Bank of Montreal Credit Card Account Statement   
Account Number 4592 4700 3890 6781  
February 21, 2012 to March 22, 2012 

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| **Summary of account activity** | |
| Previous balance Payments Other credits Purchases Cash advances Past due amount **Fees charged Interest charged** New balance  Credit limit Available credit Statement closing date Days in billing cycle | $535.07 -$450.00 -$13.45 +$529.57 +$318.00 +$0.00 **+$45.90 +$10.89** $ 975.98  $2,000.00 $ 1,024.02 3/22/2012 30 |

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| **Payment information** | |
| New balance Minimum payment due Payment due date | $975.98 $29.28 4/20/12 |
| **Late payment warning:** If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to $39 and your APRs may be increased up to the Penalty APR of 28.99%.  **Minimum payment warning:**  If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of $1,000 at an interest rate of 17% and always paid only the minimum required, it would take over 7 years to repay this balance. If you would like information about credit counselling services, call 1-800-687-9634. | |

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| **QUESTIONS?** | | Please send billing inquiries to: |
| Call customer Service | 1-800-784-7983 | PO Box 876,  Ottawa, Ontario  K1M 1B1 |
| Lost or stolen credit card | 1-800 -784-8786 |  |

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| **Important changes to your account terms** | |
| The following is a summary of changes that are being made to your account terms. Changes to the APRs described below are due to changes in market conditions. For more detailed information, please refer to the booklet enclosed with this statement.   These changes will impact your account as follows:   Transactions made on or after 4/9/12: As of 5/10/12, changes to APRs described below will apply to these transactions.   Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.   If you are already being charged a higher Penalty APR for purchases: In this case, any changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account. | |
| **Revised terms, as of 5/10/12** | |
| **APR for purchases** | 16.99% |
| **Late payment fee** | $32 if your balance is less than or equal to $1,000; $39 if your balance is more than $1,000 |

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| **Transactions** | | | | |
| **Reference number** | **Trans date** | **Post date** | **Description of transaction or credit** | **Amount** |
| 5884186PS0388W6YM  0544400060ZLV72VL  55541860705RDYD0X 554328608008W90M0  054830709LYMRPT4L  854338203FS8OO0Z5 564891561545KOSHD  841517877845AKOJIO  895848561561894KOH  1871556189456SAMKL  1542202074TWWZV48  2564894185189LKDFID  14547847586KDDL564 2564561023184102315  55542818705RASD0X  289189194ASDS8744  178105417841045784  045148714518979874  8456152156181SDSA  31289105205648AWD  04518478415615ASD  0547810544898718AF  056489413216848OP  054894561564ASDW  5648974891AD98156 | 2/22  2/24  2/24  2/24  2/24  2/25 2/25 2/25 2/26 2/26 2/26 2/27 2/28 2/28 3/1 3/2 3/3 3/6 3/5 3/11 3/11 3/15 3/16 3/17 3/19 | 2/23 2/25 2/25 2/25 2/25 2/25 2/26 2/26 2/27 2/27 2/26 2/28 2/28 3/1 3/2 3/3 3/6 3/5 3/12 3/12 3/16 3/17 3/17 3/18 3/20 | Store #1 Store #2 Store #3 Store #4 Store #5 Pymt-Thank you Store #6 Store #7 Store #8 Store #9 Cash advance Store #10 Cash advance Store #11 Store #12 Store #13 Store #14 Store #13 Store #15 Store #16 Store #17 Store #18 Store #19 Store #20 Store #21 | $2.05 $12.11 $4.63 $114.95 $7.35 $450.00- $14.35 $40.35 $27.68  $124.76  $121.50  $32.87  $196.50  $14.76  $3.76  $13.45  $2.35  $13.45-  $25.00  $7.34  $10.56  $24.50  $8.76  $14.23  $23.76 |
| **Fees** | | | | |
| 9525156489SFD4545Q  56415615647OJSNDS  256489156189451516L | 2/23  2/26  2/28 | 2/23  2/26  2/28 | Late fee Cash advance fee Cash advance fee **TOTAL FEES** | $35.00 $5.00 $5.90 **$45.90** |
| **Interest charged** | | | | |
|  |  |  | Interest on purchases Interest on cash advances **TOTAL INTEREST** | $6.31 $4.58 **$10.89** |
| **2012 Totals Year-to-Date** | | | | |
| Total fees charged in 2012 Total interest charged in 2012 | | | $90.14 $18.27 | |

