

TAKE THE CONFUSION OUT OF CREDIT CARD INTEREST

Monthly credit card statements may be difficult to understand. Here is what you need to know:

- > What is a variable rate?
- > When do charges begin accruing interest?
- > Why are multiple interest rates applied to your account balance?
- > How are monthly interest charges calculated?
- > How are payments applied to your account?



FOR MORE INFORMATION

Call

Toll-free (24-hour automated service)

..... 1-888-842-6328

Please have your Access Number and account number(s) ready, and follow the prompts.

TDD (for the hearing impaired)

Monday to Friday, 7:30 am to 7:30 pm, ET

Toll-free..... 1-888-869-5863

Locally in Metro/DC area..... 703-255-8878

Online

Visit navyfederal.org to apply for a credit card, review credit card rates, use the interactive calculators, sign up for Bill Pay or get more information, 24 hours a day.

Branch

For a branch near you, visit navyfederal.org.

navyfederal.org 1.888.842.6328

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UNDERSTANDING CREDIT CARD INTEREST BEYOND YOUR APR



NAVY 
FEDERAL
Credit Union

WHAT IS A VARIABLE RATE?

Navy Federal uses a variable-rate pricing system for our credit cards. All accounts are assigned a margin rate at the time an account is established. The margin rate is based on an evaluation of your credit history. This rate is added to the highest prime rate published in *The Wall Street Journal* on the first business day of the previous month. The total is the purchase Annual Percentage Rate (APR) on your credit card account. Because we're a credit union, your variable rate will never be more than 18.0%, regardless of *The Wall Street Journal* prime rate.

WHEN DO CHARGES BEGIN ACCRUING INTEREST?

Purchases—There is a grace period, beginning on the day after the closing date of your monthly credit card statement. The final date of the grace period is your payment due date. During the grace period, interest charges don't accrue on purchased items. However, the purchases will be included in the calculation of interest charges if the statement balance isn't paid in full, including any cash advance or balance transfer amounts, by the payment due date.

Balance transfers—Interest charges accrue from the posting date until the balance is paid off in full.

Cash advances and convenience checks—

Interest charges accrue from the posting date until the advance or check is paid in full.

WHY ARE MULTIPLE INTEREST RATES APPLIED TO YOUR ACCOUNT BALANCE?

- > All purchases are assessed interest at your card's purchase APR. However, interest charges are assessed on purchases only after the grace period.
- > Cash advances made at a branch, at an ATM, online or by phone are subject to a rate of 2% above your variable purchase APR.
- > Convenience checks accrue interest at your account's purchase APR and aren't eligible for balance transfer promotional rates.
- > Balance transfer made without a promotional rate will accrue interest at your account's purchase APR.

Note: Promotional rates for balance transfers from outside financial institutions to your Navy Federal credit card account, along with their applicable rate, will be listed on a separate line item on your monthly statement so you can efficiently monitor your account.

HOW ARE MONTHLY INTEREST CHARGES CALCULATED?

To understand how monthly interest charges are calculated, you'll need to know the monthly periodic rate and the Average Daily Balance (ADB).

To find the monthly periodic rate, divide your APR by 12 months.

To find the ADB, we take the beginning balance of your account each day, add any new purchases (or cash advances), then subtract any payments, credits and unpaid interest charges. This gives us the daily balance. Then we add all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This figure is the ADB.

The ADB is listed at the bottom of your monthly statements as Balance Subject to Interest Rate.

Example using an APR of 9.9% and an ADB of \$2,000.00:

Monthly periodic rate: $0.099 \div 12 = 0.00825$

Monthly interest charge: $\$2,000.00 \times 0.00825 = \16.50

Cash advance interest charges are calculated similarly. Example using an APR of 11.9% and an ADB of \$3,000.00:

Monthly periodic rate: $0.119 \div 12 = 0.00992$

Monthly interest charge: $\$3,000.00 \times 0.00992 = \29.76

HOW ARE PAYMENTS APPLIED TO YOUR ACCOUNT?

Your minimum payment is applied to your interest charges, followed by all fees, then to the balance with the lowest APR. After that, payments are applied in ascending order to the balances with the highest APRs. Any amount in excess of the minimum payment is directed first to balances with the highest APRs, followed by those with the lowest.

Within the same APR, sums received will be allocated as follows:

1. Interest charges
2. Fees
3. Previous cycle purchases, cash advances and promotional rates
4. Current cycle purchases, cash advances and promotional rates

THE REAL COST OF MINIMUM-ONLY PAYMENTS

If you make the minimum monthly payment on a \$5,000 credit card balance with an APR of 17.9%, it will take you **more than 34 years** to pay it off, and the total cost will be \$17,588! Make larger payments when possible to shorten the amount of time you're in debt.

Balance	Amount Paid Each Month	Time Needed to Repay	Total Interest Paid at 9.9% APR	Total Amount of Payments
\$5,000	2% (minimum payment)	201 months (16 years)	\$3,104	\$8,104
\$5,000	\$125 (fixed amount)	49 months (4 years)	\$1,093	\$6,093

Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues.