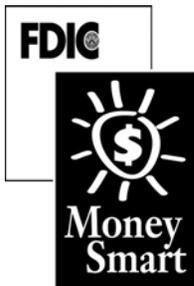


# Charge It Right



## Instructor Guide



Building: Knowledge, Security, Confidence

---

**FDIC Financial Education Curriculum**

# TABLE OF CONTENTS

	<b>Page</b>
<b>Module Overview</b>	<b>1</b>
Purpose	1
Objectives	1
Presentation Time	1
Materials and Equipment Needed to Present This Module	1
Handouts	1
<b>Lesson Plan</b>	<b>2</b>
Module Overview	2
What Do You Know?	5
Credit Card Characteristics	6
Shopping for the Best Deal	14
Applying for a Credit Card	27
Using Your Credit Card Responsibly	36
Paying Your Credit Card Bill	42
The Credit Card Statement	46
Summary and Conclusion	50
What Do You Know? Form	51
Evaluation Form	52

# MODULE OVERVIEW

## Purpose

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

## Objectives

At the end of the module, students will be able to:

- Describe the purpose of credit cards.
- Determine which credit card is best for them.
- Identify the factors creditors 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.

## Presentation Time

The total presentation time is about 90 minutes, depending on how long students take to complete the exercises.

## Materials and Equipment Needed to Present This Module

**Important Note:** The materials and equipment needed to present all of the Money Smart modules are listed in the *Guide to Presenting the Money Smart Program*. Review the Guide thoroughly before presenting this module.

## Handouts

- Other Cards
- Tips on How to Correct Credit Card Problems

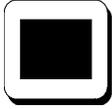
# LESSON PLAN

## Instructor Notes

## Presentation

### MODULE OVERVIEW

#### Welcome



1: *Charge It Right*  
Welcome students.

Welcome to Charge It Right. You are taking an important step toward financial security by taking this module.

It will provide you with some important information about credit cards.

#### Introduction



2: *Introduction*

*Introduce yourself and share a little of your background and experience.*

#### Student Introductions

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



3: *Student Introductions*

*Ask students to introduce themselves and state their expectations, questions, and/or concerns about what will be covered during the training.*

*If there is anything that will not be covered in the module, tell students where the information can be obtained (e.g., another module, a Website).*

*Record their course-related expectations, questions, and concerns on chart paper and tape to walls in the classroom.*

#### Purpose



4: *Purpose*  
Describe the purpose of the module.

Using a credit card can be both a convenience and a necessity.

Charge It Right will teach you about credit cards and how to use them responsibly.

**MODULE OVERVIEW (Continued)****Objectives**

By the end of the module, you will be able to:

- Describe the purpose of credit cards.
- Determine which credit card is best for you.
- Identify the factors creditors 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.



*5–6: Objectives*

**Agenda and Ground Rules**

This module will take about 90 minutes to present, depending on how long it takes us to get through the exercises and activities.

There will be one 10-minute break about halfway through the training.

I will be using a variety of training methods. I will be presenting material to you in the form of lectures.

There will also be classroom and small group discussions and exercises that give you a chance to practice what you have learned.

If you have experience or knowledge in some aspect of the training 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 contribution to the class makes the learning experience that much better.



*7: Agenda and Ground Rules*  
*Describe the module agenda and ground rules.*



*Refer students to the Participant Guide.*

*Review its contents and organization.*



*Ask students ...*

### **MODULE OVERVIEW (Continued)**

Each of you has a copy of the Charge It Right Participant Guide. It contains:

- Materials and instructions you will need to complete the exercises.
- Checklists and tip sheets related to the module content.
- Space for you to take notes.
- A glossary of the banking terms used in this module.
- Resources for you to investigate after the class.

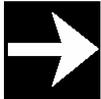
You will also receive a copy of the slides I will be using to present this module.

We will be using the Guide throughout the module. You will be able to take it home and use it as a reference.

Do you have any questions about the module overview?



*Refer students to the What Do You Know? form on page 16 of their Participant Guide. Explain its purpose.*



*Transition to the next topic.*

## WHAT DO YOU KNOW?

### Purpose

The What Do You Know? form lets you measure how much you have learned from this training. It also tells me what you liked about it and what needs to be improved.

*Read the instructions for the Before-the-Training column only and walk students through each statement.*

*Provide enough time for students to complete this portion of the form.*

*Tell students they will return to this form at the end of the training to complete the remaining sections.*

Now let's talk about credit cards.

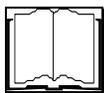


*Introduce the topic by asking students ...*



*8: Credit Cards*

*Explain what credit cards are and how they differ from charge cards and debit cards.*



*Credit Cards and Debit Cards*

## CREDIT CARD CHARACTERISTICS

### What Is a Credit Card?

How many of you have a credit card?

*Have students respond with a show of hands.*

What has been your experience using a credit card?

*Guide a brief (1- to 2-minute) discussion to assess the students' experience with credit cards.*

Credit cards are a convenient form of borrowing. People generally use credit cards to purchase goods and services.

Credit cards give you a revolving line of credit. This means you can make an unlimited number of purchases, up to a preapproved dollar limit, such as \$3,000.

You must pay at least a portion of the bill every month. This is called a minimum payment. It is often a percentage of your balance.

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

Debit cards are similar to credit cards except that they are tied to your checking account. When you use them to make a purchase or to withdraw money at an automated teller machine (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 a debit card.