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| **Interest charge calculation** | | | |
| Your **Annual Percentage Rate (APR)** is the annual interest rate on your account | | | |
| **Type of balance** | **Annual Percentage Rate (APR)** | **Balance Subject to Interest Rate** | **Interest charge** |
| Purchases Cash advances   (v) = Variable rate | 14.99% (v) 21.99% (v) | $512.14 $253.50 | $6.31 $4.58 |

**Credit Cards**

**Part A: Pros and Cons of Credit Cards**

Using a credit card really means you are borrowing money from the card issuer. When you buy something using a credit card, you promise to pay back the money you have borrowed plus a payment for interest and fees that may be due if you do not make repayment by a certain time.

Credit-card loans offer advantages. They are convenient and easy to use. They can be great in an emergency. And it’s nearly impossible to travel without credit cards (most hotels and rental car companies require one). But credit-card loans can pose serious problems. They come with relatively high interest rates. And some people borrow more against their credit cards then they should, given their income level.

Many different types of institutions offer credit cards – banks, department stores, credit unions, finance companies, furniture stores, appliance shops. A card holder can charge up to a certain amount on their accounts by buying goods and services or by withdrawing cash advances. A statement is mailed to the card holder at the end of the month showing the charges, the total amount owed, the minimum to be paid and the finance charge.

Most card issuers charge a fixed interest rate. Many also charge an annual fee for the card (e.g. CIBC Aeroplan Visa Card). Most offer a grace period that allows card users to avoid paying interest on the balance if the balance is paid in full within the stated time period.

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| **Using a Credit Card** | |
| **Pros** | **Cons** |
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**Part B: Here are a few things you should look for when you read a credit-card statement**

**Credit Limit:**  How much you can purchase using credit.

1. What is the credit limit for account number 4592 4700 3890 6781?
2. How much of the credit limit has already been used?
3. How much is remaining?

**New Balance:**

The new balance on a credit card account is the unpaid amount or what you still owe. It is usually determined by:

* Starting with the previous month's balance
* Subtracting any payments or credits
* Adding new charges, miscellaneous fees and finance charges for the current billing cycle
  1. What was the previous month’s balance for account number 4592 4700 3890 6781?
  2. How much was paid off last bill?
  3. What date did the credit of $13.45 take place? Explain what happened.
  4. How much of a cash advance was made?
  5. How much money was spent on purchases?
  6. What is the new balance?

**Minimum Payment:** The minimum payment is the amount you must pay on credit card accounts each billing cycle to remain in good standing with your creditor. The minimum payment is usually determined by taking a percentage of your new balance.

Each bank or credit card issuer determines your monthly payment by using a formula that is specific to their company. One bank may determine your monthly payment amount by using a formula of 2% of the outstanding balance, while another bank's formula may be 2.5% of the outstanding balance. You must make at least the minimum payment by the due date to protect your credit reputation. Late payments are recorded on your credit report.

Here is an example:

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| --- | --- | --- |
| New Balance  $1,200.00 | Minimum payment due = $24.00  (using 2% formula) | Minimum payment due = $30.00  (using 2.5% formula) |

You can determine your lender's percentage for minimum payment formula by dividing the minimum payment due by the new balance. For example, if the credit card statement lists a minimum payment of $22.85 and the new balance is $1,039.04, then

$22.85 / $1,039.04 = .0219915 or 2.2%

Or, you can estimate your monthly payment by multiplying your new monthly balance by the monthly percentage rate of interest charged, if you know it:

1,039.04 x 2.2% = $22.85

As a rule, you should try to pay as much as you can to avoid increased finance charges. At the very least, you should pay the minimum payment on your credit accounts before the due date. If your goal is to pay off the bill and reduce unnecessary fees, pay more than the minimum amount each month.

