

Activity 8.1

Unit Word Search

Name _____ Date _____ Hour _____

Student Materials

Pencil

Directions

Fill in the blank with the correct term from the word bank. Find the word within the word search.

Word Bank

APR	credit limit	late fees
auction sites	creditor	online shopping
CARD act	finance charge	privacy policy
cash advance	grace period	secure website
credit card	interest rate	Smart card

1. Read an online seller's _____ before shopping there.
2. No interest is charged on new purchases during a credit card _____.
3. Lock icons, a https URL, and third party verification are all signs of a _____.
4. Interest rates are usually expressed as the _____.
5. A _____ stores information with a computer chip, then transmits that information when buying something.
6. _____ are websites that allow you to bid on an item that you want.
7. One disadvantage of _____ is that it is hard to determine reliable sellers.
8. An interest rate is applied to an unpaid credit card balance as a _____.
9. A _____ is used to buy now and pay later.
10. The cost of borrowing each year is the _____.
11. _____ are assessed on credit card balances when payment isn't received by the creditor before a specified date.

12. Getting a _____ from your credit card can be a costly way of getting extra cash.
13. A _____ is in the business of lending money.
14. The _____ requires that credit card companies provide clear information about the costs of credit cards.
15. A credit card can be used up to a specified _____ that is established by the creditor.

F O E J I Z E K X K W C W S G Q W A F O V F S C S
H I V T J X Q Q Q H R H E L Y K D V I R Z H E Q M
O D N X A X C N A E E C S E E F E T A L B T G U A
G D I A E R P X D D U W T N K C X Y S O N I I P R
X X H T N P T I L R G I N P V E O E K C N R A X T
Y T Y A N C T S E R M I L N A P Y L N Q S A F G C
C X N X G O E W E I A X Q J S X V Q P T Q E W I A
D R F T R R E C L R Q M V I M R F H R K Q B Q A R
I W E Y C B H T H E E O J O W M B J I E M M W H D
H P G D S A I I E A Q T M S U P L N V K T C L G O
A I E I I D D O D U R K N Y V J Y Y A E L S U E I
Y I T S E T N R Y Z F G W I O N V T C G W T G C F
T E A R A E C J A Y F E E U K T Z G Y X Y R I N Q
R D C U Q U R A Q C S Y L C N E Z U P O Z P S A I
D S M N J Z E H R R P D H I R U Q M O Y X A S V F
G S L X M I X Y P D S S N Y R H Y V L Y U T M D W
V S X B X J J Q Q J Z C S X J F N D I Z Q S H A G
O N L I N E S H O P P I N G W J T E C P X I G H E
G R A C E P E R I O D T A N M Z Z T Y U I L F S D
G F S E T I S N O I T C U A M T M L I Y T G H A B
R C D Q Z C P E A P Q P I E R N T R D J N R L C Y
U C U F G D T H D H V R N X C V N S L X H S V T T
J Y H X A X U G L M Y O T H P Q P M E V N L E E P
B Y H J W P G V S M U C O K V S P R C W N Z C H E
Q K S I G X P S F T X M B D I R K P P B S K G H Y

Word Bank

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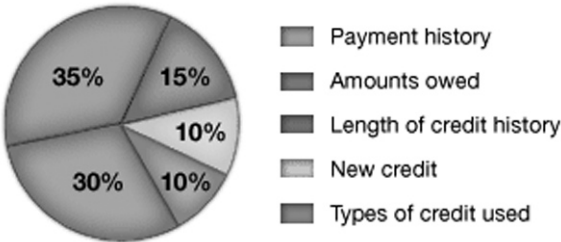
Activity 8.2

What's My FICO®?

Name _____ Date _____ Hour _____

Introduction

Whether a credit card company or lender decides to offer credit and under what terms is largely determined by a consumer's credit score. The lender will check with one of the three main credit bureaus—Equifax, Experian, or TransUnion—regarding your credit history. Another thing that lenders pay attention to is the credit score. The most common credit score is the FICO score, which ranges from a poor 300 to an excellent 850. A FICO score is based on your credit history, current level of debt, how long you've used credit, types of credit used, and applying for new credit.



Directions

View “Credit in Today’s Climate” webinar at the MyFICO website at www.myfico.com/crediteducation/videos/Credit-Todays-Climate.aspx?demo=yes. Answer the following questions from the video.