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

*Refer students to Credit Cards and Debit Cards on page 1 of their Participant Guide.*

*Review it with them, using Instructor Aid #1 on the next page to guide you.*

*Answer questions.*

## CREDIT CARDS AND DEBIT CARDS

	<b>Credit Cards</b>	<b>Debit Cards</b>
<b><i>Payments</i></b>	Buy now, <b>pay later.</b>	Buy now, <b>pay now.</b>
<b><i>Interest Charges</i></b>	<b>Yes</b> if you carry a balance or your card offers no "grace period."	<b>No.</b>
<b><i>Other Potential Benefits</i></b>	<b>Freebies</b> , such as cash rebates and bonus points good for travel deals. Some <b>purchase protections.</b>	Easier and <b>faster than writing a check.</b> Avoid debt problems. More cards now offering freebies. Some <b>purchase protections.</b>
<b><i>Other Potential Concerns</i></b>	<b>Fees and penalties.</b> Also, <b>not all cards offer grace periods</b> (time to repay without incurring interest). Over-spending can cause <b>debt problems.</b>	<b>Fees</b> on certain transactions. You may <b>overdraw your account</b> if you are lax about recording debit card transactions.

**CREDIT CARD CHARACTERISTICS (Continued)**

**Other Cards**

There are some other cards that are similar to credit cards that you should know about. These are:

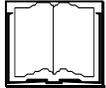
- Cash cards.
- Smart cards.
- Stored value cards.

Let's see if you can identify the card based on descriptions of the three cards.



9: *Other Cards*

*Describe three other cards.*



*Other Cards*

*Refer students to Other Cards on page 2 of their Participant Guide.*

*Review the instructions with them.*

*Give students a few minutes to match the cards with the descriptions.*

*Provide the correct answers and additional information, using Instructor Aid #2 beginning on the next page to guide you.*

*Answer questions.*



*Other Cards Handout*

*When you have finished the lecture, distribute Other Cards handout to students.*



*When you have finished discussing the other cards, ask students ...*

Do you have any questions about the cards we have discussed so far?



*Transition to the next topic.*

Now let's look at the different types of credit cards.

## OTHER CARDS

### Instructions

Answer each question below by selecting the best answer from the list provided on the slide.

What is a card that looks like a credit card but has a computer chip embedded inside it?

### Smart Card

What is a card on which you can “load” money to be used for future purchases?

### Stored Value Card

What is a card that contains a set amount of value that can be used to make purchases like a credit card or debit card?

### Cash Card

### *Additional Instructor Lecture Notes*

#### Stored Value Cards

Stored value cards include:

- Telephone cards with prepaid minutes.
- International gift cards that can be used anywhere the VISA or MASTERCARD logo is displayed.
- Payroll cards.

Some advantages of stored value cards are that they:

- Reduce or eliminate check-cashing fees.
- Offer 24-hour access to funds; no need to wait in lines.
- Make money transfers more easily available to families.
- Offer the ability to make purchases using credit card networks.
- Reduce the need to carry a lot of cash.
- Provide a “pseudo bank account” that contains funds that do not have to be withdrawn entirely, as with a check-cashing service.

Be sure to ask about any fees associated with a stored value card, such as monthly fees or inactivity fees.

## OTHER CARDS (Continued)

### *Additional Instructor Lecture Notes (continued)*

#### **Cash Cards**

Cash cards, similar to prepaid phone cards, contain a set amount of value, which can be read by a special cash card reader. Participating retailers will use the reader to debit the card in increments until the value is gone. The cards are like cash because they have no built-in security; if lost or stolen, they can be used by anyone.

#### **Smart Cards**

A smart card resembles a credit card in size and shape, but inside it is completely different. The inside of a smart card usually contains an embedded microprocessor or computer chip. The chip is under a gold contact pad on one side of the card. Think of the computer chip as replacing the usual magnetic strip on a credit card or debit card.

The most common smart card applications are:

- Credit cards.
- Electronic cash.
- Computer security systems.
- Wireless communication.
- Loyalty systems (like frequent flyer points).
- Banking.
- Satellite TV.
- Government identification.



*10: Secured and Unsecured Cards*

*Explain the difference between a secured and unsecured loan.*

## **CREDIT CARD CHARACTERISTICS (Continued)**

### **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 what you promise to give the bank if you do not repay the loan. Examples of items that can be used as collateral include homes, cars, or savings accounts.

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 limit, the bank might require you to keep \$500 in a bank savings account. You will not be able to withdraw money from that account. The bank can use that \$500 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.

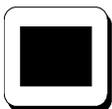
Once you establish a good history by paying your credit card bills on time, you will have a better chance of getting an unsecured credit card.

### **Gold and Platinum Cards**

Usually, gold and platinum cards are credit cards with higher credit limits.

- These types of cards usually require a good credit history and higher income.
- However, not all gold and platinum cards have the same favorable terms.

Be sure to carefully read the disclosures before you apply for a gold or platinum card.



*11: Gold and Platinum Cards*

*Explain what gold and platinum cards are.*



### 12: Reward Cards

*Explain what reward cards are.*



*Ask students ...*



### 13: Pre-approved Card Offers

*Explain what pre-approved cards are.*

*Explain why student should be wary of pre-approved credit card offers.*

## CREDIT CARD CHARACTERISTICS (Continued)

### Reward Cards

Many airlines and hotels offer reward cards. When you use these credit cards, you earn points toward goods or services, and you may also receive cash rebates.

You are usually charged annual fees for reward cards.

