

Instructor Guide

CHARGE IT RIGHT

FDIC

Money Smart



FDIC Money Smart for Young Adults



Building: Knowledge, Security, Confidence

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Module 6: Charge It Right Layering Table

Please read the Layering Table Instructions in the *Guide to Presenting Money Smart for Young Adults*.

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
9-14	5	Checking In	Introduction of instructor and the materials	<ul style="list-style-type: none"> Everyone
15	5	Credit Choices	Introductory discussion	<ul style="list-style-type: none"> Everyone
16-22	15	Types of Credit Cards	What a credit card is, stored value cards, secured and unsecured credit cards, student credit cards, reward cards <ul style="list-style-type: none"> Activity 1: Credit Cards and ATM/Debit Cards Activity 2: Which Card Is This? 	<ul style="list-style-type: none"> Those unfamiliar with the different types of credit cards
23-24	10	Credit Card Solicitations	Solicitations or selling tactics, statistics, pre-approved offers	<ul style="list-style-type: none"> Everyone
25-36	15	Shopping for the Best Deal	Credit card terms, Annual Percentage Rate (APR), fees, grace period, balance computation method, customer service, additional protection, credit limit, credit card comparison chart, tips for choosing a credit card <ul style="list-style-type: none"> Activity 3: Is It a Decent Offer? 	<ul style="list-style-type: none"> Those who intend to apply for a credit card in the future
37-43	20	Applying for a Credit Card	Where to apply for a credit card, application requirements, what credit card companies look for, credit reports, credit reporting agencies, free annual credit report, credit score, what to do if your request for credit is denied	<ul style="list-style-type: none"> Those who intend to apply for a credit card in the future Those wanting to learn about credit reports
44-54	15	Using Your	Using your credit card	<ul style="list-style-type: none"> Everyone

Module 6: Charge It Right Layering Table

Please read the Layering Table Instructions in the *Guide to Presenting Money Smart for Young Adults*.

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
		Credit Card Responsibly	responsibly, correcting credit card problems, what to do if your credit card is lost or stolen, identity theft <ul style="list-style-type: none"> Activity 4: Credit Card User Case Studies 	
55-58	5	The Credit Card Statement	Credit card statement information, keep good records <ul style="list-style-type: none"> Activity 5: Sample Credit Card Statement 	<ul style="list-style-type: none"> Those who intend to apply for a credit card in the future
59-61	10	Paying Your Bill	Credit card limit, minimum payment <ul style="list-style-type: none"> Activity 6: Benefits of Making More Than the Minimum Payment 	<ul style="list-style-type: none"> Those who intend to apply for a credit card in the future
62	5	Conclusion		<ul style="list-style-type: none"> Everyone
63-66	5	Knowledge Check		<ul style="list-style-type: none"> Everyone

Getting Started

Purpose

The *Charge It Right* module will teach students about credit cards and how to use them responsibly.

Presentation Time

Each topic has an approximate completion time listed in the *Charge It Right* Layering Table. Use the suggested times to personalize the module based on your students' needs and the given time period. Allow extra time for activities and questions when teaching larger groups.

Materials and Equipment

The materials and equipment needed to present all of the *Money Smart for Young Adults* modules are listed in the *Guide to Presenting Money Smart for Young Adults Curriculum*. Review the guide thoroughly before presenting this module.

Module Activities

- Activity 1: Credit Cards and ATM/Debit Cards
- Activity 2: Which Card Is This?
- Activity 3: Is It a Decent Offer?
- Activity 4: Credit Card User Case Studies
- Activity 5: Sample Credit Card Statement
- Activity 6: Benefits of Making More Than the Minimum Payment

Icons

The following icons are used throughout the Instructor Guide and Participant Guide to indicate what type of activity will be conducted.

**Learning Objectives**

List the objectives to set the stage for learning.

**Flip Chart**

Use a flip chart to document students' comments or write important points for students to remember.

**Presentation**

Present information or demonstrate an idea.

**Review**

Refer students to information and summarize material provided in the Participant Guide.

**Activity**

Guide students through an activity to support their learning.

**Assessment**

Direct students to take a short test.

**Discussion**

Facilitate a discussion about a topic as directed.

**Ask a Question**

Present a problem or question for discussion.

Character Usage

The following characters will be used in the situational comic strips in the module to show the students a real-world application of the content. The comic strips and characters can be used to facilitate discussions related to the module content.



Jasmine

Jasmine is an 11th grade student at Lakeview High School. Her activities include hanging out with friends and going shopping. In school, her favorite subject is English and she also swims on the swim team. She works part time on the weekends around the holidays in her aunt's gift shop nearby, and has a younger brother named Dominique. Jasmine wants to attend an in-state college and plans to be an exercise physiologist.



Todd

Todd, a sophomore at Lakeview High School, is shy with a very sarcastic sense of humor. He is always avoiding social situations because he comes from a lower-income family and cannot afford to do the things the other teens are doing. He is very intelligent and is planning to attend college, but he is not sure how he will pay for it or where he will go. Todd works part-time at a fast food restaurant and the local grocery store, and is saving all he can for college.



Ramón

Ramón was born in the United States (U.S.), but his parents are from Peru; they came here when they were teenagers themselves. Ramon is 18 and preparing to graduate from Lakeview High School. He will be attending college on a soccer scholarship and studying mechanical engineering, since his dream job is to work for NASA. Ramón has a little sister, and an older brother who is a pilot in the Air Force. He likes to take his girlfriend to the movies or to play mini golf with the money he earns

working as a technician at a local computer shop.

**Grace**

Grace is an artistic student who wants to go to Fashion Design School after she graduates high school, but her parents want her to go to college. She does not really fit in to the “high school scene,” but the teachers really see potential in her to do great things. She works at a clothing store at the mall, and spends her free time on fashion sketches. Since her parents are totally against Grace going to Fashion Design School, she is very careful with her money so she can continue to buy design supplies.

Checking In

Welcome



Welcome to *Charge It Right!* You are taking an important step toward building good credit and avoiding credit card debt by taking this module. This module will provide you with some important information about credit cards.

Introductions



Before we get started, I will share a little about myself and I would like to know a little bit about you.

[Introduce yourself and share a little of your background and experience.]

Record students' expectations, questions, and concerns on chart paper. If there is anything you will not teach, tell students where the information can be obtained (e.g., another module or a website). Check off their responses at the end of the training to show that the lesson content met their expectations.

As you introduce yourself, state:

- Your expectations
- Questions and/or concerns about the training content

Purpose



Using a credit card can be both convenient and necessary. *Charge It Right* will teach you about credit cards and how to use them responsibly.

Objectives



After completing this module, you will be able to:

- Describe the purpose of credit cards.
- Determine which credit card is best for you, or if a credit card is a good option for you.
- Identify the factors credit card companies look for when making credit decisions.
- Describe how to use a credit card responsibly.
- Identify the steps to take when a credit card is lost or stolen.



Slide 3: Objectives

Agenda and Ground Rules



In addition to me presenting material to you, we will have classroom and small group discussions and exercises that allow you to practice what you have learned.

If you have experience or knowledge in some aspect of the material, please share your ideas with the class. One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your class contribution will enhance the learning experience. If something is not clear, please ask questions!

Student Materials



Each of you has a copy of the *Charge It Right* Participant Guide. You will be able to take it home and use it as a reference. It contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

Refer students to the Participant Guide. Review its contents and organization.

What Do You Know?



Use the Pre-Assessment to gauge students' prior knowledge of the content, and customize your presentation focusing on content with which they are the least familiar.

Before we begin, we will see what you know about banking services.

Take a few minutes to complete the Pre-Assessment beginning on page 6 of your Participant Guide. It will not be scored and you will be able to determine whether you answered each question correctly as we progress through the module.

Which questions were you unsure of or unable to answer?

[Note: If time is limited, make sure you cover these content areas.]

What questions do you have about the module overview?



Pre-Assessment

1. Which of the credit card terms below is most important to consider if you expect to carry a balance on your credit card from time to time?
 - a. Annual fee
 - b. Annual Percentage Rate (APR)**
 - c. Late fee
 - d. Over-the-limit fee
2. What is the main source of information credit card companies use to decide whether to issue you a credit card?
 - a. Personal references
 - b. Balance computation method
 - c. Truth in Lending Disclosure
 - d. Credit report**
3. What should you do when choosing a credit card?
 - a. How you plan to use the credit card
 - b. Read and compare credit card terms
 - c. Determine which credit card is best for you
 - d. All of the above**

4. If you carry a balance on your credit card and would like to pay less interest and pay the balance off faster, you should:
 - a. Make the minimum payment every month
 - b. Talk with your credit card company about removing your annual fee
 - c. Pay more than the minimum payment (as much as possible) each month**
 - d. Close your account and continue to transfer your balance each month to a different credit card

5. Are you eligible to receive a free credit report from each credit reporting agency once every 12 months?
 - a. Yes**
 - b. No

6. Who should you call first if your credit card has been lost or stolen?
 - a. A credit reporting agency
 - b. The merchant where you last used the card
 - c. The credit card company**
 - d. The police

7. What steps can you take to avoid identity theft? Select all that apply.
 - a. Protect your computer (e.g., install a firewall)**
 - b. Shred financial information before throwing it away**
 - c. Share your passwords and personal information with friends
 - d. Provide financial information to a stranger that calls or emails you

8. How can you reduce the interest you pay on a credit card and the time to pay off the debt?
 - a. Skip making the minimum payment

- b. Pay more than the minimum payment
 - c. Pay the minimum payment
 - d. Pay off the balance in full each month
 - e. b and d**
9. Which of the following accurately describes credit cards?
- a. They always allow you to make unlimited number of purchases with no set dollar limit
 - b. They are used to purchase goods and services and pay for them over time**
 - c. You must always pay the balance in full each month
 - d. When you purchase items, the money is withdrawn from your checking account
10. What is the first step you should take if your credit card is lost or stolen?
- a. Review your statement to see if any purchases were made by someone other than yourself
 - b. File a police report
 - c. Call the credit card company immediately to report the lost or stolen card**
 - d. Have a new card issued
11. Which of the following are examples of using credit cards responsibly? Select all that apply.
- a. Apply for multiple cards (e.g., 3 or 4)
 - b. Pay off your balance each month or more than your minimum payment**
 - c. Pay your bill on time**
 - d. Accept offers to skip your monthly payment
12. When you want to apply for a credit card, you should:
- a. Apply for the first offer you receive or find
 - b. Apply for retail store cards only
 - c. Compare several cards and choose the one that seems best for you**

- d. Apply for credit cards with the lowest introductory rates
13. Which type of credit card is linked to a savings account for collateral?
- a. **Secured credit card**
 - b. Unsecured credit card
 - c. Pre-approved credit card
 - d. Stored value card
14. Before applying for a credit card, the most important thing to read is the:
- a. **Truth in Lending Disclosure for the credit card**
 - b. Financial institution's lending policy statement
 - c. Credit card perks or reward systems
 - d. Monthly credit card statement



5 minutes Credit Choices



This section will help you gauge how much students know about credit cards. Share or have students read the comic strip on slide 3 or page 9 of their Participant Guide. Facilitate a discussion about Jasmine’s decision or students’ perceptions and experiences with credit card use.

