
- Be careful to check the fees for balance transfers and the interest rate before you transfer any balances!

## Credit Glossary

**Annual Fee** - A fee that you pay every year.

**Annual Percentage Rate (APR)** - The cost of borrowing money, expressed on a yearly percentage basis.

**Balance** - The money you owe to a creditor (such as a bank or credit card company) on a particular account.

**Cosigner** - A person who jointly signs for a loan, and therefore shares responsibility for repaying the loan.

**Credit** - Credit allows you to borrow money as long as you promise to pay it back. For example, a bank lends you money and trusts that you will pay it back. Credit cards are a form of short-term credit.

**Credit History** - A record of how you have paid credit accounts in the past. It is used as a guide to determine whether you are likely to pay future accounts on time.

**Credit Limit/Credit Line** - The amount of credit issued to you by a lender, such as a credit card company.

**Credit Score** - A credit score (sometimes called a FICO score) is a 3 digit number calculated by credit bureaus, that represents how good you are at repaying money you borrow.

**Debt** - Any money you owe a person or business.

**Default** - Failure to repay a financial debt.

**Grace Period** - The period of time when you avoid finance charges by paying your balance in full by the due date. Without a grace period, credit card issuers may impose a finance charge from the date you use your card.

**Interest** - The amount of money you pay to borrow money, usually expressed as a percentage rate. For example, 6%.

**Minimum Payment** - The smallest payment you absolutely must make each month to keep your loan from going into default. If your loan goes into default, you will be charged a lot more in fees and interest.

**Penalty** - A fee you pay the lender if your payments are late. This is on top of the interest payments. Penalties are added to the original amount you owe, and interest is calculated on both.

**Principal** - The unpaid balance of a loan, not including interest and other charges.

**Transaction Fee** - Charges your card issuer may impose for taking a cash advance, making a late payment, or exceeding your credit limit. Some secured credit cards charge fees for common services.

## CREDIT CARD COMPARISON CHART

	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card issuer/card			
What is the annual percentage rate (APR)? <ul style="list-style-type: none"> <li>• Introductory APR?</li> <li>• Penalty APR?</li> </ul>			
What is the finance charge?			
What is the annual fee?			
What are other fees (late fees, over-the-limit fees, closing fees, etc.)?			
Is there a grace period?			
What are other benefits (points earned, etc.)?			
What is my credit limit?			
Other? (for example, customer service hours; online access; can you talk to a real person?)			

## COMPARING CREDIT CARDS TO DEBIT CARDS

	Credit Cards	Debit Cards
<b>Payments</b>	Buy now, <b>pay later.</b>	Buy now, <b>pay now.</b>
<b>Interest Charges</b>	<b>Yes</b> , if you carry a balance or your card doesn't offer a "grace period"	<b>No.</b>
<b>Other Potential Benefits</b>	<b>Freebies</b> , such as cash rebates and bonus points for travel deals. Some <b>purchase protections.</b>	Easier and <b>faster than writing a check.</b> Avoid debt problems. More cards now also offering <b>freebies.</b> Some <b>purchase protections.</b>
<b>Other Potential Concerns</b>	<b>Fees and penalties.</b> Also, <b>not all cards offer grace periods</b> (time to repay without having to pay interest). Overspending can cause <b>debt problems.</b>	<b>Fees</b> on certain transactions. You may <b>overdraw your account</b> if you are not careful about regarding debit card transactions.

### WHAT TO DO IF YOU LOSE YOUR CARD

Both, credit and debit cards, can be used just as cash to pay for things you buy. If you lose your debit or credit card – or if it gets stolen – call your bank **IMMEDIATELY!!!** Somebody else might be spending YOUR money...

The phone number to call was sent to you when you received your card. **Keep those phone numbers, the credit card number, and your account number in a safe place – NOT in your wallet!!!**

## TIPS TO CONSIDER WHEN SHOPPING FOR A CREDIT CARD

- Decide how you will use the credit card and what you will purchase with it.
- Start small. Do not charge too much on your credit card until you get comfortable with the monthly bill.
- Shop around for the plan that best fits your needs. Make sure you understand the terms of the plan before you accept the card. Read the fine print.
- Beware of introductory rates. You might start out with a credit card that has no annual fee for the first year, but you will be charged a fee in the second year. You might start out with a low interest rate and then find the interest rate is much higher after a few months.
- Beware of credit card issuers who require application fees. Most credit card issuers do not charge fees to open accounts.
- Make sure you understand the implications of fixed and variable rates, as well as penalty APRs.