### Pre-approved Cards

How many of you have ever received pre-approved credit card offers in the mail?

*Acknowledge students' show of hands.*

We seem to get these offers in the mail every day.

These offers tell us that we have been “pre-approved” to receive a credit card. This means that the credit card company 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, credit card issuers might encourage you to transfer balances from other credit cards (balance transfers). But there might be hidden costs such as transfer fees.

- Before you apply for a credit card, decide what it will be used for. Keep in mind a credit card is not free money. It is a loan you must repay, with interest.
- Ask what interest rates and credit limit you qualify for. You may be able to get better terms on another card, so shop for the best possible deal.

*Explain what “opting out” means.*



*Ask students ...*



*Transition to the next topic.*

**CREDIT CARD CHARACTERISTICS (Continued)**

You have the right to “opt out” of receiving these 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 offers of credit or insurance. You can opt out of receiving these prescreened offers by calling 888-5-OPTOUT (567-8688) or visiting [www.optoutprescreen.com](http://www.optoutprescreen.com).

The offers of credit must contain a phone number that you can call to opt out of such offers. You have 5 years to exercise this right.

Do you have any questions about these types of credit cards?

Now let’s take a look at the different credit card terms you should be aware of before you apply for a card.

**SHOPPING FOR THE BEST DEAL****Credit Card Terms**

*Introduce the topic.*



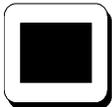
*14: Credit Card Terms  
Describe the credit terms.*

Not all credit cards have the same terms. This can be confusing when you are shopping for credit cards.

The important credit card terms you should look for are:

- Annual percentage rate (APR).
- Fees.
- Grace period.
- Balance computation method.
- Cash advance.
- Balance transfer.

Let's take a look at each one.

**Annual Percentage Rate (APR)**

*15: Annual Percentage Rate  
Explain what the APR is.*

The APR represents the rate of interest you are charged plus fees. It is expressed as a yearly percentage rate.

- 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 rates will last. After the introductory period, a new rate may apply. That rate may be either fixed or variable.

Fixed rate means the interest rate will not change.  
Variable rate means the rate can increase or decrease.

Some credit card companies charge a different APR depending on the type of usage. For example, rates for your cash advance may be higher than rates for purchases. You need to understand how your payment is affected by the interest rate.

*Explain what the penalty APR is.*

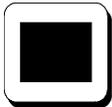
### SHOPPING FOR THE BEST DEAL (Continued)

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 or exceed your credit limit. This is called the penalty APR. Penalty APRs may be double the regular APR.

For example, the penalty rate may apply if you are late on more than two payments in a 6-month period. The Truth in Lending disclosures will provide details on whether the creditor has penalty APRs and when they apply.

*Explain what universal default is.*

A related concept is universal default. Some lenders have policies that will raise your credit card interest rate to the highest possible rate if you are late on any other account. For example, if you have five credit cards and you are late paying one, the interest rate for the other four cards may be increased by a large amount. The Truth in Lending disclosures will tell you if your lender has such a policy.



*16: Fees*

*Explain what fees are.*

### Fees

Check how much you will pay for:

- Annual fees.
- Late fees.
- Over-the-limit fees.
- Balance transfer fees.
- Cash advance fees.

If you have a good credit history, most credit card companies will waive the annual fee.

**SHOPPING FOR THE BEST DEAL (Continued)****Grace Period**

17: *Grace Period*

*Explain what the grace period is.*

The grace period lets you avoid finance charges by paying your balance in full before the due date.

Knowing whether a card gives you a grace period is especially 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. Keep in mind that many credit card companies never provide a grace period for cash advances or balance transfers.

If your card includes a grace period, the credit card company must mail your bill at least 14 days before the due date so you will have enough time to pay.

**Balance Computation Method**

18: *Balance Computation Method*

*Explain what balance computation method is.*

The balance computation method will determine how your interest is calculated.

There are a variety of methods. The most common method used is the average daily balance.

**Cash Advance**

19: *Cash Advance*

*Explain what a cash advance is.*

Many credit cards let you get cash from them, but they will charge you a fee when you do.

- 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: "2%/\$10." This means that the cash advance fee will be 2 percent of the cash advance amount or \$10, whichever is greater.
- There is usually no grace period for cash advances. Interest begins accruing immediately.

**SHOPPING FOR THE BEST DEAL (Continued)****Balance Transfer**

*20: Balance Transfer*

*Explain what a balance transfer is.*

*Discuss the Truth in Lending Disclosure Statement.*

Balance transfer is the process of moving an unpaid credit card debt from one credit card to another.

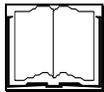
Credit card companies sometimes offer low rates to encourage you to pay off other debts with their credit card.

**Truth in Lending Disclosure Statement**

Federal law requires that you receive a Federal Truth in Lending Disclosure Statement from the credit card company offering you a credit card. The APR usually appears in a large type size so you can more easily find it.

Study it carefully, as well as other information given to you regarding the credit transaction.

Let's look at a sample disclosure.



*Sample Truth in Lending Disclosure Statement*

*Refer students to the Sample Truth in Lending Disclosure Statement on page 3 of their Participant Guide.*

*Review it with them, using Instructor Aid # 3 on the next page to guide you.*

*Answer questions.*



*When you have finished the exercise, ask students ...*

Do you have any questions about these card terms?



*Transition to the next topic.*

Now let's see if you can determine which, among several credit card offers, is the best one.