Charge It Right



Slide 3: Charge It Right

Jasmine chose to pay for her books and magazines with her credit card. Do you think she made the right choice? Why? Answers may vary. Jasmine’s decision may be acceptable if she controls her credit card use and has the ability to pay off her balance. Otherwise she may be paying more for her books and magazines than she realizes.

Why Is Credit Important?

- Credit:
 - Can be useful in times of emergencies
 - Is more convenient and safer than carrying large amounts of cash
 - Allows you to make a large purchase (e.g., car or house), and pay for it over time
 - Can affect your ability to obtain a job, buy or rent a house, or obtain insurance

Slide 4: Why Is Credit Important?

How have you seen credit cards used? How has their use affected the cardholder’s credit? Facilitate a discussion about their perceptions and experiences.

Why is credit important? Credit:

- Can be useful in times of emergencies
- Is more convenient and safer than carrying large amounts of cash
- Allows you to make a large purchase (e.g., car or house) and pay for it over time
- Can affect your ability to obtain a job, buy or rent a house, or obtain insurance

You have probably heard the term “good credit.” It means you:

- Make your loan payments on time to repay the money you owe
- Have a good credit record, and it will be easier to borrow money in the future

If you use credit carefully, it can be useful to you. If you have problems using credit responsibly, it will be harder to borrow money in the future.


15 minutes Types of Credit Cards




What is a Credit Card?

Credit cards are a convenient form of borrowing. People generally use credit cards to purchase goods and services. Credit cards provide a *revolving line of credit*. This means you can make an unlimited number of purchases, up to a pre-approved dollar limit (e.g., \$500.00, \$1,000.00, \$5,000.00, or more).

What Is a Credit Card?



- **Credit cards:**
 - Are a convenient form of borrowing
 - Provide a revolving line of credit
 - Require you to pay the minimum payment each month
- **Charge cards:**
 - Require you to pay the entire balance every month



You must pay at least a part of the bill every month. This is called a minimum payment. It is often a certain percentage of your balance. For example, a minimum payment on a \$600.00 balance might be \$15.00.

Slide 5: What is a Credit Card?

Charge cards are used like credit cards, but you must pay the entire balance every month. In this module, we will focus on credit cards rather than charge cards.

Automated Teller Machine (ATM) and *debit cards* are similar to credit cards except that they are tied to your checking account at a bank. When you use them to make a purchase or to take out money at an ATM, the money is immediately taken out of your checking account. You need to be sure you have money in your checking account before you use an ATM or debit card.

Let us take a closer look at some other differences between credit cards and debit cards.



Activity 1: Credit Cards and ATM/Debit Cards

Although they look similar, credit and ATM/debit cards allow you to use money differently. Look at Activity 1 in your Participant Guide.

ATM/Debit Cards

- Automated Teller Machine (ATM) and debit cards are tied to your checking account at a bank
- Be sure you have money in your checking account before you use an ATM or debit card

Review the chart with the class. Then ask the following questions, or have students answer the questions. Review the answers with the class. If there are any incorrect answers, ask them what surprised them.

Slide 6: Activity 1
Refer students to Activity 1: Credit Cards and ATM/Debit Cards on page 10 of their Participant Guide.

- Which card requires you to have enough money at the time you pay for something? *Answer: ATM/debit card.*
- The balance on which card can increase if you do not pay the entire amount each month and accrue charges? *Answer: Credit card.*
- Which card(s) may have fees associated with them? *Answer: Credit and ATM/debit cards.*
- Which card generally offers purchase protections against faulty goods? *Answer: Credit card.*
- Which card allows you to pay for unexpected emergencies when you do not have enough money to pay for it? *Answer: Credit card.*

	ATM/Debit Cards	Credit Cards
<i>Payments</i>	<ul style="list-style-type: none"> Buy now, pay now. 	<ul style="list-style-type: none"> Buy now, pay later.
<i>Interest Charges</i>	<ul style="list-style-type: none"> No charges apply as funds are automatically debited from your checking account. 	<ul style="list-style-type: none"> Charges will apply if you carry a balance or if your card offers no grace period and you incur interest charges.
<i>Fees</i>	<ul style="list-style-type: none"> Fees on certain transactions (e.g., an ATM fee charged for withdrawing funds from an ATM not operated by the bank that issued your debit card). Potentially costly fees if you try to spend more money than is available in your account. 	<ul style="list-style-type: none"> Fees and penalties can be imposed if payments are not timely. Some cards have annual fees. Not all cards offer grace periods (time to repay without incurring interest charges).
<i>Other Potential</i>	<ul style="list-style-type: none"> Easier and faster than writing a check. 	<ul style="list-style-type: none"> Freebies sometimes offered (e.g., cash rebates, bonus points, or travel deals).

Benefits	<ul style="list-style-type: none"> • No risk of losing cash that you cannot replace. • Some cards may offer freebies or rebates. • As long as you do not overdraw your account, debit cards are a good way to pay for purchases without borrowing money and paying interest. 	<ul style="list-style-type: none"> • You can withhold payment on charges in dispute. • Purchase protections offered by some cards for faulty goods. • If you manage your credit card carefully, your credit score may go up and you may qualify for lower interest rates on loans.
Other Potential Concerns	<ul style="list-style-type: none"> • Usually there are no protections against faulty goods and services. • You need another way to pay for unexpected emergencies (e.g., car repairs) if you do not have enough money in your bank accounts. 	<ul style="list-style-type: none"> • Overspending can occur, since the credit limit may be higher than you can afford. • If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month.

Differences Between ATM and Debit Cards

ATM cards are generally used to withdraw or deposit funds into your bank account through an ATM. An ATM card typically has your bank's logo on it, but not a Visa or MasterCard logo.

A debit card will usually have a Visa or MasterCard logo on it. That means you can use the card at any merchant that accepts the major payment system. You can also use a debit card at an ATM to withdraw cash, make deposits, or transfer funds between accounts, like an ATM card.

Purchase Protections



Using a credit card generally offers more purchase protections than a debit card. Federal law limits your losses to a maximum of \$50.00 if your credit card is lost or stolen, although industry practices may further limit your losses.

But, your liability limit for a debit card purchase you did not make is \$50.00 if you notify the bank within 2 business days of losing the card or noticing an unauthorized transaction—it

could be up to \$500.00 or even more if you wait longer.

What questions do you have about credit cards versus debit cards?



Stored Value Cards

Another type of card that may be confused with debit and credit cards is a stored value card (also called a prepaid card).

There are four main types of stored value cards:

1. *Payroll cards* are used by an employer to pay wages instead of giving you a paper paycheck. Payroll cards are unique from other types of stored value cards because you do not need to purchase them or pay activation fees since your employer provides the card.
2. *Government disbursement cards* are provided by government agencies to pay benefits. One example is the Direct Express® debit card for Social Security payments.
3. *General purpose cards* can be purchased from retailers. Some come with a set value, while others require you to “load” (add) money to the card after obtaining it.
4. *Gift cards* can be purchased in fixed amounts. Unlike most other stored value cards, these often can only be redeemed for purchases from particular stores or restaurants.



Slide 7: Stored Value Cards

Stored value cards often have the logo of one of the major payments systems (e.g., American Express, Discover, MasterCard, or Visa) on the card. These branded cards:

- Can be used at any merchant or ATM that accepts cards issued through its respective network
- Enable a cardholder to pay for goods or services; the value on the card goes down with each purchase

Remember, the use of a stored value card will not allow you to

build a credit history because no money is being borrowed. While prepaid cards have potential benefits, they also come with potential costs and limitations. Read all information that comes with the card so you understand which fees are mandatory and which ones you can avoid.

Check to see whether you are charged a fee for:

- Activating the card
- Adding money to the card
- Making purchases
- Withdrawing cash
- Inquiring about your balance

Some cards will assess a fee if you try to spend more money than is on the card. Do not assume there cannot be overdraft fees with the prepaid card. Just as you would with a checking account it is a good idea to track your balance, perhaps with a check register, to avoid the risk of overdraft fees or the embarrassment of having a transaction denied.

Avoid looking at prepaid debit cards as permanent substitutes for bank accounts. People who are able to open a traditional bank account and manage it properly can pay less in fees, earn interest, write checks to merchants who do not accept plastic, save more easily for future expenses, and benefit from more federal protection than with certain prepaid cards.

Take additional precautions to protect yourself from fraud or theft.

- Experts suggest that you be wary of any offer to sell you a prepaid card for less than its face value, because it may have been stolen or otherwise obtained improperly.
- When you first receive a card, inspect it for indications of tampering of any protective stickers.
- It is always important to promptly review your monthly statement (online or on paper) to check for errors or

fraud.



Activity 2: Which Card is This?

Complete Activity 2 in your
Participant Guide

–Select the best answer from
the list provided



Slide 8: Activity 2

Refer students to Activity
2: Which Card is This? on
page 12 of their Participant
Guide.

Activity 2: Which Card is This?

Stored value cards, credit cards, and debit cards are similar but have important differences. Answer each question below by selecting the best answer from the list provided.

