

#### **Activity 4: The Credit Card Trap**

How many of you have a credit card? What do you use it for? If you don't yet have one, statistics show that you will have one by the end of your freshman year in college (or your first year in the work world, whichever you are planning to move on to).

About 83% of undergraduate students have at least one credit card. The average balance is \$2,327, and 21% of those students carry a balance between \$3,000 and \$7,000. We are a credit society, and if you haven't already joined it, you very likely will soon. There are a lot of reasons to use credit cards, and certainly in the United States there are lots of great things to buy. Credit cards are convenient, don't require you to carry lots of cash, and by paying "on-time" they allow us to buy and use big-ticket items long before we could afford to pay cash for them. But the flip side of all that convenience is that personal bankruptcy has skyrocketed over the past years, and very often the first step down this road is credit card debt. When choosing a credit card it is very important to read the fine print (or small print) to ensure that you are making the best choice for yourself. For the following activity choose a credit card company (you may have received information in the mail OR you can go online and do research) and answer the following questions. This activity will help you be more aware of the different types of credit cards that are available and how, if you are not careful, you can fall into the "Credit Card Trap".

**Credit Card Name:** \_\_\_\_\_

1. What claims or conditions does the credit card company offer in order to attract your business? (These will usually be in "bold print".)
2. What does APR stand for? How is it calculated on the credit card offer you are analyzing?
3. What is the APR for this card?
4. Is there anything in the text to encourage you to buy more? (For example, offering a percentage cash back on all purchases)
5. What are the terms and conditions you must meet before being given a credit card from this company?
6. What personal information does the company say it has the right to access in order to decide whether to give you a card or not?
7. What does "grace period" refer to? What is the grace period for this credit card offer?

8. How is the interest payment calculated each month?
  
9. What is the introductory APR for this card? What event would cause this rate to change? If this were to happen, what would the new APR be?
  
10. What does the card charge in fees for a cash advance?
  
11. Once you have answered all of the questions above, write a 1paragraph assessment of the credit card offer. **Indicate whether you consider the card to be a good offer or not. Indicate the positive and negative aspects of using this card.**