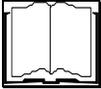
**SAMPLE TRUTH IN LENDING DISCLOSURE STATEMENT**

ANNUAL PERCENTAGE RATE (APR)	Grace Period	Annual Fee	Minimum Finance Charge	Method of Computing the Balance for Purchases
19.4%	25 days	\$35.00	None	Average Daily Balance

Late payment fee—\$20.00; Over-the-limit fee—\$20.00; Returned check fee—\$20.00; ATM transaction fee—\$2.00. The grace period does not apply to cash advances. The annual percentage rate for cash advances is 24%.

**SHOPPING FOR THE BEST DEAL** (Continued)**What's the Best Offer for You?**

Let's take a look at three credit card offers. They are typical of the offers you receive in the mail every day.



*What's the Best Offer for You?*

*Refer students to What's the Best Offer for You? beginning on page 4 of their Participant Guide.*

*Have them read each offer, starting with the Truth and Lending Disclosure Statement.*

*Then have them answer the question.*

*Give them 10 minutes to complete the exercise.*

*Provide the correct answer, using Instructor Aid #4 beginning on the next page to guide you.*

*Answer questions.*

*After you finish the exercise, remind students ...*

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.



*When you have finished the exercise, ask students ...*

Do you have any questions about these card terms?



*Transition to the next topic.*

Now let's see if you can determine which one, among several credit card offers, is the best one.

## WHAT'S THE BEST OFFER FOR YOU?

### Credit Card Offer #1

- Super Preferred Credit Card
- 1% APR!!!
- No Annual Fee

Truth in Lending Disclosure Statement

<b>Annual Percentage Rate (APR)</b>	The current introductory APR for purchases made with the Super Preferred card is 1%. This APR will expire 6 months after you open the account or if your monthly minimum payment is late. After that, your APR will be 24%.								
<b>Annual fee</b>	None								
<b>Grace period for repayment of balance for purchases</b>	You will have a minimum of 25 days to repay without a finance charge if you have paid your previous balance in full by the due date.								
<b>Method of computing the balance for purchases</b>	Average daily balance								
<b>Miscellaneous fees</b>	<table> <tr> <td>Cash advance fee:</td> <td>Greater of \$5 or 3% of the amount of cash advance</td> </tr> <tr> <td>Late payment fee:</td> <td>\$30</td> </tr> <tr> <td>Over-the-limit fee:</td> <td>\$30</td> </tr> <tr> <td>Closing fee:</td> <td>\$25</td> </tr> </table>	Cash advance fee:	Greater of \$5 or 3% of the amount of cash advance	Late payment fee:	\$30	Over-the-limit fee:	\$30	Closing fee:	\$25
Cash advance fee:	Greater of \$5 or 3% of the amount of cash advance								
Late payment fee:	\$30								
Over-the-limit fee:	\$30								
Closing fee:	\$25								

Suppose you received this credit card offer in the mail. After reading the Truth in Lending Disclosure Statement, would you apply for this card? Explain your answer.

- **This offer has an introductory APR. While a 1 percent APR sounds good, if you read the disclosure, you will learn the introductory APR expires 6 months after you open your account, or if your monthly minimum payment is late. After that, the APR jumps to 24 percent.**
- **The grace period applies only if you pay your balance in full every month. If you carry a balance, there is no grace period.**
- **While there is no annual fee, this credit card offer has expensive late fees (\$30) and over-the-limit fees (\$30). You will also be charged \$25 if you or the credit card issuer closes the account.**

## WHAT'S THE BEST OFFER FOR YOU? (Continued)

### Credit Card Offer #2

- Super Secured Credit Card
- No Credit? No Problem!
- Just open a savings account with NE Bank to establish your credit card account. Your credit limit will be based on the amount of money in your savings account.

Truth in Lending Disclosure Statement

<b>Annual Percentage Rate (APR)</b>	<b>19.9%</b> (Fixed)								
<b>Annual fee</b>	\$35								
<b>Grace period for repayment of balance for purchases</b>	You will have a minimum of 25 days to repay without a finance charge if you have paid your previous balance in full by the due date.								
<b>Method of computing the balance for purchases</b>	Average daily balance								
<b>Miscellaneous fees</b>	<table style="width: 100%; border: none;"> <tr> <td style="padding-right: 20px;">Cash advance fee:</td> <td>Greater of \$3 or 3% of the amount of cash advance</td> </tr> <tr> <td>Late payment fee:</td> <td>\$30</td> </tr> <tr> <td>Over-the-limit fee:</td> <td>\$20</td> </tr> <tr> <td>Returned check fee:</td> <td>\$20</td> </tr> </table>	Cash advance fee:	Greater of \$3 or 3% of the amount of cash advance	Late payment fee:	\$30	Over-the-limit fee:	\$20	Returned check fee:	\$20
Cash advance fee:	Greater of \$3 or 3% of the amount of cash advance								
Late payment fee:	\$30								
Over-the-limit fee:	\$20								
Returned check fee:	\$20								

Suppose you received this credit card offer in the mail. After reading the Truth in Lending Disclosure Statement, would you apply for this card? Explain your answer.

