

Name: \_\_\_\_\_

# Being Financially Literate

*Directions:*

There are a number of terms and services to understand associated with credit. Match each term listed on the left with the scenario which best fits it as listed on the right.

Principal: \_\_\_\_\_

A. The amount of monthly interest which is added to your credit card bill based on the amount you charged to the card during the month

Finance Charge: \_\_\_\_\_

B. When you have stopped making payments, usually because you are unable to afford the payments

Annual Percentage Rate: \_\_\_\_\_

C. A percentage of your balance each month is set as the minimum amount you are required to pay on your account to not be considered "late" or "in default"

Minimum Payment: \_\_\_\_\_

D. The percentage of interest you pay on an annual basis based on how much you have borrowed

Default: \_\_\_\_\_

E. The amount of your purchase which is either loaned to you in a lump sum or the amount of your purchase you charged to your credit card

# Scenarios of Credit

*Directions:*

For each scenario listed, list the term which would be used to describe it.

*Example:*

*Scenario:* Jake has a number of credit cards and loans in his name. Recently, he realized he could no longer afford to make the payments. Jake has decided to stop making all payments on his loans and credit cards completely. Which term applies to this situation?

*Term:* Default

A. *Scenario:* John went on a trip with his friends before making his credit card payment. When he returned home, he put his payment in the mail to the credit card company who received the payment six days after the due date. Which term applies to this situation?

*Term:*

B. *Scenario:* Susan had to go buy school supplies. While she was out, she decided to buy some new items for her bedroom as well. Her credit limit is \$200, and she only spent \$180 for these purchases. She had a balance of \$75 which she did not pay the previous month. Which term applies to this situation?

*Term:*

C. *Scenario:* Bill did not read the fine print of the credit card offer before he applied for his new credit card. Whenever he makes purchases, he always pays the balance in full when he receives his statement. But, he always has to pay interest because the company starts charging interest the day he makes a purchase. Which term applies to this situation?

*Term:*

**Grace Period / Over-the-Limit Fee / Late Payment Fee**