

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. List some costs associated with using credit.
2. Explain the difference between accounts that have fixed interest rates and those that have variable interest rates.
3. Describe how finance charges (interest) may be computed on credit cards using three common methods.
4. What does the minimum payment amount on a credit card statement indicate?
5. Describe fees and penalties charged by credit card companies.
6. Why do credit card companies offer low introductory annual rates for purchases and account balance transfers?
7. What items should you verify when you receive a credit card statement?

IN DEPTH: Credit Card Offers

Credit card offers can vary considerably. Some credit cards have annual fees; others do not. Some have variable interest rates; others have fixed rates. Some have high minimum payments of 5 percent or more. Others have low minimum payments of 1 percent or less. Most credit card accounts charge you for balance transfers (to pay off other accounts). Some provide access checks with which you can easily borrow cash. Some offer rewards programs with points or other bonuses for money you spend.

Shopping for a credit card involves decisions similar to those involved in making purchases. You should follow the same steps as in a buying plan. First, think about why you want or need a credit card. Next, consider how you will use it. Set criteria that you want the credit card agreement to meet. Then, do comparison shopping to find the card that most closely matches the criteria you have set.

1. Pretend that you are ready to apply for a credit card. You will use the card to make shopping more convenient. You plan to pay the entire balance each billing period to avoid paying interest charges.
2. You have thought about the criteria for the card you want. The card should have:
 - A low annual fee (\$50 or less) or no annual fee
 - A reasonable annual interest rate
 - A low introductory annual interest rate
 - A rewards program that interests you
3. Access the Internet. Search the Web using terms such as low credit rates, credit card offer, or credit card application.
4. Visit several sites that provide information about credit card offers. Read the information about fees and interest rates. Find a card that meets the criteria listed in step 2.
5. Record the name of the card, the annual fee, the introductory annual interest rate, and the regular annual interest rate. Describe the rewards program the card offers. Explain why you selected this card over other cards you considered.