- **This offer is for a secured credit card. That means you must open a savings account at the bank to obtain the credit card. You cannot access the money as long as the credit card account is open and you owe a balance. This might be a good way to establish a credit history, but you must read the disclosure to be sure you are getting a fair deal.**
- **The grace period applies only if you pay your balance in full every month. If you carry a balance, there is no grace period.**
- **The APR is 19.9 percent. There is an annual fee of \$35.**

## WHAT'S THE BEST OFFER FOR YOU? (Continued)

### Credit Card Offer #3

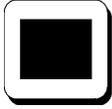
- Super Unsecured Credit Card
- APR 19.9%
- Sign up for just \$5 a month

Truth in Lending Disclosure Statement

<b>Annual Percentage Rate (APR)</b>	19.9% (Fixed)
<b>Annual fees</b>	Annual membership fee: \$50 Annual participation fee: \$60 (\$5 monthly)
<b>Grace period for repayment of balance for purchases</b>	You will have a minimum of 25 days to repay without a finance charge if you have paid your previous balance in full by the due date.
<b>Method of computing the balance for purchases</b>	Average daily balance
<b>Miscellaneous fees</b>	Cash advance fee: Greater of \$2 or 3% of the amount of cash advance Acceptance fee: \$100 (one-time fee) Program fee: \$25 (one-time fee) Late payment fee: \$20 Over-the-limit fee: \$20

Suppose you received this credit card offer in the mail. After reading the Truth in Lending Disclosure Statement, would you apply for this card? Explain your answer.

- **This credit card offer has an annual fee of \$50 in addition to the \$5 per month membership fee. You would have to pay the credit card issuer \$110 every year just to have the credit card.**
- **You have to pay an acceptance fee to open the account and a program fee, totaling \$125. If you accepted this offer, your first credit card bill would be \$180 before you made a purchase. This type of offer is generally made to people who have had credit problems in the past.**



*21: Other Factors to Consider*

*Describe the kinds of customer services credit card companies offer.*

**SHOPPING FOR THE BEST DEAL (Continued)**

**Other Factors to Consider**

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

- Customer service.
- Additional protection.

Most credit card companies offer you these customer service features via telephone and Internet:

- Access to account information.
- Bill payment.
- Update of personal information such as address and telephone number.
- Problem resolution.

Fees may be charged for some of these services. Be sure you understand what they are before accepting a credit card offer.

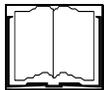
Credit card companies are now starting to offer additional protection in case:

- You lose your job and are temporarily unable to pay your bills.
- You lose your credit card.
- Your identity is stolen.

There is usually a cost for this extra protection. Be sure you understand how much you will be paying before accepting these offers.

**Credit Card Comparison Chart**

Let's take a look at a tool that will help you shop for the best credit card terms.



*Credit Card Comparison Chart*

*Refer students to the Credit Card Comparison Chart on page 7 of their Participant Guide.  
Review the chart with students, using Instructor Aid #5 on the next page to guide you.*

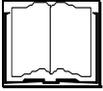


*Transition to the next topic.*

Now let's take a look at some tips you should consider when shopping for a credit card.

### CREDIT CARD COMPARISON CHART

	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card issuer/card			
What is the annual percentage rate (APR)? <ul style="list-style-type: none"> <li>• Introductory APR?</li> <li>• Penalty APR?</li> </ul>			
What is the finance charge?			
What is the annual fee?			
What are other fees (late fees, over-the-limit fees, closing fees, etc.)?			
Is there a grace period?			
What are other benefits (points earned, etc.)?			
What is my credit limit?			
Other? (for example, customer service hours; online access; can you talk to a real person?)			



*Tips to Consider When Shopping for a Credit Card*



*When you have finished discussing the tips, ask students ...*



*Transition to the next topic.*

**SHOPPING FOR THE BEST DEAL (Continued)**

**Tips to Consider When Shopping for a Credit Card**

Before signing up for a credit card, consider these tips.

*Refer students to Tips to Consider When Shopping for a Credit Card on page 8 of their Participant Guide.*

*Review the tips with students, using Instructor Aid #6 on the next page to guide you.*

*Answer questions.*

Do you have any questions about how to shop for the best deal?

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

## TIPS TO CONSIDER WHEN SHOPPING FOR A CREDIT CARD

- Decide how you will use the credit card and what you will purchase with it.
- Start small. Do not charge too much on your credit card until you get comfortable with the monthly bill.
- Shop around for the plan that best fits your needs. Make sure you understand the terms of the plan before you accept the card. Read the fine print.
- 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.
- Beware of credit card issuers who require application fees. Most credit card issuers do not charge fees to open accounts.
- Make sure you understand the implications of fixed and variable rates, as well as penalty APRs.



*Introduce the topic by asking students ...*

## APPLYING FOR A CREDIT CARD

### Where to Apply for a Credit Card

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

*Acknowledge students' responses.*

*Use the following points to guide a discussion if the students do not mention the following.*

#### Answer:

- Retail stores – many department, clothing, and jewelry stores offer credit cards that can be quickly approved. Retail credit cards usually have lower credit limits and higher interest rates than bank credit cards.
- Banks – you can find bank credit card offers at your local bank, in the newspaper, or on the Internet. Banks and other financial institutions offer both secured and unsecured credit cards with varying credit limits and rates.
- Mail offers – we have already seen how you can apply for credit card applications you receive in the mail. You can respond to these offers by mailing in a completed application or applying over the telephone or Internet.

#### Application Requirements

When you apply for a credit card, you are called the credit card applicant.

The card issuer who approves the credit is called the creditor.

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

Joint credit is based on the assets, income, and credit history of both people who apply. Couples often apply for joint credit. 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.

*Introduce the topic.*



*22: Application Requirements*

*Describe the credit card application requirements.*

**APPLYING FOR A CREDIT CARD (Continued)**

Another requirement is that you must be 18 years old.