1. List five examples of adverse items under payment history.

2. Can not owing anything on accounts contribute to a poor score? Why or why not?

3. What are the credit bureaus looking for in length of credit history?

4. How can applying for new credit harm a credit score?

5. What are credit bureaus looking for in types of credit used?

6. List the three most important things you can do to improve your FICO score.

Activity 8.3

How Much Does it Really Cost?

Name _____ Date _____ Hour _____

Introduction

In most cases, if you pay off a credit card balance in full each month, you won't be paying any interest. While about 40 percent of cardholders do this, not everyone does, particularly with higher priced items. Some pay just the minimum payment, and others might pay a little bit more each month. The amount of your payment and the credit card interest both affect the final price for an item.

For example, if Tom decides to purchase a netbook for \$500 with a credit card, he will owe only that \$500 if he pays it back under the term agreement, no matter what the interest rate. If he makes the minimum \$20 payments until it's paid off, it will take about three years. The price of the netbook will go up to \$613 with the interest (more if there are late payments). At 21% interest, the total price is \$664. At 24% interest, the total price goes up to \$701. However, if Tom decides to pay double the minimum payment on the 24% interest credit card, the total amount goes down to \$582.

- Read "The True Cost of Credit Cards" at www.practicalmoneyskills.com/personalfinance/creditdebt/cards/costofcredit.php.
- Use a credit card calculator like the "Credit Card Repayment Calculator" at www.federalreserve.gov/creditcardcalculator/, or www.thecalculatorsite.com.

Directions

Read the following scenarios and answer the questions. Be sure to explain your reason for your response.

1. Nikki recently applied for and received a credit card. She's excited to think she got a great deal with a 5% introductory rate. She pays \$247.92 for the newest iPod within a month of receiving her credit card. Nikki decides to pay the minimum of \$20 a month until it's paid off. How long does it take her to pay it off and how much did she pay in all?

2. Nikki missed the fine print in her credit card offer. The 5% rate was only good for the first six months. After that, the rate goes up to 19.9%. What happens if she doesn't buy the iPod until month 7, but still only makes minimum \$20 payments each month? How long does it take to pay it off, and how much does she pay in all for the iPod?

3. Melanie and Matt use their credit card for everything: entertainment, groceries, doctor’s appointments, and gasoline for their car. They pay half of their balance each month. The annual percentage rate is 17.9%. If you divide the APR by 12 months, you’ll have the monthly periodic rate. Finance charges are often calculated by multiplying the average daily balance by the monthly periodic rate. Using the following table, calculate the payment and the interest/finance charge that carries over into the next month. For this example, use “balance” as the average daily balance.

	A Amount charged	B Balance	C Payment	D Finance charge	E Balance
January	\$296.94				
February	\$310.52				
March	\$321.70				
April	\$267.58				
May	\$405.12				
June	\$372.70				
July	\$292.60				
August	\$187.16				
September	\$354.22				
October	\$410.52				
November	\$323.89				
December	\$501.25				

How to calculate:

Balance = previous month Column E + new month Column A

Finance Charge = Column C x monthly periodic rate (17.9 ÷ 12)

Ending balance = Column B - Column C + Column D

How much did Melanie and Matt charge on their credit card in a year? _____

What is the total amount of payments they have made in this year? _____

Interest? _____

Was the way in which Melanie and Matt used and made payments on their credit card a good idea? Why or why not?

Activity 8.4 Online Shopping

Name _____ Date _____ Hour _____

Introduction

Online shopping continues to grow due to the range of merchandise and sometimes lower prices. Another danger of online shopping is using the payment and escrow services that some businesses require. While there are legitimate services, there are also people who pose as a service in order to falsely obtain money and goods. Internet fraud is rising. Read how to avoid the most common Internet scams at:

- FBI Internet Fraud site at www.fbi.gov/scams-safety/fraud/internet_fraud/internet_fraud.

Directions

Choose a general item to shop for online, such as shoes, music, or electronics. (Your teacher may provide you with a list of recommended sites). Put the item and “shopping” in a search engine. The search engine should provide a list and links to various shopping websites. Evaluate the businesses with the following criteria, then determine which of the websites you would most likely shop at.

	Internet Business #1	Internet Business #2	Internet Business #3
Physical address listed			
Working phone number			
Lock icon in browser window (Internet explorer-lower right)			
Secure URL (https)			
3rd party certification (Verisign, GeoTrust, SSC.com)			
Privacy policy			
Refund, warranty policies			
Message that states personal information will be encrypted for order and payment			
Product information is clear and not misleading			
3rd party payment			
Pop up windows asking for information			
Professional-looking website			

Based on your research, would you do business with any of the websites? Why or why not?