Give students a few minutes to choose the correct description. Then review the correct answers.

- Which card requires you to have money in a bank account to cover the purchases you make?
 - Debit Card**
 - Stored Value Card
 - Credit Card
- Which card allows you to “load” money on it for future purchases?
 - Debit Card
 - Stored Value Card**
 - Credit Card
- Which card has a spending limit and can be paid back over time?
 - Debit Card
 - Stored Value Card
 - Credit Card**

Now that you are clear about cards that might look like credit cards, let us talk more about the variations of credit cards available.



Secured and Unsecured Credit Cards

Most credit cards are unsecured. This means you do not have to provide collateral in order to get a credit card. Collateral is an asset (e.g., car, home, or savings account) that you promise to give the bank if you do not repay a loan.

Secured and Unsecured Cards

- Most credit cards are unsecured; requiring no collateral
- Collateral: an asset that you promise to give the bank if you do not repay a loan
- Consider a secured credit card if you have no credit history or have had credit problems in the past



Slide 9: Secured and Unsecured Cards

You might want to consider a secured credit card if you have no credit history or have had credit problems in the past. To get a secured card, you generally need to pledge a bank savings account as collateral. This means the bank holds the savings account as security for repayment.

For example, if you want a credit card with a \$500.00 limit, the bank might require you to keep \$500.00 in a bank savings account. You will not be able to withdraw from that account. The bank can use that \$500.00 if you are unable to pay your credit card bill.

Some banks might require more or less than the credit card limit as collateral to secure the card. Once you have a good history by paying your credit card bills on time, you will have a better chance of getting an unsecured credit card.

Student Credit Cards

- May have lower credit limit
- Intended to help young people establish credit
- Remember to read the terms and conditions



Slide 10: Student Credit Cards

Student Credit Cards

There are many credit cards today aimed at young adults. These cards may have a lower credit limit than other cards, as they are intended to help young people establish credit for the first time. Remember to read the terms and conditions associated with the card before applying.

Rewards Cards

- Earn points toward goods or services
- Receive cash rebates
- Many charge an annual fee



- Make sure the rewards you expect to earn justify the annual fee



Slide 11: Rewards Cards

Reward Cards

Reward cards are credit cards that offer “rewards” for using them. Many airlines and hotels offer reward cards. When you use these credit cards, you earn points toward goods or services, and you may receive cash rebates. You can then use the points toward flights, gift certificates, and other products. Remember, unnecessary spending can result in you accumulating a substantial debt to the credit card company and having to pay interest, which can more than cancel out any rewards you would earn. Many reward cards also charge an annual fee. Make sure the rewards you expect to earn justify the annual fee.



What questions do you have about these types of credit cards?

Now we will talk about how credit card companies target you specifically.

10 minutes Credit Card Solicitations




Where Do You See Offers?

Solicitations, or selling tactics, are everywhere today. They are the means by which credit card companies (also referred to as creditors) attract your attention and try to win you as a customer.

Statistics

- In 2008
 - Approximately 84% of undergraduates had at least one credit card
 - Only 17% of undergraduates paid off all their credit card balances each month
 - College seniors were graduating with an average balance of more than \$4,100.00



Slide 12: Statistics

Statistics

In 2008:

- Approximately 84 percent of undergraduates had at least one credit card. Half had four or more!
- Only 17 percent of undergraduates said they paid off all their credit card balances each month. That means 83 percent carry a balance on their credit card and accrue interest.
- College seniors were graduating with an average balance of more than \$4,100.00. Approximately one-fifth of seniors carried a balance greater than \$7,000.00.

Are you surprised by the statistics? What can you do to avoid becoming part of these statistics in the future?

Credit Card Solicitations

- List some of the places where you may be approached or see ads for credit cards?
- What type of tactics do creditors use to try and sell you on a credit card?




Slide 13: Credit Card

How Do They Target You?

List some of the places where you may be approached or see ads for credit cards?

Credit card companies may target you:

- By email or direct mail
- With online ads and pop ups
- At retail store check-out lines

Solicitations

- With newspaper and magazine inserts
- At sporting events, theme parks, festivals, etc.
- At malls, in airports, and other public places

How Do They Sell You?

What type of tactics do creditors use to try and sell you on a credit card?

They may use:

- Low or zero percent introductory rates
- Cash back bonuses
- No annual fees
- Personalized or stylized cards
- Free products (e.g., hats, backpacks, t-shirts, and even reduced fare airline tickets)



Slide 14: Pre-Approved Offers

Pre-Approved Offers

How many of you (or your parents) have ever received pre-approved credit card offers in the mail? *Have students respond with a show of hands.*

This means that the bank offering the card has looked at your credit report and determined that you MIGHT qualify for the interest rates and credit limit being offered. Whether or not you get the best rates depends on your income, employment, and credit history.

Always read the credit agreement carefully BEFORE signing on the dotted line. There may be limitations or conditions that are not obvious in the advertisement. For example, a credit card company might encourage you to transfer balances from other credit cards (balance transfers), but there might be hidden costs (e.g., transfer fees). Confirm what interest rates and credit limit you qualify for, ask about fees and penalties, and shop for the best possible deal.

You have the right to “opt out” of receiving most mailed credit card offers. You can tell the credit bureaus not to share your information with lenders and insurers who use the information to decide whether to send you an offer of credit or insurance. You can opt out of receiving prescreened offers by calling **1-888-5-OPTOUT (567-8688)** or visiting www.optoutprescreen.com. You can opt-out for 5 years or permanently. Review the instructions on the website for more details.

Remember, though, that you may still receive credit card applications in the mail (e.g., from banks or companies with which you do business). If you do not intend to apply, you should shred these letters and ask the sender not to send further solicitations.



What questions do you have about credit card solicitations?

If you (and your family) decide having a credit card is a good option for you, be smart about choosing one.

15 minutes Shopping for the Best Deal



Credit Card Terms

Federal law requires that you receive a Federal Truth in Lending Disclosure Statement from any credit card company offering you a credit card. When you receive a credit card solicitation and initial disclosures, credit card companies must highlight or disclose:

- Specific account fees
- The reason why penalty rates may be applied
- Key terms (at account opening and when terms are changed)

Truth in Lending Disclosure

- Legally required
- States all credit card terms, including:
 - Specific account fees
 - The reason why penalty rates may be applied
 - Key terms (at account opening and when terms are changed)



Slide 15: Truth in Lending

Be sure to read the disclosure carefully (e.g., terms, conditions, and credit transactions). Not all credit cards have the same terms

Disclosure



Slide 16: Credit Card Terms

and conditions. This can be confusing when you are shopping for credit cards.

The important credit card terms you should look for are:

1. APRs for:
 - Purchases
 - Balance transfers
 - Cash advances
 - Penalties
2. Fees, including:
 - Annual and other periodic monthly fees
 - Transaction fees
 - Cash advance fees
 - Balance transfer fees
 - Penalty fees
3. Grace period, if applicable
4. Balance computation method

1

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	8.99% to 19.99% when you open your account, based on your creditworthiness. After that, your APR will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% This APR will vary with the market based on the Prime Rate.
APR for Cash Advances	21.99% This APR will vary with the market based on the Prime Rate.
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ul style="list-style-type: none"> • Make a late payment; • Go over your credit limit twice in a 6-month period; • Make a payment that is returned; or • Do any of the above on another account that you have with us.
How Long Will the Penalty APR Apply?	If your APRs are increased for any of these reasons, the Penalty APR will apply until you make 6 consecutive minimum payments when due and do not exceed your credit limit during that time period.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.

2

Fees	
Set-up and Maintenance Fees Annual Fee	\$30.00

Account Set-up Fee Participation Fee Additional Card Fee Account Maintenance Fee on Closed Accounts	\$30.00 (one-time fee) \$30.00 annually (\$2.50 per month) \$15.00 annually (if applicable) \$30.00 annually (\$2.50 per month on closed accounts with an outstanding balance of \$30.00 or more)
Transaction Fees Balance Transfer Cash Advance Foreign Transaction	Either \$5.00 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100.00). Either \$5.00 or 3% of the amount of each cash advance, whichever is greater. 2% of each transaction in U.S. dollars.
Penalty Fees Late Payment Over-the-Credit Limit Returned Payment	\$35.00 and higher \$40.00 and higher \$35.00
Other Fees Required Account Protector Plan	\$0.79 per \$100.00 of balance at the end of each statement period. See back for details.
4 How we will calculate your balance:	We use a method called "average daily balance (including new purchases)."
Loss of introductory APR:	We may end your introductory APR and apply the Penalty APR if you make a late payment.

APR

- The cost of borrowing money on a yearly basis
- Includes interest and fees
- Rate may be fixed or variable
- Different APR for types of use
 - Purchases
 - Balance transfers
 - Cash advances
 - Penalties

Slide 17: APR

APR

The APR represents the cost of borrowing money on a yearly basis. It includes both the interest you are charged and fees.

If you plan to keep a balance on your credit card account, you want to look for a low APR. If you expect to pay your credit card bill in full each month, it will be more important to compare the annual fee and other charges.

Credit card companies may offer low introductory APRs (teaser rates) for a limited time to attract new customers. Credit card companies must include clear information on how long these introductory rates will last. They cannot impose new rates until after the advertised period, which must be at least 6 months.

That rate may be either *fixed* or *variable*.

- *Fixed rate* means the interest rate will not change.
- *Variable rate* means the rate can change—it can go up or down.

Some credit card companies charge a different APR depending on the type of use. For example, rates for cash advances may be

higher than rates for purchases. If you have a variable rate card, your rate could change.

- You need to be aware of how the changes could affect your existing balances (the money you have already borrowed on the card) and any future purchases.

Generally, the credit card company cannot increase the APR on your existing card balances except under any of these conditions:

- They inform you at the time you open the card account that they will give you a temporary rate for the first 6 (or more) months and then they plan to increase your rate.
- The APR for variable-rate cards changes due to a change in an index (e.g., U.S. Treasury Securities) that the creditor cannot control.
- You neglect to satisfy a workout arrangement (a debt reduction or other concessions agreed to by you and the creditor to help repay).
- You do not make the required minimum payment within 60 days of due date.