Many students, who often do not have a steady source of income, are often solicited for credit cards. They are usually given a low credit limit. Credit card companies hope that they will become loyal credit card customers.

Keep in mind that giving false information about your income or any other item on a credit application is a crime called fraud punishable by fines or time in jail.

**What Creditors Look For**

What information do you think creditors look at order to decide whether or not to give you a credit card?

Where do you think they find this information?

*Remind students of the consequences of giving false information.*

*Have students close their Participant Guides.*



*Then ask ....*



*Write students' responses on chart paper.*

*Then answer the questions, tying in students' responses to the discussion.*

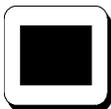
**Answer:**

You have to demonstrate you are a good risk before credit is granted. 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.

A credit report is a record of how you have paid your debts. It 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.

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



**23–24: Credit Report**

*Students can reopen their Participant Guides now.*

*Explain what a credit report is and what information it contains.*

**APPLYING FOR A CREDIT CARD (Continued)**

- Whether you have made payments on time.
- Whether there is negative information about you in public records, such as collection actions, bankruptcies, and judgments.
- How many inquiries are listed in your credit report. This is a list that identifies 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 equate with higher risk.



25: Credit Reporting Agencies

**Credit Reporting Agencies**

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

- Equifax.
- Experian.
- TransUnion.

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 Credit Report Once a Year**

The Fair Credit Reporting Act 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.

But only one online source is authorized to do so. That is [www.annualcreditreport.com](http://www.annualcreditreport.com).

Beware of other sites that may look and sound similar.

*Explain how to get a free credit report once a year.*

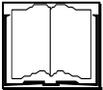
**APPLYING FOR A CREDIT CARD** (Continued)

The Federal Trade Commission (FTC) advises consumers who order their free annual credit reports online to be sure to correctly spell [www.annualcreditreport.com](http://www.annualcreditreport.com), or link to it from the FTC's Website.

This is so you avoid being misdirected to other Websites that offer supposedly 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.

You can also call a toll-free telephone number or complete a form and mail it to receive your annual free credit report.



*How to Get a Copy of Your Free Credit Report Once a Year and Annual Credit Report Request Form*

*When you have finished discussing how to get a free credit report, tell students ...*



*Ask students ...*



*Transition to the next topic.*

*Refer students to How to Get a Free Copy of Your Credit Report Once a Year on page 9 of their Participant Guide. Review it with them, using Instructor Aid #7 on the next page to guide you.*

*Then refer students to the Annual Credit Report Request Form on page 10 of their Participant Guide. Review it with them, using Instructor Aid #8 on page 32 to guide you.*

The Money Smart module To Your Credit discusses the credit report in greater detail.

Do you have any questions about the credit report?

Now let's talk about another factor creditors consider: your credit score.

## HOW TO GET A FREE COPY OF YOUR CREDIT REPORT ONCE A YEAR

To order your free annual report from one or all of the credit reporting agencies, do not contact the three nationwide consumer reporting companies individually. You can obtain free annual credit reports by doing one of the following:

- Submit a request online at [www.annualcreditreport.com](http://www.annualcreditreport.com).
- Call toll-free: 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.

You can print a copy of the Annual Credit Report Request Form from [www.annualcreditreport.com](http://www.annualcreditreport.com) or [www.ftc.gov/credit](http://www.ftc.gov/credit).

- You need to provide your name, address, Social Security number, and date of birth.
- If you have moved in the last 2 years, you may have to provide your previous address.
- To maintain the security of your file, each credit reporting agency may ask you for some information that only you would know, like the amount of your monthly mortgage payment.

Each company may ask you for different information because the information each has in your file may come from different sources.

Remember, 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.
- 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 up to \$10.00 for each copy. To buy a copy of your report, contact one of the following:

- Equifax: 800-685-1111 or [www.equifax.com](http://www.equifax.com).
- Experian: 888-EXPERIAN (888-397-3742) or [www.experian.com](http://www.experian.com).
- TransUnion: 800-916-8800 or [www.transunion.com](http://www.transunion.com).



**APPLYING FOR A CREDIT CARD (Continued)****Credit Scores**

It has become increasingly common for lenders to make decisions on the basis of a “score.”

A credit score is a number that helps lenders determine how much of a credit risk you will be. It is calculated based on information in your credit report.

Creditors may use one or more credit scores. Credit scores may be generated by the creditor itself; or the creditor may use a score calculated by another firm.

Two of the scores used by lenders are:

- The Fair Isaac (FICO) score.
- VantageScore.

**FICO score**

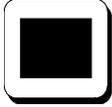
Your FICO score is the primary method lenders use to assess how deserving you are of their credit.

- A FICO score is calculated using a computer model that compares the information in your credit report to what is on the credit reports of thousands of other customers. FICO scores range from about 300 to 900.
- Generally, the higher the score, the lower the credit risk.

**VantageScore**

On March 14, 2006, the three credit reporting agencies announced that they had agreed on a new credit scoring system, called VantageScore.

Because all three credit reporting agencies will be using the same scoring system, you should have the same VantageScore from each agency.



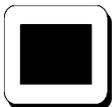
26: Credit Score

*Describe what a credit score is and how it is used.*



27: FICO Score

*Explain what the FICO score is.*



28: VantageScore

*Explain what VantageScore is.*

**APPLYING FOR A CREDIT CARD (Continued)**

The new 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, if you had 501 to 600 points, your credit grade would be "F." Your credit grade would be "A" if you had 901 points or more.

