

**What You Don't Know  
About Credit  
Can Cost You Money**

1. A typical consumer carries a credit card balance of \$1,750 on a card that charges 18 percent interest. How long will it take to pay off the bill, and how much interest will he pay if he makes only the minimum monthly payment – 2 percent of the outstanding balance?
  - a) 3 years, 2 months; \$627 interest
  - b) 7 years, 9 months; \$1,129 interest
  - c) 16 years, 4 months; \$2,189 interest
  - d) 21 years, 11 months; \$3,647 interest
  
2. By paying an extra \$25 per month, he will **cut the time** to pay off his bill by how many years and **save how much in interest**?
  - a) 18 years, 7 months; save \$3,059 interest
  - b) 12 years, 2 months; save \$2,091 interest
  - c) 5 years, 7 months; save \$1,336 interest
  - d) 2 years, 9 months; save \$850 interest
  
3. If you are only one day late with your payment, your credit card issuer may:
  - a) Assess a \$29 late payment fee
  - b) Increase the interest rate on your card
  - c) Cancel your credit card
  - d) Any of the above
  
4. Your credit card could be canceled or your interest rate increased if you:
  - a) Are not using your card enough
  - b) Are exceeding your credit limit
  - c) Have accepted a credit card from another company
  - d) Any of the above

5. True or False? If you accept a "pre-approved" credit card offer with a \$5,000 credit limit and a 13 percent interest rate, you may only get a card with a limit of \$250 and an 18.6 percent interest rate.
6. True or False? If the card issuer raises the interest rate, it will apply only to new purchases.
7. True or False? Cards that offer rebates (cash back, frequent-flyer miles, etc.) based on your card usage are great bargains for most consumers.
8. True or False? Taking a cash advance on a credit card that charges 13 percent interest may cost the equivalent of 40 percent or more in interest and fees.
9. True or False? Department store credit cards offering "no finance charges" for 6 months will charge retroactive interest if you don't pay off the balance within 6 months.
10. True or False? If you carry a balance, you will pay less in finance charges if you make payments earlier in the month.
11. True or False? If you carry a balance some months, but pay it off other months, your card issuer may charge you interest even on the months when you pay off your bill in full.
12. True or False? If your credit card company sends you a "skip a payment" offer, you will not be assessed finance charges for that month.
13. True or False? If your credit card is tied to your home's equity and you have missed payments, the bank can foreclose on your house.