

Name: _____

Fin 1050-Reading Guide - Chapter 6 Using Credit Cards: The Role of Open Credit

Directions: As you read through Chapter 6 in your textbook, answer the following questions:

1. Why is credit necessary?

2. Credit involves

3. What does “open credit” or “revolving credit” mean?

4. There are _____ different kinds of Visas, MasterCard, and other cards to choose from.

5. The higher the balance you maintain on your credit lines, the higher your _____ will be.

6. The _____ is the true simple interest rate paid over the life of the loan.

7. How does a variable-rate credit card determine interest?

8. What was the national average APR on fixed rate credit cards in 2011?

9. What are “teaser rates?”

10. Keep in mind that most credit accounts use _____ interest

11. If you don't carry a balance on your credit account, you will _____ pay interest charges.

12. _____ calculates the interest charged on your account by adding up your _____ for each day during the billing _____ and then

divides the sum by the number of days in the billing period. Your _____ are based upon this amount.

13. The _____ charges interest using the _____ at the _____ of the previous billing cycle.

14. The _____ charges interest using the _____ at the _____ of the previous billing cycle less any _____ and _____.

15. What is the surefire method of avoiding the problem of interest (page 170)?

16. When do you start paying interest with a cash advance? _____

17. What is a grace period?

18. On most credit cards the grace period is _____ if you carry an _____ from the previous month.

19. Explain the following fees:
1. Annual fee

2. Merchant's discount fee

3. Cash advance fee

4. Late fee

5. Over-the-limit fee

6. Penalty rate

20. Read the section on "Pros of Credit Cards" and explain three of the advantages of credit cards:

1. _____
2. _____
3. _____

21. Read the section on "Cons of Credit Cards" and explain three of the disadvantages of credit cards:

1. _____
2. _____
3. _____

22. Summarize the 11 new rules of the CARD Act of 2009

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.

23. What is a bank credit card?

24. Explain each of the following variations on credit cards:

1. Premium or prestige credit card

2. Affinity credit card

3. Secured credit card

4. Travel and entertainment card

5. Single purpose card

6. Traditional charge account

25. What is the most important decision factor in choosing a credit card if you are a credit user?

26. What is the most important decision factor in choosing a credit card if you are a convenience user?

27. What is the most important decision factor in choosing a credit card if you are a “convenience and credit user?”

28. Briefly explain the five C’s of credit:

1. Character

2. Capacity

3. Capital

4. Collateral

5. Conditions

29. What is a credit bureau?

30. What are the names of the three national credit bureaus?

31. What are the two primary credit scoring systems? _____

32. What does your credit score determine?

33. You must have had at least one _____ account open for at least _____ and use it in that time before you can get your FICO score.

34. What are the 5 factors that determine your credit score?

1. _____
2. _____
3. _____
4. _____
5. _____

35. What is the website you can use to get your free credit report?

36. What are your two choices if your credit card application is rejected?

37. To begin an investigation of billing problems, the FCBA requires that you notify your card issuer

38. Briefly explain each of the following techniques in managing and controlling your credit cards:

1. Reducing your balance

2. Protecting against fraud

3. Trouble signs in credit card spending