**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.

It lists the reasons for denying your application. 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 bureau that supplied the information.

If you contact the credit bureau 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.

**29: Denial Notice**

*Explain what a denial notice is and the information it contains.*

*Explain what to do if credit has been denied.*

**APPLYING FOR A CREDIT CARD** (Continued)

The Money Smart module Keep It Safe has more information about your rights.



*Ask students ...*



*Transition to the next topic.*

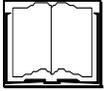
Do you have any questions about credit scores?

We have talked about the characteristics of credit cards, how to shop for a card, how to apply for a card, and how much credit costs.

Now let's talk about using a credit card responsibly so you do not get into trouble.

**USING YOUR CREDIT CARD RESPONSIBLY****Tips on Using Your Credit Card Responsibly**

*Introduce the topic.*



*Tips on How to Use Your Credit Card Responsibly*

When you get a credit card, start slowly with one credit card with a low limit and use it responsibly.

Starting small will help you establish a credit history and keep you from getting into debt problems.

Let's take a look at some tips that will help you use your credit card responsibly.

*Refer students to Tips on How to Use Your Credit Card Responsibly on page 11 of their Participant Guide.*

*Review the tips with them, using Instructor Aid #9 on the next page to guide you.*

*Answer questions.*



*When you have finished discussing the tips, transition to the next topic.*

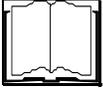
Now let's take a look at some examples of people who may not be using their credit cards responsibly.

## TIPS ON HOW TO USE YOUR CREDIT CARD RESPONSIBLY

- Protect your credit card and account numbers to prevent unauthorized use. Draw a line through blank spaces on charge slips so the amount cannot be changed. Tear up carbon copies of your receipts.
- 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, to quickly report a loss.
- Carry only the credit cards you think you will use.
- Pay off your total balance each month. If you cannot pay the total balance, try to pay more than the minimum amount.
- Read the fine print. Low advertised interest rates might not last as long as you think. You might not have a grace period with balances you have transferred from other credit cards.
- After you have established a good credit history, ask the credit card issuer to waive the fee or lower the interest rate.
- Do not keep more than two or three credit cards. Too many cards make overspending tempting. Many people do not control their spending or manage their finances wisely.
- There are, however, good reasons to have more than one card, especially if your credit limit is not high enough on one card to cover an emergency.
- 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.

**USING YOUR CREDIT CARD RESPONSIBLY**

(Continued)

**Credit Card User Case Studies**

*Credit Card User Case Studies*

I am going to give you several examples. You tell me if you think the example could present problems for the credit card user.

*Refer students to the Credit Card User Case Studies on page 12 of their Participant Guide.*

*Have them read each one with you; then ask the question.*



*Ask students ...*

Maria receives a credit card bill. She gets a cash advance on another credit card to pay part of the bill.

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

*Acknowledge students' responses. Then provide the answer.*

**Answer:**

Maria might have a problem. If Maria keeps borrowing money to make payments on other credit cards, she will never get out of debt and will pay very high finance charges.



*Ask students ...*

Marvin has a credit card bill of \$3,000. He makes only the minimum payment and is always close to the limit on his credit card.

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

*Acknowledge students' responses. Then provide the answer.*

**Answer:**

Marvin might have a problem. Like Maria, Marvin might never get out of debt. If he keeps making just the minimum payment on his credit card bill, it will take many years to pay off and he will have high interest costs. We will discuss the cost of making the minimum payment later in this module.



*Ask students ...*

Jerome uses his credit card for convenience. He pays cash for most small purchases. He pays his credit card bill in full each month.

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

*Acknowledge students' responses. Then provide the answer.*

**Answer:**

Jerome is avoiding interest charges by paying the credit card bill in full each month.



Ask students ...

## USING YOUR CREDIT CARD RESPONSIBLY

(Continued)

Cathy 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 new outfits. When the credit card bill came, she was surprised to find additional fees charged to her account. What do you think about Cathy's use of a credit card?

*Acknowledge students' responses. Then provide the answer.*

### Answer:

Cathy might have a problem. It appears she did not read the disclosure and understand the credit card terms before she accepted the credit card.

Here are some things that you can do to correct problems you have using your credit card.



*Tips on How to Correct Credit Card Problems*

*Distribute the Tips on How to Correct Credit Card Problems handout to students.*

*Review the tips, using Instructor Aid #10 on the next page to guide you.*

*Answer questions.*



*After you have reviewed the tips, ask students ...*

Do you have any questions about using your credit card responsibly?



*When you have finished discussing the tips, transition to the next topic.*

Now let's take a look at what you should do if your credit card is lost or stolen.

## TIPS ON HOW TO CORRECT 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 check.
- If you have serious problems paying off your credit card debt, turn to a reliable credit counselor. Some can help you for little or no cost.
- After credit counseling, consider enrolling in a debt management plan (DMP). In a DMP, you deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts, like your credit card bills, student loans, and medical bills, according to a payment schedule the counselor develops with you and your creditors.

A successful DMP requires you to make regular, timely payments and could take 48 months or more to complete.

- Beware of debt consolidation traps. 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, such as home equity loans, or unsecured loans that you promise to repay.

Beware of companies and Websites that charge high rates and application fees. Look for hidden charges. 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.

- Use bankruptcy only as a last resort.
- The Money Smart modules Money Matters and To Your Credit have detailed information about credit counseling and debt management.