The creditor generally cannot increase the interest rate that applies to new transactions for a year after the card was issued (unless there is a promotional rate).

- After a year, the creditor can raise the rate, but has to inform you 45 days before the change takes effect.
- The creditor must provide you with a 45-day advance notice of any rate increase or significant changes in account terms.
- You have the right to cancel the card before the changes take effect. You are effectively closing the account.

The terms of your credit card agreement may also provide that the creditor will permanently increase the interest rate on your credit card by a large amount if you do not pay your credit card bill on time.

- This is called the *penalty APR*.
- Penalty APRs may be double the regular APR.
- For example, the penalty rate may apply if you are more than 60 days late. The Truth in Lending disclosures will provide details.
- If you are late and it triggers a rate increase, make up those payments as soon as possible and then continue to pay on time. Card issuers must reduce the penalty rate if they receive prompt payments for 6 months.

Now we will look at credit card fees that banks can charge.



Slide 18: Fees

Fees

Check how much you will pay for:


- **Annual fees:** The cost of obtaining the card on an annual basis. If you have a good credit history, you can probably find a credit card that does not have an annual fee.
- **Late fees:** Fees for not making timely payments.
- **Over-the-limit fees:** A fee for borrowing more money than the bank agreed in advance to lend you (your credit limit).
- **Balance transfer fees:** Fees that are charged for transferring balances from one credit card to another. Credit card companies sometimes offer low rates to encourage you to pay off other debts with their credit card. However, they may impose significant transfer fees. Often credit card companies may charge a transfer fee that can be a percentage of the balance transferred.
- **Cash advance fees:** Fees that are charged for getting cash on your credit card from an ATM. This fee can be stated in terms of a flat per-transaction fee or a percentage of the amount of the cash advance. For example, the fee may be expressed as follows: “3%/\$10.” This means that the cash advance fee will be either 3 percent of the cash advance amount or \$10.00,

whichever is greater. There is usually no grace period for cash advances. Interest begins accruing immediately.

- **Credit-limit increase fee:** A fee charged if you ask for and receive an increase in your credit limit.
- **Foreign transaction fee:** A fee charged for purchases made in a foreign country.

Grace Period

- Avoid or minimize finance charges by paying your balance in full, or making the minimum payment, on or before the due date
- Many credit card companies never provide a grace period for cash advances or balance transfers



Slide 19: Grace Period

Grace Period


The grace period lets you avoid or minimize finance charges by paying your balance in full, or making the minimum payment, on or before the due date.

Knowing whether a card gives you a grace period is important if you plan to pay your account in full each month. Without a grace period, the credit card company may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

All credit card companies must mail your bill at least 21 days before the due date so you will have enough time to pay and avoid finance charges. Keep in mind that many credit card companies never provide a grace period for cash advances or balance transfers.

Balance Computation Method

- Method for calculating interest
- Most common method is the Average Daily Balance

Slide 20: Balance Computation Method

Balance Computation Method

The balance computation method is used to determine how interest on your account is calculated. There are a variety of methods. The most common method used is the Average Daily Balance.

To calculate this:

$$\frac{\text{Balance} \times \text{APR} \times \# \text{ of days in the billing cycle}}{\# \text{ of days in the calendar year}}$$

See if you can calculate Jerome's Average Daily Balance. He has a balance of \$200.00, an APR of 10 percent, and 30 days in

the billing cycle. There are 365 days in the year. What is his Average Daily Balance?

$$\frac{200 \times 0.10 \times 30}{365} = \$1.64$$

Jerome's Average Daily Balance is \$1.64.

You can see how important it is to read all disclosures to make sure you understand the terms before you sign up for and accept a credit card offer.



Activity 3: Is It a Decent Offer?

Complete Activity 3 in your Participant Guide

- Use the sample Truth in Lending disclosure
- Answer the questions



Slide 21: Activity 3
Refer students to Activity 3: Is It a Decent Offer? on page 18 of their Participant Guide.

Activity 3: Is It a Decent Offer?

Use the sample Truth in Lending disclosure in your Participant Guide to answer the following questions.

Have students answer the following questions as a class or give them a few minutes to complete the activity individually. Then review the answers.

1. Is this an offer for a fixed or variable rate credit card?
Answer: variable; the rate may fluctuate from 8.99 to 19.99 percent.
2. Is there an annual fee for this card? If so, how much is it?
Answer: yes, \$30.00.
3. If you make a late payment, what is the penalty APR? How much greater is this rate over the APR for purchases?
Answer: 28.99 percent, this is 9 percent greater than the APR for purchases.
4. How can you avoid paying interest on purchases?
Answer: you must pay your entire balance by the due date each month.
5. What method is used to calculate your balance?
Answer: average daily balance.

You can see how important it is to read all disclosures. Make

sure you understand the terms. Be sure you know what you are signing up for before you accept a credit card offer.

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	8.99% to 19.99% when you open your account, based on your creditworthiness. After that, your APR will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% This APR will vary with the market based on the Prime Rate.
APR for Cash Advances	21.99% This APR will vary with the market based on the Prime Rate.
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ul style="list-style-type: none"> • Make a late payment; • Go over your credit limit twice in a 6-month period; • Make a payment that is returned; or • Do any of the above on another account that you have with us.
How Long Will the Penalty APR Apply?	If your APRs are increased for any of these reasons, the Penalty APR will apply until you make 6 consecutive minimum payments when due and do not exceed your credit limit during that time period.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
Fees	
Set-up and Maintenance Fees	
Annual Fee	\$30.00
Account Set-up Fee	\$30.00 (one-time fee)
Participation Fee	\$30.00 annually (\$2.50 per month)
Additional Card Fee	\$15.00 annually (if applicable)
Account Maintenance Fee on Closed Accounts	\$30.00 annually (\$2.50 per month on closed accounts with an outstanding balance of \$30.00 or more)
Transaction Fees	
Balance Transfer	Either \$5.00 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100.00).
Cash Advance	Either \$5.00 or 3% of the amount of each cash advance, whichever is greater.
Foreign Transaction	2% of each transaction in U.S. dollars.
Penalty Fees	
Late Payment	\$35.00 and higher
Over-the-Credit Limit	\$40.00 and higher
Returned Payment	\$35.00
Other Fees	
Required Account Protector Plan	\$0.79 per \$100.00 of balance at the end of each statement period. See back for details.
How we will calculate your balance:	We use a method called "average daily balance (including new purchases)."
Loss of introductory APR:	We may end your introductory APR and apply the Penalty APR if you make a late payment.



What questions do you have about these card terms?

Now we will take a look at some other factors to consider before signing up for a credit card.



Slide 22: Other Factors to Consider

Other Factors to Consider

There are additional factors that you should consider when shopping for a credit card:

- Customer service
- Additional protection (e.g., extended warranties)
- Credit limit

Customer Service

Most credit card companies offer you some customer service features via telephone and Internet, including:

- Access to account information (e.g., balance and recent charges)
- Ability to pay your bills online
- Ability to update personal information (e.g., your address)

Additional Protection

The law protects you against billing mistakes and unauthorized charges. It allows you, under certain circumstances, to withhold payment on defective goods until the problem has been corrected. However, you have to contact your card issuer promptly to exercise these rights.

If you believe your credit card company has made a billing mistake, or you are unsatisfied with a purchase, you have certain protections for:

- A charge for an item you did not buy
- A purchase by a person not authorized to use your card
- An amount on your bill that is different from the actual amount you paid
- A charge for an item that you did not accept on delivery

- Payments not credited to your account

Some credit cards may also offer additional protections (e.g., extending the warranty period on certain products you purchase).

Credit card companies may offer to sell you additional protection (e.g., a credit protection program or what may be referred to as a debt suspension program) and impose charges for this coverage. These programs may provide coverage if you:

- Become disabled or die
- Lose your job and are temporarily unable to pay your bills

Be aware of the terms and conditions offered with these optional programs, and consider whether you are better off with traditional insurance before purchasing a credit protection product.

Credit Limit

If you are approved for credit, the credit card company will set a credit limit.

This is the maximum amount of credit the credit card company is granting you. Each company has its own standards for determining how much of a credit limit to give you. They may take into account your:

- Credit history (whether you have been on time or late with other payments, been in bankruptcy or credit counseling, or how long you have had any credit)
- Current income
- Debt (e.g., other credit card payments, car payments, or mortgage payments)

Fees will not be imposed for making a purchase or other transactions that would put your account over the credit limit

unless you “Opt In” (agree) for the creditor to process over-the-limit transactions and impose a fee. Before you opt-in, understand what the fee is. Exceeding your credit limit may also lower your credit score.

Credit Card Comparison Chart

Comparing credit card offers side by side makes it easier to tell the difference between them, but you may not always be able to do this. As you are shopping for the best credit card terms, consider using the Credit Card Comparison chart on page 21 of your Participant Guide. This tool will also guide you in the questions to ask.



Refer students to the Credit Card Comparison Chart on page 21 of their Participant Guide.

Review the chart with students.

	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card issuer/card.			
What is the APR? <ul style="list-style-type: none"> • Introductory APR? • Rate for purchases? • Rate for cash advances? • Penalty APR? 			
What are the fees? <ul style="list-style-type: none"> • Annual fee • Late fee • Over-the-limit fee • Cash advance fee • Other fees? 			
Is there a grace period?			
Are there any benefits (reward points earned, rebates, etc.)?			
What is my credit limit?			

Other? (e.g., customer service hours; online access; access to a real person?)			
--	--	--	--

Now we will take a look at some tips you should consider when shopping for a credit card.



Refer students to Tips for Choosing a Credit Card on page 22 of their Participant Guide.

Tips for Choosing a Credit Card

Before signing up for a credit card, consider the following tips:

- Review online services and compare credit card companies.
- Make sure you understand the implications of fixed and variable rates and penalty APRs.
- Beware of introductory rates. You might start out with a credit card that has no annual fee for the first year, but you will be charged a fee in the second year. You might start out with a low interest rate and then find the interest rate is much higher after a few months.
- Decide how you will use the credit card and what you will purchase with it.
- Shop around for the plan that best fits your needs. Make sure you understand the terms and conditions before you accept the card. Read the fine print.
- Beware of credit card issuers who require application fees. Most credit card issuers do not charge fees to open accounts.



