

✚ *homework check:* Lesson 6 - 3

✚ *note:* Managing Credit Cards

Because of credit card convenience, it is important to know that credit card interest is often extremely high, usually around 18% compounded daily. If the balance is paid in full before the end of the grace period, no interest is charged. The number of days it takes to process the payment must be taken into account when the client wants to repay in full before interest is charged. For example,

Mina receives the following information with her credit card bill issued on the 28th of each month:

Other fees		BMO Gold AIR MILES MasterCard	\$15.00
Fees, Charges and Pricing		All others	FREE
Annual interest rate	19.5%	Cash advance fees	
Low Interest Rate option (\$35 annual fee)	11.9%	Automated banking machine (ABM) network	
Payment grace days	21 days *	BMO Bank of Montreal ABM	\$1.50
Replacement copy for statement or sales slip	\$2.00	INTERAC [®] network in Canada	\$2.75
Over limit fee	\$25.00	Cirrus [®] network in U.S.	\$3.50
Charge for dishonoured payment from or to your account	\$25.00	Cirrus network outside Canada and U.S.	\$4.50
(Amount of dishonoured payment will be subject to the applicable interest rate from the date such payment is reversed)		Over-the-counter	
Charge for book of personalized BMO MasterCard cheques	\$10.00	BMO Bank of Montreal branch	\$3.00
Foreign currency mark-up on transactions, including refunds	2.5%	MasterCard Financial Institution in Canada	\$4.00
		MasterCard Financial Institution in U.S.	\$5.00
		MasterCard Financial Institution outside Canada and U.S.	\$6.00
		Cash-like transactions	\$2.75

Additional card annual fee (per card)

Wire transfers, money orders, traveller's cheques Foreign currency, bets and purchases of lottery tickets or Casino gaming chips

a) If Mina owes \$1275.00 for her Christmas purchases on her bill December bill, what is the due date for the December 28th bill?

January 17

b) If it takes 4 days to process the payment, what is the due date for the bill?

January 13

c) If 3.9% of the balance is due, what is her minimum payment?

$$3.9\% = 0.039$$

$$1275(0.039) =$$

$$= \$49.73$$

d) If Mina's credit card charges a yearly fee of \$69.00 on the first of January, what is her balance on the January 28th bill?

$$1275 - 49.73 =$$

$$= \$1225.27$$

$$1225.27 + 69.00 =$$

$$= \$1294.27$$

e) If Mina is unable to pay the bill in full, what is the new minimum balance?

$$1294.27(0.039) =$$

$$= \$50.48$$

✚ homework assignment: Lesson 6 - 4

Lesson 6 – 4:

1. Express the daily interest rate for each credit card.

- a) 17.9% = b) 28.7% = c) 13.9% = d) 26.6% =

2. Using each of the interest rates in question 1, find the value of a 55 day overdue credit card balance of \$1500

- a) b) c) d)

3. A statement for Kendra’s credit card was issued on April 15. She is allowed a grace period of 14 days and it takes 3 days for transactions to be processed. If Kendra paid her bill on May 19, how many days will she be charged interest?

4. If Max’s credit card statement is issued on January 18 and he is given a 21 days grace period, when is his payment due?

5. If Ryan’s credit card statement is issued on February 18 and he is given 21 days grace period, when is his payment due?

6. Determine the minimum monthly payment for each credit card balance if the patron must pay the greater of 3% or \$10.

- a) \$319.40 b) \$587.97 c) \$351.09 d) \$1204.32

7. There are 2 types of interest on a credit card: regular daily interest and cash advance interest. If Amanda’s card charges 28.6% for cash advances, calculate her interest.

- a) \$500 cash advance b) \$248.99 purchase c) \$250 cash advance

8. Ben receives the following credit statement.

Crownbank		Credit Card STATEMENT	
STATEMENT PERIOD: Starts 7/1 to July 26			
7/2	The Jeans Factory		48.00
7/7	T-shirt Haus		22.75
7/22	Soccer Unlimited		28.49
Previous Balance:	0.00	New Balance:	
Payments:	0.00	Minimum Due:	
Overdue Balance:	0.00	Statement Date:	July 26
Interest Charged:	0.00	Annual Interest Rate:	16.9%
New Purchases:		Available Credit:	

a) Calculate the amount of new purchases this month.

b) If the minimum payment is the greater of 3% or \$10, what is the minimum monthly payment?

c) If Ben makes his payment on August 24, how many days of interest is he charged?

d) How much will the interest be?

9. Tyrell has 4 credit cards as shown in the chart below.

Credit Card	Balance as of July 1	Annual Interest Rate	Minimum Payment Due
Bank 1	\$2527	13.9%	3% of balance
Bank 2	\$4318	14.9%	3% of balance
Gasoline Retailer	\$227	18.9%	\$20
Furniture Retailer	\$1308	28.8%	\$100

a) Calculate the total of Tyrell's debt.

b) Calculate the total of his minimum payments.

c) Which card should Tyrell pay in full first? Why?