

Credit and debit cards

(The Card Game, PBS Frontline program at <http://www.pbs.org/wgbh/pages/frontline/creditcards/view/>)

In your group, try to answer as many questions as you can prior to watching the episode. Make sure you answer all questions that involve numbers. This is important for you to see where the numbers mentioned in the movie come from.

(Part 2)

1. Does “No annual fee” credit card mean that the card is for free? Explain.
2. How do credit companies make a profit? Who are the customers that these companies take advantage of to make a profit?
3. Notice the story of a lady (Elizabeth) in part 2 (7:00) She said she had ended up paying \$3000 for \$480 purchases. Explain how that happened. If she paid the full balance in 6 months, what was the real interest rate she paid for the loan?
4. A gentleman (Don, 10:00) was paying his credit card bill on time and yet the credit card company raised his interest rate from 8.9% to 19%. Why did that happen? Imagine that you have an outstanding balance of \$8000 and the same happens to you. By how much will your minimum monthly payment go up? Approximate that number by the increase in the interest.

(Part 5)

5. Is “Free checking account” really free? Explain how such a free product can turn profitable for a bank.
6. Are debit cards “free” and safe? Why do banks so willingly offer customers free debit cards with checking accounts?
7. The lady at 33:00 talks about how a purchase of \$7 pizza ended up with charging her \$40 by the bank. Explain what happened and calculate the bank’s profit. If this was a 1 week loan, what would be the APR?
8. Payday lenders part starts at 35:00. How do they make profit? What annual interest rate they charge on 2-week loans?
9. How do banks usually charge several checks to your account? Is it really in your interest as a customer to have the largest checks posted first? Why? (42:00)
10. Discuss pros and cons of paying with a credit card and debit card.
11. Discuss your experience with credit cards, debit cards or payday lenders and share interesting stories with the class.