Name _____ Date _____

Credit Cards: Interest, Minimum Payments and Fees

Directions: Read Priya's credit card statement, and use the interest and fee rules in its caption for every calculation. Enter numbers only, without dollar signs or commas, and keep the decimal point for amounts with cents.

Priya's April Statement

Priya's credit card statement for April, her first month with the card. Real card terms vary. In this example, the card charges 2% of the unpaid balance each month, so any part of the statement balance not paid by the due date has 2% added as interest on the next statement. A $25 late fee applies whenever the minimum payment arrives after the due date.

Statement item	Amount or date
Previous balance (dollars)	0.00
New purchases in April (dollars)	800.00
Statement balance (dollars)	800.00
Minimum payment due (dollars)	40.00
Payment due date	May 25
Credit limit (dollars)	2,000.00

1. Monthly credit card statements display all of these terms; match each term to the definition that explains it.

Write the letter of the matching answer on each line.

1. _____ Statement balance
2. _____ Minimum payment
3. _____ Payment due date
4. _____ Credit limit

Choices for question 1

A. What the cardholder owed on the day the billing cycle ended
B. The maximum amount the card issuer normally lets the cardholder borrow on the account.
C. The deadline by which a payment must arrive to count as on time
D. Money returned to the cardholder as a reward for spending
E. The least amount the card company accepts by the due date without counting the payment as late

2. Before Priya makes any payment, how much additional spending could she charge on the card before reaching her credit limit? Type your answer without a comma.

_____ dollars

3. If Priya pays the full $800 statement balance by May 25, having carried no balance from any earlier month, what usually happens with interest on her April purchases?

A. She is charged 2% interest on the full $800 anyway.
B. She is charged interest only on the $40 minimum payment.
C. She usually pays no interest on them, because the full statement balance was paid on time.
D. She is charged a late fee for paying more than the minimum.

4. Suppose instead that Priya pays only the $40 minimum by May 25; which two results follow under the terms described in the statement's caption?

☐ A. No interest is charged, because she paid something.

☐ B. Interest is charged on the portion of the balance she did not pay.

☐ C. Her entire debt is completely paid off.

☐ D. Her account remains in good standing, because the minimum arrived on time.

☐ E. A late fee is added to her balance.

5. Priya pays the $40 minimum by May 25. How much of her $800 statement balance is still unpaid when the deadline passes?

_____ dollars

6. Priya pays only the $40 minimum by May 25. Under the card's rule of 2% of the unpaid balance each month, how much interest will the card add?

_____ dollars

7. Priya pays the $40 minimum by May 25. She makes no other payments or new purchases before her next statement closes. What will her next statement balance be after interest is added?

_____ dollars

8. Credit card agreements describe several different charges, so connect each charge with the explanation of what it is.

Write the letter of the matching answer on each line.

1. _____ Late fee
2. _____ Annual fee
3. _____ Cash advance fee
4. _____ Interest charge

Choices for question 8

A. A charge for borrowing cash with the card, such as at an ATM

B. A once-a-year charge some card companies collect just for keeping the account open

C. A discount for paying the entire balance early

D. A penalty added when the minimum payment arrives after the due date

E. The cost of borrowing, added when the amount owed is not paid in full

9. Priya makes no payments or new purchases before her next statement closes. She misses the May 25 deadline, so the card adds 2% interest on the full $800 and a $25 late fee. What is her next statement balance?

_____ dollars

10. Priya is deciding whether to pay $400 or just the $40 minimum by May 25. Under the example rule of 2% of the unpaid balance each month, which payment leads to the smaller interest charge on her next statement, and by how much?

A. Both payments lead to the same interest charge

B. Paying $400, by $7.20

C. Paying $40, by $7.20

D. Paying $400, by $8.00