## SAMPLE CREDIT CARD STATEMENT

**Credit Card Issuer**

New Balance	\$203.00	Billing Date	5-1-01
Credit Line	\$2,000.00	Credit Available	\$1,797.00
Minimum Payment Due	\$10.00	Payment Due Date	5-20-01

**Name**

**Account Number**

Posting Date	Trans. Date	Transactions	Charge	Credit
4-1-20XX	4-1-20XX	Cash advance	\$180.00	
4-1-20XX	4-1-20XX	Cash advance fee	\$20.00	

### Account Summary

Previous Balance	0	Credits	0
Purchases	0	Finance Charge	\$3.00
Cash Advances	\$180.00	Payments	0
Other Debits	\$20.00	New Balance	\$203.00

	APR	Daily Periodic Rate	Average Daily Balance	Finance Charge	Balance
	18%	0.0493%	\$200.00	\$3.00	\$203.00

### Finance Charge Calculation

Assume:

- Your billing cycle is the same as the calendar month.
- On April 1, you got a cash advance of \$180 and were charged a \$20 fee. Interest started accruing immediately.
- At the beginning of May, you receive your April billing statement. Your average daily balance for the month of April is \$200, since you made no additional payments.
- The finance charge is calculated using a periodic rate. The periodic rate is the interest rate, or cost of credit, in relation to a specific time period.
- If the APR is 18 percent, the periodic rate is 0.0493 percent, or 18 percent divided by 365 days.

$$\begin{aligned}
 & \$200 \text{ (Average Daily Balance)} \\
 & \quad \times 0.0493\% \text{ (Daily Periodic Rate)} \\
 & \$0.10 \text{ per day (for each day you have the \$200 balance)} \\
 & \$0.10 \times 30 \text{ days} = \$3 \text{ (finance charge)}
 \end{aligned}$$

## FOR FURTHER INFORMATION

### To Opt-Out from Credit Card Offers

You can tell the credit bureaus not to share your information with lenders and insurers who use the information to decide whether to send you offers of credit or insurance. You can opt out of receiving these prescreened offers by calling

888-5-OPTOUT (567-8688) or visiting [www.optoutprescreen.com](http://www.optoutprescreen.com).

### To Find a Credit Counselor You Can Trust

Go to [www.nfcc.org](http://www.nfcc.org) to find non-profit credit counseling agencies near you. Do NOT trust advertisements that promise they can fix your credit problems for a fee – those companies just want to make money off you!

### Federal Consumer Information Center (FCIC)

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the *Consumer Action Handbook*, which is designed to help citizens find the best sources of assistance with their consumer problems and questions.

800-688-9889 or [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

### Federal Deposit Insurance Corporation (FDIC)

Division of Supervision and Consumer Protection

2345 Grand Boulevard, Suite 1200

Kansas City, MO 64108

877-ASK-FDIC (275-3342)

Email: [consumer@fdic.gov](mailto:consumer@fdic.gov)

[www.fdic.gov](http://www.fdic.gov)

### Federal Trade Commission

Consumer Response Center

Sixth Street and Pennsylvania Avenue, NW

Washington, DC 20580

202-326-2222

877-FTC-HELP (382-4357)

[www.ftc.gov](http://www.ftc.gov)

### More Financial Education

Take the FDIC's *Money Smart* program online at

<http://www.fdic.gov/consumers/consumer/moneysmart/index.html>

ORIG BALANCE: \$2,000.00  
 RATE: 18.000%  
 PAYMENT: 2 % of balance, minimum \$15

