



STUDENT ADVOCATES FOR FINANCIAL EDUCATION

CREDIT CARD TERMS

Annual Fee: fee charged once per year for credit card ownership

Annual Percentage Rate (APR): interest rate charged to the cardholder on the amount borrowed in terms of per dollar per year

Balance Calculation Method: method used to determine the balance for which finance charges are accumulated

Average Daily Balance Method (including new purchases with a grace period): if the balance is not zero, interest is applied to new purchases when they are made, if balance is zero, a grace period is allowed before interest is charged

Average Daily Balance Method (including new purchases with no grace period): regardless of the previous month's balance, interest is applied to new purchases as they are made

Previous Balance Method: interest is only paid on the previous balance, not on purchases made since the last payment

Two-cycle Average Daily Balance (including new purchases): interest is paid on the current balance as well as the previous month's balance, this leads to increasing finance charges as the balance is paid down. A zero-balance must be held for two months in order to avoid charges. *This method should be avoided by consumers that carry a balance! (Note: This method effectively eliminates any grace period on purchases)*

Cash Advance Transaction Fee: fee charged for a cash withdrawal from a credit card account

Charges, Payments, and Credits: transactions that occur with the use of a credit card

Closing Date: last day for transactions to be reported on the statement

Credit Line/Limit: maximum amount of charges allowed to an account

Due Date: date the company requires a payment to be received

Grace Period: amount of time, in days, allowed to the cardholder between the day the items are charged on the credit card and the day finance charges begin to apply

Late Payment Fee: fee charged when the minimum monthly payment is not received by the due date

Minimum Finance Charge: minimum amount to be charged for use of a credit card

Minimum Payment Due: minimum amount that must be paid each month

New Balance: total amount owed on a credit card

Past Due Amount: previous amount due which was not paid before the due date



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TYPES OF PLASTIC

There are many different means people use to purchase items. One is by using a plastic card of some sort. When people think of “plastic cards” they often think of credit cards and nothing else. However, there are other types of plastic cards that can be used besides credit cards. Below are description of the four main types of “plastic cards.”

Credit Cards

A credit card is a loan on future earnings. The longer one carries a balance, the more one pays for the ‘loan’ to purchase goods and services. Credit terms and conditions affect your overall cost. It is important to compare terms and fees before you agree to open a credit or charge card account.



Debit/Check Cards

A debit card, also known as a check card, is very similar to a credit card except that the money is immediately withdrawn from a checking account. In this way one does not have to “write” a check, however, one may easily overdraw the checking account unless ‘overdraft protection’ is assigned to the account. Debit cards are often used to withdraw cash from an automated teller machine (ATM). Always keep a record of debit ‘purchases’ or ‘withdrawals’ to avoid overdrafts. Debit cards are accepted wherever merchants display the card’s brand name or logo.



Smart or Chip Cards

A smart card is a card that has an embedded computer chip. This card can be programmed to perform tasks and store information. Smart cards are currently being used in telephone, transportation, banking, and healthcare transactions. There are three categories of smart cards; integrated circuit (ICC) microprocessor cards which are used for a variety of applications. Examples are cards that hold money, cards that hold money equivalents, cards that provide secure access to a network, cards that secure cellular phones from fraud, and lastly cards that allow set-top boxes on televisions to remain secure from piracy. The second type is a memory card, which is popular as a high-security alternative to magnetic stripe cards. The third type of card is the optical memory card which is used for record keeping for example medical files, driving records, or travel histories.



Gift Cards

One can purchase a gift card with cash, credit card or debit card. just like they would purchase a store gift certificate. The recipient then uses it just like a debit/check card for purchases made up to the amount designated on the gift card.