What questions do you have about how to shop for the best deal?

Now let us talk about how to apply for a credit card.

20 minutes Applying for a Credit Card

Applying for Credit

- **Individual credit**
 - Based on your own assets, income, ability to pay, and credit history
- **Joint credit:**
 - Based on the assets, income, ability to pay, and credit history of both applicants



Slide 23: Applying for a Credit Card

When you apply for a credit card, you are called the credit card applicant. The card issuer, who issues you the card, is called the creditor.

Individual credit is based on your own assets, income, ability to pay, and credit history. You are responsible for paying the credit card bill.

Joint credit is based on the assets, income, ability to pay, and credit history of both people who apply (e.g., you and a cosigner).

- You might obtain more credit this way.
- Both applicants are responsible for the credit card bill, no matter who makes the charges on the credit card.



Where to Apply for a Credit Card

Where do you think you would go to apply for a credit card?

We have talked about places where we see offers for credit cards. You can often apply at these places including:

- Retail stores
- Banks
- Through the mail
- Through the Internet (online)



Application Requirements

You must be at least 21 years old to apply for a credit card unless:

- You can show that you have independent means of repaying the debt
- You have the signature of a cosigner over the age of 21

Keep in mind that providing false information about your age, income, or any other item on a credit application is a crime

Application Requirements

- **Must be at least 21 years old unless you:**
 - Can show independent means of repaying the debt
 - Have a cosigner
- **Providing false information on a credit application is a crime**



Slide 24: Application Requirements

called fraud and is punishable by fines or jail time.

Also remember that if you ask someone to be a cosigner, you are putting that person's finances and credit history in jeopardy if you do not pay your credit card bills on time. Make sure you let the cosigner know immediately if you are having any problems, including possible late payments. The two of you may need to work out problems with the lender before both of your credit records are damaged.

Another issue to be aware of is when you have an *authorized user* on the account. This is someone to whom you have given the privilege of using your credit card. An authorized user has no financial responsibility to pay the bill, so you are legally responsible for paying all charges, interest, and fees if the other person does not pay the bill.

What Credit Card Companies Look For

You have to demonstrate that you are a good risk before you are given credit. The proof is in your credit report. This is the main source of information creditors look at when deciding whether to give you a credit card.



Credit Report

- **A credit report tells creditors:**
 - Who you are
 - How much debt you have
 - Whether you have made payments on time
 - Whether there is negative information about you in public records
 - How many inquiries are listed in your credit report



Slide 25: Credit Report

Credit Reports

A credit report is a record of how you have paid your debts. Remember, debts are bills or money that you owe. A credit report tells creditors:

- Who you are
- How much debt you have, including how many accounts you have, how long you have had them, and how much of your credit limit is unused
- Whether you have made payments on time
- Whether there is negative information about you in public records (e.g., collection actions, bankruptcies, and judgments)
- How many inquiries are listed in your credit report

- Your credit report includes a list of the creditors and other authorized parties who have requested and received your credit report. It tells creditors how often you apply for credit. Applying for new credit may make you appear to be a higher, or less desirable, credit risk.

If you do not have a credit history, some credit card companies will consider other factors that tell them whether you may be a good credit risk. For example, they might ask for proof that you pay rent, utilities, and other bills on time or that you make regular deposits to a savings account.



Credit Reporting Agencies

Your credit report is kept on file with three major credit reporting agencies. They are:

- Equifax
- Experian
- TransUnion



Slide 26: Credit Reporting Agencies

Financial institutions report information about you to the credit reporting agencies, which compile this information in the form of a credit report. Banks, in turn, ask the credit reporting agencies for this information when you apply for a credit card.



Free Annual Credit Report

The Fair Credit Reporting Act (FCRA) requires each of the three credit reporting agencies to provide you with a free copy of your credit report, at your request, once every 12 months.

- Order your free annual credit report from www.annualcreditreport.com.
- This is the only online source authorized to do so; beware of other sites that may look and sound similar.
- You may order a copy of your credit report from all

three credit reporting agencies at the same time through the site, or space your requests out several months apart.

- Remember, you can only receive a free credit report from each credit reporting agency once every 12 months.

The Federal Trade Commission (FTC) advises consumers who order their free annual credit reports online to correctly spell www.annualcreditreport.com, or link to the site from the FTC's website.

- This is so you avoid being misdirected to other websites that may offer free reports, but only with the purchase of other products.
- While you may be offered additional products or services while on the authorized website, you are not required to make a purchase to receive free annual credit reports.

Let us review the steps involved in requesting your free credit report and the form you use to make your request.



Refer students to How to Get Your Free Annual Credit Report on page 24 of their Participant Guide.

How to Get Your Free Annual Credit Report

You can obtain free annual credit reports from one or all of the credit reporting agencies by doing one of the following:

- Submit a request online at www.annualcreditreport.com
- Call toll-free: 1-877-322-8228
- Complete the Annual Credit Report Request Form and mail it to:

Annual Credit Report Request Service

P. O. Box 105281

Atlanta, GA 30348-5281



Slide 27: Free Annual

You can print a copy of the Annual Credit Report Request Form from www.annualcreditreport.com or www.ftc.gov/credit. You must provide:

- Your name, address, Social Security Number (SSN), and

Credit Report

date of birth

- Your previous address if you have moved in the last 2 years
- For security purposes—information only you would know (e.g., the amount of your monthly mortgage payment)
- Different information from each company; each has information in your file from different sources

In addition to the one free report a year, you may also be able to obtain a free credit report if:

- Your application for credit, insurance, or employment is denied based on information in your credit report
- You are unemployed and plan to look for a job within 60 days
- You are receiving public assistance
- You have reason to believe that your report is inaccurate because of fraud, including identity theft

If you are not eligible for a free annual credit report, a credit reporting agency may charge you a fee for each copy. To buy a copy of your report, contact one of the following:

- **Equifax: 1-800-685-1111** or www.equifax.com
- **Experian: 1-888-EXPERIAN (397-3742)** or www.experian.com
- **TransUnion: 1-800-916-8800** or www.transunion.com

Annual Credit Report Request Form

Slide 28: Credit Score

apply for one. Otherwise, applying for more than one credit card in a short time may lower your credit score and reduce your chances of being approved.

Two of the scores used by lenders are:

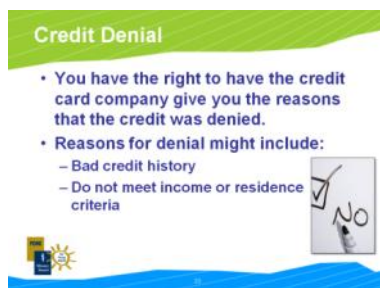
- The Fair Isaac Corporation (FICO) score
- VantageScore

Your FICO score is the primary method lenders use to assess how deserving you are of their credit.

- A FICO score is calculated using a computer model that compares the information in your credit report with thousands of other customers. FICO scores range from about 300 to 850.

VantageScore is a newer credit scoring system offered by all three credit reporting agencies. You should have a similar VantageScore from each of the three agencies.

- The VantageScore ranges from 501 to 990.
- It also groups scores into letter categories covering an approximately 100-point range, just like grades you receive on a report card. For example, your credit grade would be “A” if you had 901 points or more.

**Slide 29: Denial Notice****What To Do If Your Request for Credit Is Denied**

If your request for credit is denied, you will receive a denial notice; sometimes called an *adverse action notice*.

- This notice lists the reasons your application was denied.
- If you do not receive this notice, or the notice does not explain why the credit was denied, ask the creditor.
- You have the right to have the credit card company give you the reasons that the credit was denied.

While each credit card issuer has its own reasons for denying credit, some reasons for denial might include:

- You have a bad credit history.

- You have not been at your current address or job long enough.
- Your income does not meet the creditor's criteria.

If you are denied credit because of information in your credit report, federal law requires the creditor to give you the name, address, and telephone number of the credit reporting agency that supplied the information.

If you contact the credit reporting agency within 60 days of receiving the denial, you are entitled to a free copy of your credit report. You have a right to dispute any inaccuracy in your credit report with the credit reporting agency, and also with the company that furnished the information to the credit reporting agency.

It is important to review your credit report from all three agencies to ensure that they have correct information.



What questions do you have about credit scores?

So far, we have talked about the basic features of credit cards, how to choose a card, and how to apply for a card.

Now we will talk about using a credit card responsibly so you do not get yourself into unmanageable debt.

15 minutes Using Your Credit Card Responsibly



When you get a credit card, start slowly with one card that has a low credit limit and use it responsibly. Starting small will help you establish a credit history.



Refer students to Using Your Credit Card Responsibly on page 26 of their Participant Guide.

How to Use Your Credit Card Responsibly

Here are some tips and guidelines for using credit responsibly and maintaining good credit. Good credit will help you get better loans and even better jobs, in some cases.

- Start small. Do not charge too much on your credit card until you are comfortable with the monthly bill.
- Check your monthly statement to verify that it accurately lists the things you bought. Call your creditor right away if you suspect errors in your statement.
- Pay off your total balance each month. If you cannot pay the total balance, try to pay more than the minimum amount.
- Pay on time to avoid late fees and to protect your credit history. If you cannot pay on time, call your creditor immediately to explain the situation. The creditor may waive the late fees or be willing to make other payment arrangements.
- Protect your credit card and account numbers to prevent unauthorized use and to minimize a potential loss or theft. Draw a line through blank spaces on charge slips so the amount cannot be changed. Put your signature or the words “See ID” on the back of your credit cards.
- Keep a record of your account numbers, expiration dates, and the phone numbers of each credit card issuer in a safe place, separate from your credit card, so that you can report a loss quickly.
- Think about the cost difference if you purchase your item with cash versus if you purchase your item with credit. For example, if you purchase a \$500.00 television with a credit card that has a 20 percent APR, it could cost you \$1,084.00 and could take 3 years to pay off your debt! Will you still have that television by the time you make the last payment?
- Ignore offers creditors may send you to reduce or skip payments. You will still be charged finance charges during this period.

