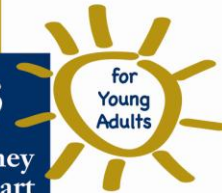


FDIC

\$
Money
Smart



Charge It Right

FDIC Money Smart for Young Adults



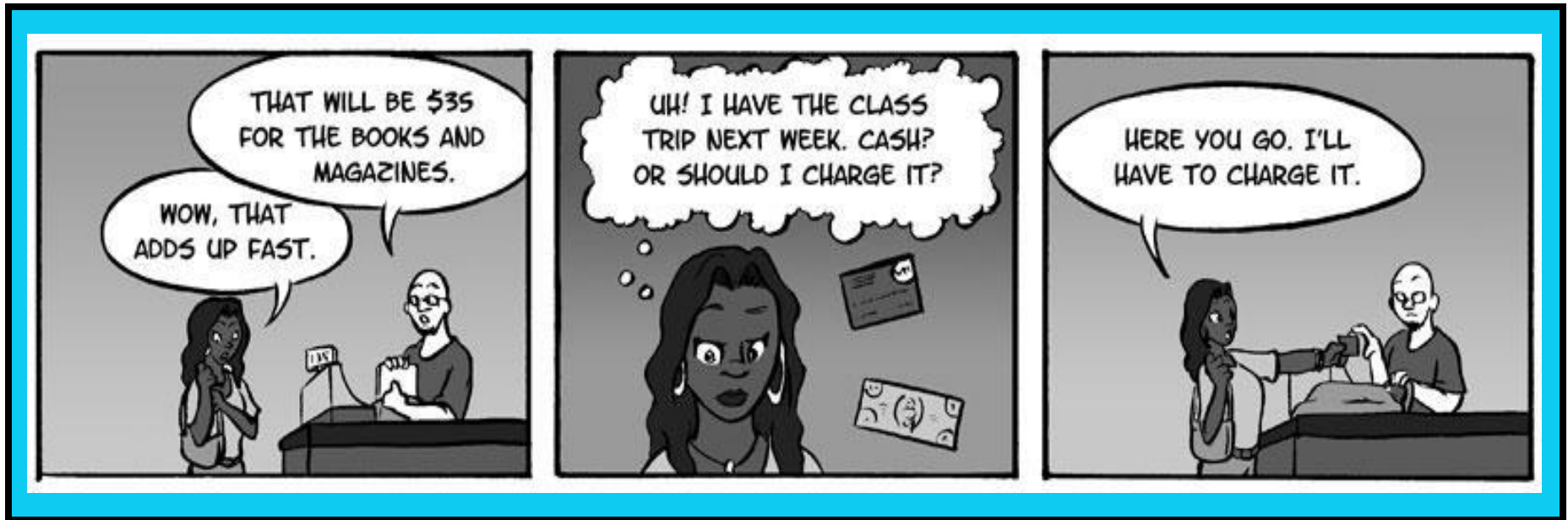
Building: Knowledge, Security, Confidence

Objectives

- 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



Charge It Right



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



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



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**



Stored Value Cards

- **Types:**
 - Payroll cards
 - Government disbursement cards
 - General purpose cards
 - Gift cards
- **You cannot build a credit history with stored value cards.**



Activity 2: Which Card is This?

Complete Activity 2 in your Participant Guide

–Select the best answer from
the list provided



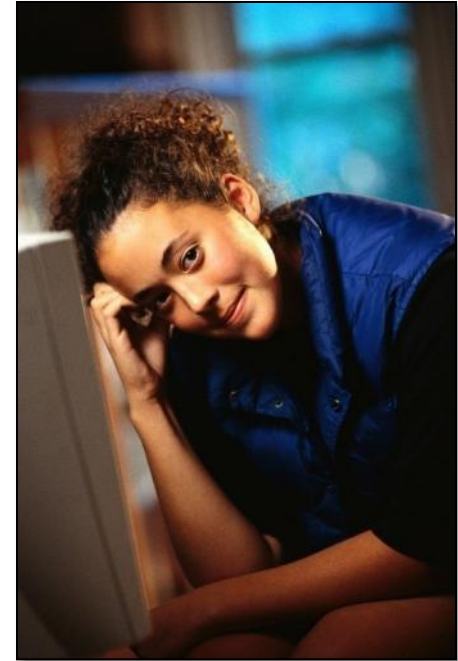
Secured and Unsecured Cards

- **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**



Student Credit Cards

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



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



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**



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?



Pre-Approved Offers

There are NO Guarantees!

- You are “pre-approved” but must still qualify for the card
- Read the agreement carefully
- Shop around!
- Opt-out by
 - Calling 1-888-5-OPTOUT (567-8688)
 - Visiting www.optoutprescreen.com



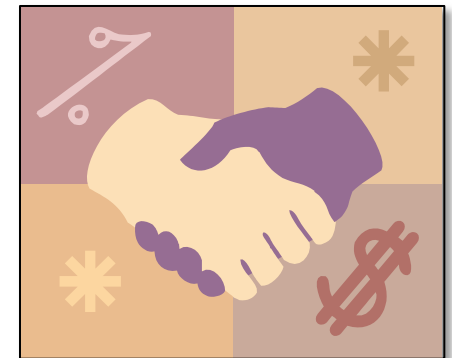
Truth in Lending Disclosure

- **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)**



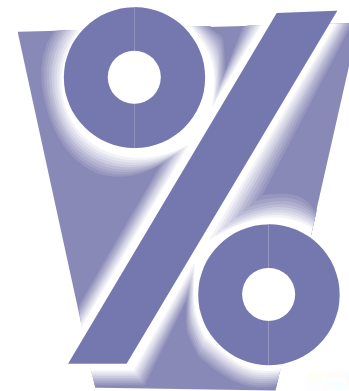
Credit Card Terms

- **Read disclosures for important credit card terms:**
 - **Annual Percentage Rates (APRs)**
 - **Fees**
 - **Grace period**
 - **Balance computation method**



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**



Fees



- **Annual fees**
- **Late fees**
- **Over-the-limit fees**
- **Balance transfer fees**
- **Cash advance fees**
- **Credit-limit increase fee**
- **Foreign transaction fee**



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**



Balance Computation Method

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



Activity 3: Is It a Decent Offer?

Complete Activity 3 in your Participant Guide

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



Other Factors to Consider

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



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



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**



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



Credit Reporting Agencies

- **Equifax**
- **Experian**
- **TransUnion**



Free Annual Credit Report

Visit: www.annualcreditreport.com

Call: 877-322-8228

Mail:

Annual Credit Report Request Service

P. O. Box 105281

Atlanta, GA 30348-5281



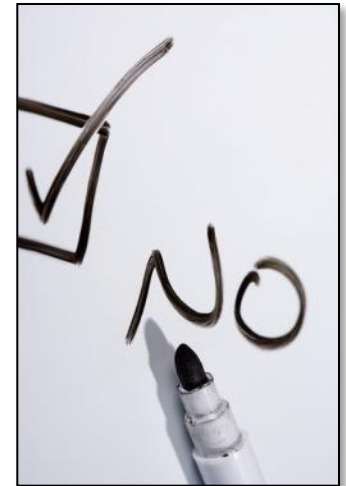
Credit Scores

- A number that helps lenders determine your credit risk
- Two types:
 - The Fair Isaac Corporation (FICO) Score
 - VantageScore



Credit Denial

- You have the right to have the credit card company give you the reasons that the credit was denied.
- Reasons for denial might include:
 - Bad credit history
 - Do not meet income or residence criteria



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



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**



What is Identity Theft?

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



Identity theft is a serious problem!



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



Identity Theft Information



Federal Trade Commission (FTC):

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



Credit Card Statement Information



1. Account Summary

2. Payment Information

www.federalreserve.gov/creditcardcalculator/

3. Credit Counseling Statement

4. Notice of Interest Rate Changes

5. Transactions or Account Activity

6. Interest Charge Calculation



Activity 5: Sample Credit Card Statement

Complete Activity 5 in your Participant Guide

- Use the Sample Credit Card Statement
- Answer the questions



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**



Paying Your Credit Card Bill

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



Activity 6: Making More Than the Minimum Payment

Complete Activity 6 in your Participant Guide

- Compare the two tables
- Answer the questions



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**