1. What is the new balance?
2. What is the minimum payment?
3. Determine the lender’s percentage for minimum payment?

**Annual Percentage Rate (APR):** The [Annual Percentage Rate](http://www.channel4.com/money/feature.jsp?pageParam=3&id=280) (APR) is the amount of interest you will pay on an annual basis. It is compounded **daily**. The APR is an important factor in calculating your monthly finance charges. The higher this rate, the more money it will cost you to use this credit.

1. What is the APR for account number 4592 4700 3890 6781?
2. What is the penalty APR (the rate they are charged if the minimum payment is not paid on time)?

**Fees Charged:** Credit card fees vary with the type of card that you have. Also, the type of fees that banks or credit card issuers attach to their cards can change. Read the fine print on your monthly statement, the annual disclosure statement, or call your credit cardholder's toll-free consumer assistance line to learn more about fees that might be unique to your card. Fees common to many credit cards include:

* Annual Fee – An annual fee (or yearly membership) is the fee you pay to have a credit card. The amount of the annual fee varies with the type of card you have. Cards with extra features or rewards such as frequent flyer miles may have a higher annual fee.

Tip: There are credit cards with no annual fee. Try to find a card with no annual fee that meets your needs.

* Late Fee – This is a fee you pay the bank or credit card issuer when your monthly payment does not reach them in time to be processed by the due date. The amount of the fee varies among banks. Late payments are recorded on your credit report.

1. List all the fees account number 4592 4700 3890 6781 was charged on this credit card statement.
2. Was the account charged an annual fee on this statement?

**Payment Due Date: Grace Period**

A grace period is the number of days you have before a credit card issuer starts charging you interest on your new purchase. This is usually 20 to 25 days. Read the fine print on your monthly statement to determine the grace period offered by your credit card company. This calendar shows you an example of what a typical grace period might be:

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| --- | --- | --- | --- | --- | --- | --- |
| Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9  Billing Close Date | 10 | 11  Grace Period | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30  Due Date |  |  |  |  |  |

On most credit cards, the grace period only exists when the previous month's balance has been paid in full. So unless you have paid your credit card in full the previous month, you do not have a grace period. When you pay monthly bills in full, there are no interest charges on new purchases you make during the billing cycle. But if the previous month's balance was not paid in full, interest charges are assessed on the previous balance and on any new charges you make before the next bill is due. As soon as you make a new charge, interest begins to accrue on that purchase. When you get a cash advance using a credit card, there is NO grace period, even when the previous balance was paid in full.

Pay your bill in full each month to take advantage of the grace period. If you can't pay your bill in full each month, pay early in the billing cycle to reduce the average daily balance used to calculate your interest charge.

1. When is the payment due for this statement?
2. How many days grace is given to account number 4592 4700 3890 6781?
3. What happens if the minimum payment is not paid by the data listed?

**Cash Advance Fee:**

This is a fee the card issuer charges you for taking a cash loan from a bank using your credit card. The maximum amount allowed for a cash advance is printed on the back of your monthly statement. Card issuers usually charge a percentage of the loan amount.

Let's say you get a $500 cash advance and your card issuer charges an advance fee of 3% of the loan amount. Your cash advance fee for this transaction would be $15. Additionally, most card issuers state a minimum fee that each cash advance will be assessed. For example, your card issuer's cash advance rules may be 3% of the loan amount or a minimum fee of $5. If you get a cash advance of $100 your fee will be $5 since 3% of $100 is only $3 and is less than the $5 minimum. Check the back of your monthly statement to find out what fees are charged by your bank or card issuer.

1. How much is account number 4592 4700 3890 6781 charged in fees for the cash advances?
2. How much interest is account number 4592 4700 3890 6781 charged on cash advances?
3. How does this rate compare to the ARP?

**Part C: Calculating Interest on Overdue Credit Card Accounts**

Suppose that no more transactions are made with account number 4592 4700 3890 6781.

1. The balance remains $975.98. Suppose the minimum payment is not made by the due date. If you want to pay off the credit card 3 months later, how much will you owe?

(Recall: A=P(1+i)n and don’t forget to add the late fee)

1. Suppose you lose your job and have no money to pay off your credit card. You recycle your bills for 9 months until you get a new job and can begin to pay your debt.
   1. What will you owe on your credit card?
   2. What will your minimum payment be?