- Read all notices and information you receive from credit card companies. It may include important changes in significant terms (e.g., interest rates).
- Read and keep all documentation pertaining to the rules that govern your account (the cardholder agreement) that the bank sends.
- Ask the credit card issuer to waive the fee or lower the interest rate after you have established a good credit history.
- Limit the number of credit cards you have and monitor your credit card usage. Too many cards can make overspending tempting. Many people do not control their spending or manage their finances wisely.
- Save cash for unexpected emergencies so that you do not have to use your credit card. Many financially responsible people can become overwhelmed by expenses or reduced income triggered by a serious illness, a job loss, or some other unexpected event.
- Be careful with blank convenience checks that your credit card company may mail you as a quick way to write yourself a loan. Expect to incur a transaction fee of several percent of the amount of each check. In addition, the interest rate can be much higher than the rate on your card purchases, perhaps twice as high. Even if you are offered a low interest rate initially, find out what interest rate you will pay when the introductory period is over. Most lenders also begin charging interest when the check posts to your account, even if they otherwise give you a grace period to repay your credit card purchases interest free.



What questions do you have about the tips we discussed?

Now let us take a look at some examples of people who may not be using their credit cards responsibly.



Activity 4: Credit Card User Case Studies

Complete Activity 4 in your Participant Guide

- Read each scenario
- Determine whether the credit card user is responsible or irresponsible with their credit card use
- Briefly explain your answer

Slide 30: Activity 4

Refer students to the Activity 4: Credit Card User Case Studies on page 27 of their Participant Guide.

Activity 4: Credit Card User Case Studies

Sometimes people who use credit cards do not follow the tips and guidelines for responsible credit card use.

Read each scenario and determine whether the credit card user is *responsible* or *irresponsible* with their credit card use. Briefly explain your answer.

Situation 1

Jason receives a credit card bill. He gets a cash advance on another credit card to pay part of the bill. What do you think about Jason's use of a credit card?

Answer: Irresponsible. If Jason keeps borrowing money to make payments on other credit cards, he will never stop owing money and will pay very high finance charges.

Situation 2

The balance on Collin's credit card is \$3,000.00, which is his credit limit. He makes only the minimum payment and is always close to the limit on his credit card. What do you think about Collin's use of a credit card?

Answer: Irresponsible. If he keeps making only the minimum payment on his credit card bill, it will take many years to pay off and he will have high interest costs.

Situation 3

Lynda uses her credit card for convenience. She pays cash for most small purchases. She pays her credit card bill in full each month. What do you think about Lynda's use of a credit card?

Answer: Responsible. Lynda is avoiding interest charges by paying the credit card bill in full each month. She is using the card responsibly and will likely avoid debt problems in the future.

Situation 4

Becca was excited to get a credit card offer in the mail. She

applied for the credit card without reading the terms. When the card came, she bought several items. When the bill came, she was surprised to find additional fees charged to her account.

What do you think about Becca's use of a credit card?

Answer: Irresponsible. She did not read the Truth in Lending Disclosure and fully understand the credit card terms before she accepted the credit card. She may also end up paying more for the items she purchased because she was not careful about reading the card's terms.



Refer students to Correcting Credit Card Problems on page 28 of their Participant Guide.

Correcting Credit Card Problems

Let us take a look at some tips for correcting credit card problems:

- Reduce your expenses by paying off the balance on your highest rate loans first. These are usually your credit cards.
- Pay for future purchases using cash or a debit card linked to your checking account.
- Turn to a reputable credit counselor if you have serious problems paying off your credit card debt. This person should be able to help you for little or no cost.
- Beware of *debt consolidation loans*. These are loans that you get in order to help pay off what you owe on several credit cards. They can be either secured loans (e.g., home equity loans) or unsecured loans that you promise to repay.
 - Look for hidden charges and ask for references before signing the agreement.
 - Choosing the wrong debt consolidation loan can make matters worse and put you further into debt. Shop around so that you have a way of deciding on the debt consolidation loan that best meets your needs and budget. Research different lenders and collect quotes before deciding.
- Beware of debt settlement companies that charge high rates and application fees.

- Consider credit counseling if you become overwhelmed and are unable to make the payments, or if you have trouble paying your bills. Reputable credit counseling agencies can help you budget and negotiate with your lenders to make loan payments more manageable.
- Use bankruptcy only as a last resort.



What questions do you have about the tips we discussed?

Now we will take a look at what you should do if your credit card is lost or stolen.



What To Do If Your Credit Card Is Lost or Stolen

If your credit card is lost or stolen, tell your credit card company immediately. Do the same thing if you spot something wrong in your monthly billing. Also, never give your confidential personal information over the telephone unless you have made the call.

Lost or Stolen Credit Card

- Tell your credit card company immediately if:
 - Your card is lost or stolen
 - You identify errors on your statement
- Never give your confidential personal information over the telephone unless you have made the call




Slide 31: Lost or Stolen Credit Card

If you contact your credit card company before any unauthorized charges are made on your lost or stolen credit card, you are not responsible for any unauthorized charges. Under federal law, if a thief uses your credit card or card number, the most you are liable for is \$50.00 per card if you notify the credit card company immediately.

You have certain rights as a credit card consumer. If you think you are a victim of credit card fraud, immediately contact your credit card issuer.

There are other organizations you can contact for more information. One organization is the FTC, which is listed in the *For Further Information* section of your Participant Guide.



What is Identity Theft?

Identity theft occurs when thieves steal your personal information (e.g., your SSN, birth date, or credit card numbers). With sufficient information, another person can become you and use your identity to commit fraud or other crimes.

What is Identity Theft?

- When thieves steal your personal information and pretend to be you

Identity theft is a serious problem!

Slide 32: What Is Identity Theft?

Common Forms of Identity Theft

- **Phishing**
 - Unsolicited emails that appear to be from a legitimate source
- **Pharming**
 - Fake websites seeking personal or private information by appearing legitimate
- **Skimming**
 - Special storage device used to obtain credit/debit card numbers

Slide 33: Common Forms of Identity Theft

Common Forms of Identity Theft

Phishing and pharming are common forms of identity theft.

Phishing is when criminals:

- Send out unsolicited emails that appear to be from a legitimate source: perhaps from your bank, utility company, well-known merchants, your Internet service provider, or even a trusted government agency (e.g., the **Federal Deposit Insurance Corporation (FDIC)**)
- Attempt to trick you into divulging personal information

Pharming is similar to email phishing as follows:

- Criminals seek to obtain personal or private information by making fake websites appear legitimate
- Your browser will even show that you are at the correct website
- This makes pharming more difficult to detect than phishing

Also be careful of skimming. This is when criminals steal credit/debit card numbers by using a special storage device when processing your card.



Refer students to How to Avoid Identity Theft on

How to Avoid Identity Theft

Here are some steps you can take to avoid identity theft:

- **Protect your personal information (e.g., your full name and address, date of birth, SSN, bank account information, phone number, and your mother's maiden name).** Since banks and other businesses use

page 30 of their Participant Guide.

this information to confirm your identity, it is very valuable to an identity thief wanting to pose as you to commit fraud. Never provide this information in response to an unwanted phone call, fax, letter, or email no matter how friendly or official the circumstances may appear. Also be mindful of those who may be shoulder surfing (trying to look over your shoulder) while you use the ATM, and seeking to steal your Personal Identification Number (PIN).

- **Protect your computer and account passwords or identification (ID) numbers from friends.** Be suspicious of new “friends” you have met through the Internet if they start asking for your personal information. They could be con artists.
- **Do not give out personal information (e.g., SSN and financial account information) in response to an incoming call or email from a stranger or an advertisement on the Internet.** Never provide bank, credit card, or other sensitive information when visiting a website that does not explain how your personal information is protected, including its use of “encryption” to safeguard data. Phishing scams that arrive by email typically ask you to update your account information. However, legitimate organizations would not ask you for these details because they already have the necessary information, or can obtain it in other ways. Do not respond to these emails; and do not open any attachments unless you independently confirm the validity of the request by contacting the legitimate organization the way you usually would, not by using the email address, website, or phone number provided in the email. If you believe the email is fraudulent, consider bringing it to the attention of the FTC. If you do open and respond to a phony email, contact your financial institution immediately. For more about avoiding phishing scams, or to obtain a brochure with tips on

avoiding identity theft, visit www.fdic.gov.

- **Protect your computer.** Take precautions with your personal computer (PC). For example, install a free or low-cost firewall to stop intruders from gaining remote access to your PC. Download and frequently update security patches offered by your operating system and software vendors to correct weaknesses that a hacker might exploit. Use passwords that will be hard for hackers to guess. For example, use a mix of numbers, symbols, and letters instead of easily guessed words. Also, shut down your PC when you are not using it. For practical tips to help you guard against Internet fraud, secure your computer, and protect your personal information visit www.OnGuardOnline.gov.
- **Guard your mail.** Your mail carrier may deliver a credit card or bank statement, an envelope containing a check, or other items that can be very valuable to a thief. Or perhaps you will mail a check or papers containing account numbers or other personal financial information.
 - For incoming mail: Use a locked mailbox or other secure location (e.g., a post office box). If your mailbox is not locked or in a secure location you should try to promptly remove any delivered mail or move the mailbox to a safer place. When ordering new checks, ask about having the checks delivered to your bank branch instead of having them mailed to your home where you run the risk of a thief finding them outside your front door.
 - For outgoing mail containing a check or personal information: Deposit it in a U.S. Postal Service blue collection box, hand it to a mail carrier, or take it to the post office instead of leaving it in your doorway or home mailbox. A mailbox that holds your outgoing bills is a prime target for thieves who cruise neighborhoods

looking for account information. Avoid putting up the flag on a mailbox to indicate that outgoing mail is waiting.

