

Credit Card Basics (Part 1)

1. As a customer, which percentage rate creates a lesser amount for you to annually payback, an Annual Percentage Rate (APR) or an Effective Annual Rate (EAR) on your credit card?

- a. APR
- b. EAR

2. Most credit cards have late fees if you are late in making a payment. Which statement is false:

- a. The late fee amount is added to your balance and you begin paying interest on the late fee.
- b. Credit card companies may charge any amount for late fees.
- c. Late fees may impact your credit history negatively.

3. The APR on your credit card is 21.15%. You have a beginning balance of \$500. You do not make any additional purchases and do not pay off the current balance. The interest is compounded monthly and you are not charged any late fees.

With the example above, the monthly interest rate is:

- a. 2%
- b. 1.76%
- c. 21.15%