

Teacher Resource 9.5

Key Vocabulary: Credit Cards

These are words to be introduced or reinforced in this lesson.

Word	Definition
annual fee	A once-yearly charge for having a credit card. Cards with annual fees usually have a lower interest rate
balance transfer	A transfer of debt from one credit card to another, usually for a fee
bankruptcy	A court-approved plan by a person or organization that cannot pay its creditors, with the goal of satisfying creditors and giving the debtor a fresh start
credit limit	The maximum amount of credit a borrower can use on a particular line of credit (e.g., a credit card). Exceeding the limit usually involves a penalty fee
credit counseling	A package of services designed to help consumers manage their debt, including credit education and a debt management plan
default	Failure to pay a debt
default rate	A particular interest rate charged when a consumer defaults on a credit agreement. Usually much higher than normal rate
fixed rate	An interest rate that does not vary during the life of a loan
grace period	A period of time when no interest is charged on a credit card
interest rate	The charge for borrowing a sum of money, usually expressed as a percentage of the original loan charged annually

Unit 3 Borrowing and Credit

Lesson 9 Credit Cards

Word	Definition
introductory APR	A lower interest rate offered on a new credit card, usually the first 6 months. After the introductory period, the interest rate increases
late fee	A fee assessed for paying the minimum balance of a credit card after the due date
minimum monthly payment	The smallest amount of money a borrower can pay monthly toward his credit card, usually 2% of the balance
prime rate (or prime)	The rate of interest that banks charge their most favored customers, calculated as the federal funds rate plus a premium, usually around 3%
secured credit cards	A kind of credit card where a borrower makes a deposit of collateral in the amount of credit that she is seeking. Secured credit cards are good for those who are building or rebuilding their credit histories
transaction fees	A fee assessed for using a credit card for certain types of transactions, like in an ATM
variable rate	An interest rate that changes based on the moves of another rate index, usually the prime rate