- **Keep your financial trash “clean.”** Thieves known as dumpster divers pick through garbage looking for pieces of paper containing SSNs, bank account information, and other details they can use to commit fraud. Examples of valuable trash include insurance information containing your SSN, blank checks mailed by financial institutions with offers to “write yourself a loan,” canceled checks, and bank statements. What is your best protection against dumpster divers? Before tossing out these items, destroy them, preferably using a crosscut shredder that turns paper into confetti that cannot be easily reconstructed.
- **Beware of offers that seem too good to be true.** Con artists often pose as charities or business people offering jobs, rewards, or other “opportunities.” Be extremely suspicious of any offer that involves “easy money” or “quick fixes” or anyone who pressures you to make a quick decision. Also beware of any transaction for which you receive a cashier’s check made out for more money than the amount due to you with a request to wire back the difference—you could lose a lot of money if the check is fraudulent.
- **Be alert to signs that require immediate attention.** These include bills that do not arrive as expected, unexpected credit cards or bank statements, and calls or letters about purchases you did not make. Review your credit report once a year—even if you do not have any loans or credit cards—to look for accounts or inquiries you did not authorize. Review your monthly credit card statement to ensure the transactions are accurate. Call or write your credit card company to resolve any errors.



Slide 34: Identity Theft

To get more information about identity theft, visit the FTC at

Information

Refer students to Did Someone Steal Your Information? on page 31 of their Participant Guide.

www.ftc.gov/idtheft or call 1-877-IDTHEFT (438-4338).

Did Someone Steal Your Information?

No matter how carefully you protect yourself online, if your wallet or purse is stolen or someone obtains your personal information, you may become a victim of identity theft. Here are some actions you should take if you lose your wallet or think you are a victim of identity theft:

- File a report with the police. Keep a copy of the report in case the bank or creditors need it.
- Cancel your credit cards immediately. Get new cards with different numbers. You will still have to pay your balance on the old cards, but if anyone tries to use them they will no longer work.
- Contact your bank. Have them cancel your ATM or debit card and ask them for information about how to keep any checks you lost from being accepted.
- Contact the major check verification companies to request that they notify all stores that use their databases to not accept your lost checks. You can also ask your bank to notify the check verification service with which it does business. Two of the check verification companies that accept reports of check fraud directly from consumers are:
 - TeleCheck: 1-800-366-2425
 - Certegy: 1-800-437-5120
- Contact the fraud department of any of the three major credit reporting agencies (Equifax, TransUnion, and Experian). The agency you call is required to notify the other two credit agencies. Tell them you are an identity theft victim (or potential victim).
- Call the FTC's Identity Theft Hotline at 1-877 IDTHEFT (438-4338) or visit www.ftc.gov/idtheft.



What questions do you have about what to do if your credit card is lost or stolen or how to guard against identity theft?

Obviously, it is important to pay your credit card bill, but how will you know if your bill is accurate?

Let us review a credit card statement and talk about keeping good records.

5 minutes The Credit Card Statement



If you have a credit card, you will receive a monthly billing statement. Understanding the billing statement is important.

The statement lists detailed activity during the account billing cycle. The reverse side of your bill usually describes some of the basic terms of your credit card agreement, including how the interest is calculated and where to call with billing questions.

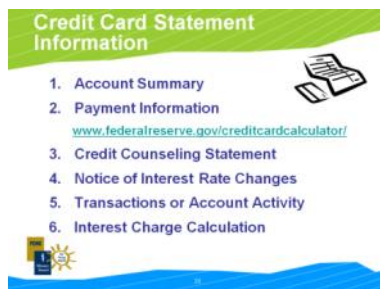
Information on the statement includes the:

1. Account Summary:

- **Previous Balance:** The amount you owed at the end of the previous billing period. Any payments, credits to your account, or new purchases are not included.
- **New Balance:** The previous balance, plus any purchases, cash advances, and late fees, minus any payments and credits. If you pay your credit card bill in full each month, the new balance will be equal to your new purchases and cash advances.
- **Credit Limit:** The maximum dollar amount you can borrow on the card at one time.
- **Credit Available:** The amount of credit remaining on your card after your balance and your current charges are subtracted from your total credit line.

2. Payment Information:

- **New Balance**
- **Minimum Payment Due:** The minimum dollar



Slide 35: Credit Card Statement

amount that must be paid. This may be only 3 or 4 percent of your balance.

- **Payment Due Date:** The date your payment must be received by the credit card issuer, not the date it is postmarked. The payment due date for your credit card must be on the same day each month (e.g., always on the 5th of the month). Be sure to make your payments well before the due date to avoid late charges. Also, if you are carrying a balance, be sure to make your payment as soon as you can to reduce interest charges.
 - **Late Payment Warning:** An explanation of how your account will be affected if you do not make your payment on time.
 - **Minimum Payment Warning:** The monthly payment amount required to pay off the existing balance in 36 months, including the total cost (payments and interest). The Federal Reserve's Credit Card Repayment Calculator (www.federalreserve.gov/creditcardcalculator/) can estimate how long it will take you to pay off your credit card balance.
3. **Credit Counseling Statement:** Information for contacting a credit counseling service, if needed.
 4. **Notice of Interest Rate Changes**, if applicable
 5. **Transactions or Account Activity:**
 - **Finance Charges:** The cost of credit. It includes interest, service charges, and transaction fees for the statement period. This charge is calculated on your balance using different methods.
 - **Annual Fee and Interest Totals:** The amount you have paid in fees and interest during the current calendar year.
 6. **Interest Charge Calculation**

Sample Credit Card Statement
Account Number 1354680513
February 21, 2012 to March 22, 2012

1

Summary of Account Activity	
Previous Balance	\$80.52
Payments	-\$50.00
Other Credits	+\$0.00
Purchases	+\$52.13
Balance Transfers	+\$0.00
Cash Advances	+\$0.00
Past Due Amount	+\$0.00
Fees Charged	+\$37.00
Interest Charged	+\$0.00
New Balance	\$119.65
Credit limit	\$2,000.00
Available credit	\$1,880.35
Statement closing date	3/22/2012
Days in billing cycle	30

2

Payment Information	
New Balance	\$119.65
Minimum Payment Due	\$10.00
Payment Due Date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment on time each month and no other amounts are added to the balance, we estimate that it will take you approximately 13 months to pay off the balance shown on this statement.

Please send billing inquiries and correspondence to:
 PO Box XXXX, Anytown, Anystate XXXXX

QUESTIONS?
 Call Customer Service 1-888-888-8888
 Lost or Stolen Credit Card 1-888-888-8888

3 If you would like information about credit counseling services, refer to www.usdoj.gov/ust/eo/bapopa/code/oc_approved.htm or call 1-202-514-4100.

4

Notice of Changes to Your Interest Rates
 You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:
Transactions made on or after 4/2/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.
Transactions made before 4/2/12: Current rates will continue to apply to these transactions. However, if you become more than 30 days late on your account, the Penalty APR will apply to those balances as well.

Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
2340980TUH08	2/25	2/25	Payments and Other Credits Pymt Thank You	\$50.00-
304958VIM345	2/27	2/28	Purchases Item X Store XXX	\$45.00
0980PCJ34590	3/5	3/7	Item Y Store XXX	\$7.13
Fees				
897263698VVO	2/23	2/23	Late Fee	\$35.00
234809RP980X	3/22	3/22	Minimum Charge	\$2.00
TOTAL FEES FOR THIS PERIOD				\$37.00
Interest Charged				
Interest Charge on Purchases				\$0.00
Interest Charge on Cash Advances				\$0.00
TOTAL INTEREST FOR THIS PERIOD				\$0.00

2012 Totals Year-to-Date	
Total fees charged in 2012	\$90.14
Total interest charged in 2012	\$18.27

5

Interest Charge Calculation
 Your Annual Percentage Rate (APR) is the annual interest rate on your account.

Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$113.80	\$0.00
Cash Advances	21.99% (v)	\$0.00	\$0.00
Balance Transfers	0.00%	\$0.00	\$0.00

(v) = Variable Rate

6



Activity 5: Sample Credit Card Statement

Use the Sample Credit Card Statement to answer the following questions.

1. What is the new balance? *Answer: \$119.65.*
2. When is the next payment due? *Answer: 4/20/12.*
3. What is the minimum payment due? *Answer: \$10.00.*
4. What is the APR for purchases of this credit card?

Activity 5: Sample Credit Card Statement

Complete Activity 5 in your Participant Guide

- Use the Sample Credit Card Statement
- Answer the questions

**Slide 36: Activity 5**

Refer students to Activity 5: Sample Credit Card Statement on page 34 of their Participant Guide.



What questions do you have about the credit card statement and how finance charges are calculated?

**Keep Good Records**

You should always keep your credit card receipts to compare them with your monthly statements.

Keep Good Records

1. Keep your credit card receipts to compare with monthly statements
2. Check your monthly statement for mistakes
3. Report mistakes right away

**Slide 37: Keep Good Records**

Be sure to check your monthly statement for mistakes. If you find a mistake, contact the credit card company right away. To be fully protected, you must report a mistake to your credit card company in writing within 60 days from the day the bill was sent to you.

Finally, your institution might invite you to opt-out of receiving paper statements and instead receive them electronically. Before choosing this option, you should be sure that you will have ongoing Internet access in future months to receive the statements.

What questions do you have about the credit card statement?

Answer: 14.99 percent.

5. What is the total interest charged in 2012? *Answer: \$18.27.*

6. What are the total fees for this period? *Answer: \$37.00.*

10 minutes Paying Your Credit Card Bill

There are several things to pay attention to and consider as you make your credit card payments. Some of those things include your credit limit, the minimum payment, and how increased payments affect what you owe.



Credit Card Limit

If you are approved for credit, the lender that issues the credit card will set a credit limit.

This is the maximum amount of credit they will allow you to borrow. Each company that issues credit cards has its own standards for deciding how much money to loan you.

If you go over this limit, the credit card company will likely charge you an over-the-limit fee. Exceeding your credit limit may also lower your credit score.

Paying Your Credit Card Bill

- Pay attention to and consider your:
 - Credit limit
 - Minimum payment
 - How increased payments affect what you owe



Slide 38: Paying Your Credit Card Bill

Minimum Payment

With a credit card, you have to pay at least the minimum amount due each month.

Why do you think it might be a good idea to pay more than the minimum payment due on your credit card bill?

Acknowledge students' responses.