MONTH	Monthly Payment	Interest Paid	Principal Paid	Balance	Total Interest Paid
0				\$2,000.00	
1	\$40.00	\$30.00	\$10.00	\$1,990.00	\$30.00
2	\$39.80	\$29.85	\$9.95	\$1,980.05	\$59.85
3	\$39.60	\$29.70	\$9.90	\$1,970.15	\$89.55
4	\$39.40	\$29.55	\$9.85	\$1,960.30	\$119.10
5	\$39.21	\$29.40	\$9.80	\$1,950.50	\$148.51
6	\$39.01	\$29.26	\$9.75	\$1,940.75	\$177.76
7	\$38.81	\$29.11	\$9.70	\$1,931.04	\$206.88
8	\$38.62	\$28.97	\$9.66	\$1,921.39	\$235.84
9	\$38.43	\$28.82	\$9.61	\$1,911.78	\$264.66
10	\$38.24	\$28.68	\$9.56	\$1,902.22	\$293.34
11	\$38.04	\$28.53	\$9.51	\$1,892.71	\$321.87
12	\$37.85	\$28.39	\$9.46	\$1,883.25	\$350.26
13	\$37.66	\$28.25	\$9.42	\$1,873.83	\$378.51
14	\$37.48	\$28.11	\$9.37	\$1,864.46	\$406.62
15	\$37.29	\$27.97	\$9.32	\$1,855.14	\$434.59
16	\$37.10	\$27.83	\$9.28	\$1,845.86	\$462.41
17	\$36.92	\$27.69	\$9.23	\$1,836.63	\$490.10
18	\$36.73	\$27.55	\$9.18	\$1,827.45	\$517.65
19	\$36.55	\$27.41	\$9.14	\$1,818.31	\$545.06
20	\$36.37	\$27.27	\$9.09	\$1,809.22	\$572.34
21	\$36.18	\$27.14	\$9.05	\$1,800.17	\$599.48
22	\$36.00	\$27.00	\$9.00	\$1,791.17	\$626.48
23	\$35.82	\$26.87	\$8.96	\$1,782.22	\$653.35
24	\$35.64	\$26.73	\$8.91	\$1,773.31	\$680.08
25 to 279					
280	\$15.00	\$2.03	\$12.97	\$122.59	\$4,387.47
281	\$15.00	\$1.84	\$13.16	\$109.43	\$4,389.31
282	\$15.00	\$1.64	\$13.36	\$96.07	\$4,390.95
283	\$15.00	\$1.44	\$13.56	\$82.51	\$4,392.39
284	\$15.00	\$1.24	\$13.76	\$68.75	\$4,393.63
285	\$15.00	\$1.03	\$13.97	\$54.78	\$4,394.66
286	\$15.00	\$0.82	\$14.18	\$40.60	\$4,395.48
287	\$15.00	\$0.61	\$14.39	\$26.21	\$4,396.09
288	\$15.00	\$0.39	\$14.61	\$11.60	\$4,396.49
289	\$11.78	\$0.17	\$11.61	(\$0.00)	<b>\$4,396.66</b>

**! If you only pay the minimum payment on a credit card balance of \$2,000 - either 2% or \$15, whichever is greater - it will take you over 24 (!) years to pay the original balance and cost you \$4,396.66 in total interest!**

ORIG BALANCE: \$2,000.00  
 RATE: 18.000%  
 PAYMENT: \$50.00

MONTH	Monthly Payment	Interest Paid	Principal Paid	Balance	Total Interest Paid
				\$2,000.00	
1	\$50.00	\$30.00	\$20.00	\$1,980.00	\$30.00
2	\$50.00	\$29.70	\$20.30	\$1,959.70	\$59.70
3	\$50.00	\$29.40	\$20.60	\$1,939.10	\$89.10
4	\$50.00	\$29.09	\$20.91	\$1,918.18	\$118.18
5	\$50.00	\$28.77	\$21.23	\$1,896.95	\$146.95
6	\$50.00	\$28.45	\$21.55	\$1,875.41	\$175.41
7	\$50.00	\$28.13	\$21.87	\$1,853.54	\$203.54
8	\$50.00	\$27.80	\$22.20	\$1,831.34	\$231.34
9	\$50.00	\$27.47	\$22.53	\$1,808.81	\$258.81
10	\$50.00	\$27.13	\$22.87	\$1,785.95	\$285.95
11	\$50.00	\$26.79	\$23.21	\$1,762.73	\$312.73
12	\$50.00	\$26.44	\$23.56	\$1,739.18	\$339.18
13	\$50.00	\$26.09	\$23.91	\$1,715.26	\$365.26
14	\$50.00	\$25.73	\$24.27	\$1,690.99	\$390.99
15	\$50.00	\$25.36	\$24.64	\$1,666.36	\$416.36
16	\$50.00	\$25.00	\$25.00	\$1,641.35	\$441.35
17	\$50.00	\$24.62	\$25.38	\$1,615.97	\$465.97
18	\$50.00	\$24.24	\$25.76	\$1,590.21	\$490.21
19	\$50.00	\$23.85	\$26.15	\$1,564.07	\$514.07
20	\$50.00	\$23.46	\$26.54	\$1,537.53	\$537.53
21	\$50.00	\$23.06	\$26.94	\$1,510.59	\$560.59
22	\$50.00	\$22.66	\$27.34	\$1,483.25	\$583.25
23	\$50.00	\$22.25	\$27.75	\$1,455.50	\$605.50
24	\$50.00	\$21.83	\$28.17	\$1,427.33	\$627.33
25 to 49					
50	\$50.00	\$8.52	\$41.48	\$526.34	\$1,026.34
51	\$50.00	\$7.90	\$42.10	\$484.24	\$1,034.24
52	\$50.00	\$7.26	\$42.74	\$441.50	\$1,041.50
53	\$50.00	\$6.62	\$43.38	\$398.12	\$1,048.12
54	\$50.00	\$5.97	\$44.03	\$354.10	\$1,054.10
55	\$50.00	\$5.31	\$44.69	\$309.41	\$1,059.41
56	\$50.00	\$4.64	\$45.36	\$264.05	\$1,064.05
57	\$50.00	\$3.96	\$46.04	\$218.01	\$1,068.01
58	\$50.00	\$3.27	\$46.73	\$171.28	\$1,071.28
59	\$50.00	\$2.57	\$47.43	\$123.85	\$1,073.85
60	\$50.00	\$1.86	\$48.14	\$75.71	\$1,075.71
61	\$50.00	\$1.14	\$48.86	\$26.84	\$1,076.84
62	\$27.25	\$0.40	\$26.85	(\$0.00)	\$1,077.25

