An Interest in Credit Cards

The Set Up:

Two high school students, Elena and Sean, are planning to have senior pictures taken this week.   The cost will be approximately $350 for each of them.   Elena and Sean both have jobs and make about $100 per week. Both also have $200 in their checking accounts.

The picture company is offering a 10% discount if students pay $315 ($350 less 10%) this week.   Both Elena and Sean have decided to charge their pictures on their credit cards in order to take advantage of the discount.

Two weeks later when the credit card bills arrive, Sean decides to pay the balance in full. Elena decides to pay about $25 per month until the bill is paid because she has things she wants to buy for her first year at college. The interest on her credit card is 24%.

The Investigation:

Use an online amortization calculator similar to ones found at (http://beginnersinvest.about.com/od/amortizationcalc/) to analyze Elena's and Sean's choices.

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Consumer
Scene
Investigation

An Interest in Credit Cards

Consumer Scene Investigation Grade Sheet
CSI 9 – An Interest in Credit Cards

Competencies: SC.1: Compare the benefits and costs of alternatives in spending.
SC.3: Compare the advantages and disadvantages of different payment methods.
SC.4: Analyze the benefits and costs of consumer credit.

Objectives: B: Analyze the costs and benefits of various methods of payment. (SC.3)
D: Compare the advantages and disadvantages of using credit. (SC.4, SC.5)
K: Explain the factors that determine the cost of credit. (SC.8, SC.9)
L: Calculate finance charges using different interest rates. (SC.4)
M: Analyze the relationship among the finance charges, principle of the loan and the loan repayment period. (SC.4)
O: Propose ways to avoid or correct credit problems. (SC.10)

Name: _____   Date: _____

Criteria:	5	4	2	1	Total:
Calculations	Calculations were correct.	One mistake was made in calculations.	Two mistakes were made in calculations.	Three mistakes were made in calculations.	
Analysis - Elena	Analysis was complete and maked sense for Elena.	Analysis was complete but lacked persuasion.	Analysis was mostly complete, reader had few questions.	Analysis was incomplete and left the reader with questions.	
Analysis - Sean	Analysis was complete and makes sense for Sean.	Analysis was complete but lacked persuasion.	Analysis was mostly complete, reader had few questions.	Analysis was incomplete and left the reader with questions.	
Advice/ Opinion	Recommendation was knowledgeable and appropriate. Excellent recommendation.	Recommendation was appropriate and thought out. Super idea.	Recommendation was usable but not the best choice.	Recommendation was not appropriate.	
				Total:	

Consumer Scene Investigation

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Answers will vary, but students should note that Elena will end up paying more than Sean, and more than the discount given, for her senior pictures. See the results below from the website.

Principal borrowed: $315.00

Annual payments: 12 Total Payments: 15

Annual interest rate: 24.00% Periodic interest rate: 2.0000%

Regular payment amount: $24.52 Final Balloon Payment: $0.00

The following results are estimates which do not account for values being rounded to the nearest cent. See the amortization schedule for more accurate values.

Total Repaid: $367.80

Total Interest Paid: $52.80

Interest as percentage of Principal: 16.762%

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
1	18.22	6.30	18.22	6.30	296.78
2	18.58	5.94	36.80	12.24	278.20
3	18.96	5.56	55.76	17.80	259.24
4	19.34	5.18	75.10	22.98	239.90
5	19.72	4.80	94.82	27.78	220.18
6	20.12	4.40	114.94	32.18	200.06
7	20.52	4.00	135.46	36.18	179.54
8	20.93	3.59	156.39	39.77	158.61
9	21.35	3.17	177.74	42.94	137.26
10	21.77	2.75	199.51	45.69	115.49
11	22.21	2.31	221.72	48.00	93.28
12	22.65	1.87	244.37	49.87	70.63
13	23.11	1.41	267.48	51.28	47.52
14	23.57	0.95	291.05	52.23	23.95
15	*23.95	0.48	315.00	52.71	0.00

*The final payment has been adjusted to account for payments having been rounded to the nearest cent.