Let us look at two charts that show what happens when you make the minimum payment and when you pay more than the minimum payment.



Activity 6: Making More Than the Minimum Payment

Compare the two tables showing what happens when you make the minimum payment and when you pay more than the minimum payment. Use the tables to answer the following

Activity 6: Making More Than the Minimum Payment

Complete Activity 6 in your Participant Guide

- Compare the two tables
- Answer the questions


Slide 39: Activity 6

Refer students to Activity 6: Making More Than the Minimum Payment on page 35 of their Participant Guide.

questions.

Assumptions for the tables:

- APR = 18 percent (If the APR is higher, the item would end up being more expensive and would take longer to pay off)
- Minimum monthly payment = the greater of either 2 percent of the balance or \$20.00
- No late payments are made
- No additional purchases are made
- Interest is calculated by applying a monthly rate to the average daily balance
- Average daily balance method is used to calculate interest
- Years are rounded to the nearest whole year
- Dollar amounts are rounded to the nearest dollar

Years to Pay Off Making the Minimum Payment

Item	Price	APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
TV	\$500.00	18%	\$132.00	\$632.00	3
Computer	\$1,000.00	18%	\$863.00	\$1,863.00	8
Furniture	\$2,500.00	18%	\$5,363.00	\$7,863.00	23

The best way to save money and avoid paying interest charges is to pay off your balance in full when you first get your bill. However, the following table shows the benefit of paying more than the minimum payment if you cannot pay off the balance in full.

Benefit of Making More Than the Minimum Payment

Original Balance	APR	Monthly Payments	Total Years to Pay Off	Interest Paid	Total of Payments
\$2,500.00	18%	Minimum Payment	23	\$5,363.00	\$7,863.00
\$2,500.00	18%	Minimum Payment +	4	\$1,025.00	\$3,525.00

		\$24.00			
\$2,500.00	18%	Minimum Payment + \$41.00	3	\$754.00	\$3,254.00

Use the first table to answer the following questions:

1. If you purchase an item for \$500.00 using your credit card and only make the minimum payment, how much will you pay in interest? *Answer: \$132.00. This means you are paying about 26 percent more for the item.*
2. If you have a balance of \$2,500.00 on your credit card and only make the minimum payment, how much will you pay in interest and how long will it take you to pay off the credit card? *Answer: \$5,363.00. This is about 215 percent more than the original cost and it will take you 23 years to pay it off!*

Use the second table to answer the following question:

1. If you pay \$24.00 more than the minimum payment each month on a \$2,500.00 credit card balance, how much interest will you pay and how long will it take you to pay off the balance? *Answer: \$1025.00. This saves you \$4,338.00 in interest and you can pay off the balance in 4 years, which is 19 years earlier than if you only made the minimum payment!*



What questions do you have about credit limits, minimum payments, and making more than the minimum payments?



Share or have students read the comic strip on slide 40 or page 37 of their Participant Guide. Facilitate a conversation about what Todd learned.



Module Summary



What have you learned about credit cards?

Have students complete the Knowledge Check and answer any final questions.

Now turn to page 38 in your Participant Guide. Complete the Knowledge Check and see what you have learned today.

Slide 40: Module Summary

Module Summary

Congratulations! You learned:

- The purpose of credit cards
- Where you can go to apply for a credit card
- How to decide which credit card is best for you or if a credit card is a good idea for you at this point
- What credit card companies look for before they issue you a card
- How to use a card responsibly and how to safeguard against identity theft

Slide 41: Module Summary

Review what was covered in the module, and student expectations listed at the beginning, to make sure all student questions have been covered.

What final questions do you have?

Congratulations! You have completed the *Charge It Right* module. We have covered a lot of information today about how to select and use a credit card wisely. You learned:

- The purpose of credit cards
- Where you can go to apply for a credit card
- How to decide which credit card is best for you or if a credit card is a good idea for you at this point
- What credit card companies look for before they issue you a card
- How to use a card responsibly and how to safeguard against identity theft

You should now be able to take this information and use a credit card in a way that gives you options and helps you build credit, not in a way that keeps you in debt for many years to come.



Knowledge Check

1. How can you protect yourself from identity theft? Select all that apply.
 - a. Write down passwords and PINs near your computer or keep them in your wallet or purse
 - b. Use secure mailboxes for incoming and outgoing mail**
 - c. Carry all of your credit cards and ID with you at all times
 - d. Review your financial account statements and credit report regularly**

2. Which type of card may be best for you if you have no credit history or have had credit problems in the past?
 - a. Reward cards
 - b. Stored value cards
 - c. Secured credit card
 - d. Unsecured credit card**

3. What are some important factors to look for and compare when shopping for a credit card?
 - a. APR
 - b. Grace period
 - c. Fees
 - d. Method for calculating interest
 - e. All of the above**

4. What is the difference between a debit card and credit card?
 - a. When you use a credit card the money comes directly from your checking account, but with a debit card you can pay later

- b. When you use a debit card the money comes directly from your checking account, but with a credit card you can pay later**
 - c. Carrying a balance on a debit card usually means you pay some interest
 - d. Credit cards are linked to your checking or savings account

- 5. What type of credit card solicitation tactics should you watch out for? Select all that apply.
 - a. Low or zero percent introductory rates**
 - b. Free products**
 - c. Cash back bonuses**
 - d. Fixed APR

- 6. Which of the following are benefits of having a credit card?
 - a. It allows you to make a large purchase (e.g., car or house) and pay for it over time
 - b. It is can be useful in times of emergencies
 - c. It is more convenient and safer than carrying large amounts of cash
 - d. All of the above**

- 7. Select all that apply. You are more likely to receive a credit card, a higher credit limit, and better terms if:
 - a. You have a history of making late payments
 - b. You have a high credit score**
 - c. You have a good income**
 - d. You are unemployed

- 8. How can you avoid paying interest on your credit card or reduce the amount of interest you pay?
 - a. Pay off your balance on or before the due date or within the grace period**
 - b. Accept your creditors offer to skip a payment
 - c. Pay more than the minimum payment when you**

- must carry a balance on the card**
- d. Pay the minimum balance each month
9. Which of the following are benefits of stored value cards?
- a. They may have high monthly and inactivity fees
 - b. They offer the ability to make purchases using credit card networks
 - c. You can use the card to give yourself a budget for a trip
 - d. They are one way to give a gift or pay an allowance to a child
 - e. **b, c, and d**
10. Select all that apply. What can you do to manage your credit responsibly?
- a. **Pay your monthly bill on time or contact your creditor immediately if you cannot pay**
 - b. **Try to pay more than the minimum monthly payment**
 - c. Use credit to purchase items you want but do not have the cash for at the time
 - d. **Verify the charges listed on your monthly statement and correct any errors right away**
11. Which of the credit card terms below is most important to consider if you plan to pay off your balance each month?
- a. **Annual fee**
 - b. APR
 - c. Late fee
 - d. Over-the-limit fee
12. Which of the following are examples of using your credit card responsibly?
- a. Protecting your credit card and account numbers to prevent unauthorized use
 - b. Charging items when you cannot afford the monthly

payment

- c. Paying interest on items when you could have waited and paid for them with cash
- d. Knowing the terms of your credit card
- e. a and d**

13. What factors should you consider when choosing a credit card?

- a. Customer service
- b. Additional protections (e.g., extended warranty on purchases)
- c. Credit limit offered
- d. All of the above**

14. If your credit card is lost or stolen you should call the credit card company or card issuer immediately.

- a. True**
- b. False

15. What should you know about the APR on a credit card?

- a. What the amount is
- b. Whether the rate is an introductory rate and will change after a period of time
- c. Whether the rate is fixed or variable
- d. All of the above**

Glossary

Annual Percentage Rate (APR): The rate of interest you are charged, expressed as a yearly rate.

Balance Computation Method: A method for calculating interest. The most common is the average daily balance.

Credit: The ability to borrow money.

Credit Report: A credit report is a full history of information within a consumer's credit file at the credit reporting agencies.

Credit Score: A numerical estimation of the likelihood that the consumer will meet his or her debt obligation(s).

Fees: Service charges from a financial institution, including:

- **Annual fees:** The cost of obtaining the card on an annual basis.
- **Late fees:** Fees for not making timely payments.
- **Over-the-limit fees:** A fee for borrowing more money than the bank agreed in advance to lend you (your credit limit).
- **Balance transfer fees:** Fees that are charged for transferring balances from one credit card to another.
- **Cash advance fees:** Fees that are charged for withdrawing cash with your credit card from an ATM.
- **Credit-limit increase fee:** A fee charged if you ask for and receive an increase in your credit limit.
- **Foreign transaction fee:** A fee charged for purchases made in a foreign country.

Finance Charge: The cost of credit. It includes interest, service charges, and transaction fees.

Grace Period: The number of days you have to pay your balance before a creditor begins charging interest.

Identity Theft: A fraud committed or attempted using the identifying information of another person without authority.

Interest: The amount of money a financial institution charges for letting you use its money.

Minimum Payment: The minimum payment is the minimum dollar amount that must be paid each month.

Opt Out: To opt out of receiving mailed credit card offers, call 1-888-5-OPTOUT (567-8688) or visit www.optoutprescreen.com.

Periodic Rate: An interest rate applied to your balance to calculate the finance charge.

Previous Balance: The amount you owe at the end of the previous billing period. Payments, credit, and new purchases during the current billing period are not included. Some creditors also exclude unpaid finance charges.

Principal: The total dollar amount of purchases made on a credit card, or the balance remaining on a loan, not including interest or other fees.

For Further Information

Federal Deposit Insurance Corporation (FDIC)

www.fdic.gov/consumer

1-877-ASK-FDIC (275-3342)

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission

www.mymoney.gov

1-888-My-Money (696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k the resources on MyMoney.gov can help you. Throughout the site you will find important information from federal agencies.

Federal Consumer Information Center

www.pueblo.gsa.gov

1-800-688-9889

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the Consumer Action Handbook, which is designed to help citizens find the best sources for assistance with their consumer problems and questions.

Federal Trade Commission

www.ftc.gov/credit

1-877-FTC-HELP (382-4357)

The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.