**! If you pay \$50 a month - or only \$10 more than the minimum payment during the first month - it will take you just over 5 years to pay back the original balance and cost \$1,077.25 in total interest!**

## COST OF MAKING THE MINIMUM PAYMENT

Item	Price	APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
<b>TV</b>	\$500	18%	\$216	\$716	5
<b>Computer</b>	\$1,000	18%	\$516	\$1,516	7
<b>Furniture</b>	\$2,500	18%	\$1,415	\$3,915	10

Assumptions for the table include:

- Eighteen percent APR (If the APR is higher, the item would be more expensive and would take longer to pay off).
- Minimum monthly payment equals greater of \$10 or 4 percent of balance.
- Average daily balance method is used to calculate interest.
- Finance charge for one day =  $(18\%/365) \times$  daily balance.
- No grace period.
- No late payments are made.
- No additional purchases are made.
- Minimum payment is received by the bank on the last day of the billing cycle (most likely, the interest charges would be greater because the customer's minimum payment usually will not be received by the bank for several additional days).
- Years are rounded to the nearest whole year.
- Dollar amounts are rounded to the nearest dollar.

Beginning around 2008, you will be able to contact credit card companies by phone to find out the time and interest amount required to pay off a credit card balance if only the minimum monthly payment is made.

## BENEFITS OF MAKING MORE THAN THE MINIMUM PAYMENT

Original Balance	APR	Monthly Payments	Total Number of Monthly Payments	Total Years to Pay Off	Total of Payments
\$2,500	18%	Minimum Payment (MP)	123	10	\$3,915
\$2,500	18%	MP + \$25	50	4	\$3,258
\$2,500	18%	MP + \$50	33	3	\$2,839

Original Balance	APR	Monthly Payments	Total Number of Monthly Payments	Total Years to Pay Off	Total of Payments
\$1,000	18%	Minimum Payment (MP)	87	7	\$1,516
\$1,000	18%	MP + \$25	26	2	\$1,187
\$1,000	18%	MP + \$50	16	1	\$1,119

These charts assume you are not making additional purchases and you are making your payments on time. The minimum payment is 4 percent.

Of course, the best way to save money and avoid paying interest charges is to pay off your balance in full when you first get your bill.

## How to Get Your FREE Credit Report

By law, all consumers in the U.S. are entitled to one (1) free credit report per year from each of the three major credit bureaus: Trans Union, Equifax, and Experian. This means you can get a total of three (3) reports for free each year.

### How to Order

By Phone: Call 1 (877)-322-8228

By Mail: P.O. Box 105281, Atlanta, GA 30348-5281

Web Site (Internet): [www.annualcreditreport.com](http://www.annualcreditreport.com) **(make sure you spell this URL correctly—there are many sites out there with similar spelling that will make you PAY for your credit report!)**

### What You Need To Provide

- 1) Name
- 2) Social security number
- 3) Date of birth
- 4) Address
- 5) Previous addresses (if you moved within the last 2 years)
- 6) Answers to security questions—to protect your privacy (i.e. the credit reporting agency might ask you about the amount of your monthly car payment)

### How Often to Order

Since you are allowed three (3) free credit reports per year (one from each of the three major bureaus), it is best to “space them out”. That is, request one credit report every 4 months from a different bureau each time.