Example of report on the issue of credit cards is beneficial to banks because

Business, Customers

Analysis of Credit Card Debt

Abstract

Credit card is a bank payment card used for transactions, the settlement of which is derived solely from funds provided by the bank to the customer within the set limit, in accordance with the terms of the loan agreement. The bank sets a limit based on the customer's creditworthiness.

Debit card with overdraft differs from a credit card that requires the use, in the event of a shortfall client money bank.

A credit card can replace personal loans and loans for urgent needs. The main advantage of credit card loans is the ability to use credit without accounting to the bank on its intended use, and the ability to keep a line of credit (set by the bank for the customer credit limit) after the redemption. A credit card can assume the existence of credit issued by a client, or lack of it.

- bank is less need for extensive network of operations with money, since most of these operations (payment for goods and services, receipt / cash deposits), the client can hold their own;
- processing card transactions is more automated than processing operations classic loans, which reduces their cost;
- card loans - more profitable product compared with conventional loans due to various additional operating commissions arising during the service card (annual fee for services, cash advance, providing account statements and copies of checks, etc.). These commissions are unobtrusive and do not

irritate the customer, the more that the customer has a choice (for example, do not take cash and pay by card), but if enough emissions represent a considerable source of income of the bank.

Calculations

Question#1

The minimum monthly payment will be if we only pay a 2% payment just for using the card:

5270*0. 02=$105. 4

It is necessary to notice, that the fee in other months depends on a card balance, which wouldn’t be the same, at least because the 2% fee would be already paid.

Question#2

Let’s find the total annual interest:

5270*0. 1553=$818. 43

And if we consider the 2% payment which is constant for 12 months of the year, then the total annual interest is:

52701-0. 02*12*0. 1553=$622

Hence, the principal is reduced on:

$818. 43-$622=$196. 43

Question#3

Now, let’s consider the imaginary credit card balance $1000. This balance is the amount of money, which we can spend during the certain period, and with some APR (for example 15%) and monthly payment (usually 2%). The minimum month payment is 2% of our $1000 and it is equal to $20. The total annual interest is 1000*15%=$150. The month payment towards interest is: 15012=$12. 5

The monthly payment toward the principal is:

100012=$83. 33

Question#4

My credit card terms consider the transfer fees, cash advance fee, late payment fee. I have no any annual service charges (for example, for inactivity) or any special rate, etc.

Then I have to find the monthly payment:

1000+1506=$191. 67

I have to pay $191. 67 each month for 6 month to pay my card off.

My advices for those who want to get a credit card is to take the card with a lower monthly payment (i. e. lower APR) but with longer term. In this case, the monthly payment will not be significant to your wallet, and you may be able to complete each payment without extra fines even in outstanding situations.