**USING YOUR CREDIT CARD RESPONSIBLY**

(Continued)

**What to Do if Your Credit Card Is Lost or Stolen**

If your credit card is lost or stolen, immediately notify your credit card company. Do the same thing if you spot something wrong in your monthly billing.

Never give your confidential personal information over the telephone unless you have made the call.

Under federal law, if a thief uses your credit card or card number, the most you are liable for is \$50 per card if you notify the creditor immediately.

If you contact your card company before any unauthorized charges are made, you are not responsible for any unauthorized charges.

Credit card fraud is a national problem and is one reason interest rates are higher on credit cards than on other types of loans.

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 help, such as the Federal Trade Commission.

Contact information can be found in the For Further Information section of your Participant Guide.

The Money Smart module Keep It Safe has more information about your rights as a credit card user.

Do you have any questions about what to do if your credit card is lost or stolen?

Now let's take a look at what is involved when it is time to pay your credit card bill.



*30: Lost or Stolen Credit Card*  
 Explain what to do if a credit card is lost or stolen.



*Refer students to For Further Information on page 21 of their Participant Guide.*



*Ask students ...*



*Transition to the next topic.*

**PAYING YOUR CREDIT CARD BILL**

**Credit Card Limit**



*31: Credit Limit  
Explain what the credit limit is.*

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 money to give you.

If you go beyond this limit, the credit card company will assess an over-the-limit fee.

**Minimum Payment**

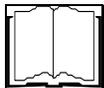
With a credit card, you have to pay at least the minimum amount due each month.

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



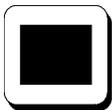
*Ask students ...*

*Acknowledge students' responses.*



*Cost of Making the Minimum Payment*

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



*32: Cost of Making the Minimum Payment*

*Refer students to Cost of Making the Minimum Payment on page 13 of their Participant Guide.*

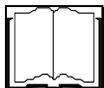
*Review the chart with students, using Instructor Aid #11 on page 44 and slide 32 to guide you.*

*Emphasize how long it would take to pay off \$2,500.*

*Then refer students to Benefits of Making More Than the Minimum Payment on page 14 of their Participant Guide.*

*Review the chart with students, using Instructor Aid #12 on page 45 and slides 33 and 34 to guide you.*

*Emphasize how much faster the bill is paid off.*



*Benefits of Making More Than the Minimum Payment*



*33–34: Benefits of Making More Than the Minimum Payment*

**PAYING YOUR CREDIT CARD BILL (Continued)**

*When you have finished reviewing the charts and slides, ask students ...*

Do you have any questions about the minimum payment?



*Transition to the next topic.*

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

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

**COST OF MAKING THE MINIMUM PAYMENT**

<b>Item</b>	<b>Price</b>	<b>APR</b>	<b>Interest Paid</b>	<b>How Much You Really Pay for the Item</b>	<b>Total Years to Pay Off</b>
<b>TV</b>	\$500	18%	\$216	\$716	5
<b>Computer</b>	\$1,000	18%	\$516	\$1,516	7
<b>Furniture</b>	\$2,500	18%	\$1,415	\$3,915	10

Assumptions for the table include:

- Eighteen percent APR (If the APR is higher, the item would be more expensive and would take longer to pay off).
- Minimum monthly payment equals greater of \$10 or 4 percent of balance.
- Average daily balance method is used to calculate interest.
- Finance charge for one day =  $(18\%/365) \times$  daily balance.
- No grace period.
- No late payments are made.
- No additional purchases are made.
- Minimum payment is received by the bank on the last day of the billing cycle (most likely, the interest charges would be greater because the customer's minimum payment usually will not be received by the bank for several additional days).
- Years are rounded to the nearest whole year.
- Dollar amounts are rounded to the nearest dollar.

Beginning around 2008, you will be able to contact credit card companies by phone to find out the time and interest amount required to pay off a credit card balance if only the minimum monthly payment is made.

**BENEFITS OF MAKING MORE THAN THE MINIMUM PAYMENT**

<b>Original Balance</b>	<b>APR</b>	<b>Monthly Payments</b>	<b>Total Number of Monthly Payments</b>	<b>Total Years to Pay Off</b>	<b>Total of Payments</b>
<b>\$2,500</b>	18%	Minimum Payment (MP)	123	10	\$3,915
<b>\$2,500</b>	18%	MP + \$25	50	4	\$3,258
<b>\$2,500</b>	18%	MP + \$50	33	3	\$2,839

<b>Original Balance</b>	<b>APR</b>	<b>Monthly Payments</b>	<b>Total Number of Monthly Payments</b>	<b>Total Years to Pay Off</b>	<b>Total of Payments</b>
<b>\$1,000</b>	18%	Minimum Payment (MP)	87	7	\$1,516
<b>\$1,000</b>	18%	MP + \$25	26	2	\$1,187
<b>\$1,000</b>	18%	MP + \$50	16	1	\$1,119

These charts assume you are not making additional purchases and you are making your payments on time. The minimum payment is 4 percent.

Of course, 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.

## THE CREDIT CARD STATEMENT

### What Information Does the Statement Include?

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.

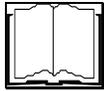
The reverse side of your bill usually describes some of the basic terms of your credit card agreement, including how the interest is calculated and where to call with billing questions.

Let's take a look at the information that appears on the statement.



35: Credit Card Statement

Describe the information on the credit card statement.



Sample Credit Card Statement

Refer students to the Sample Credit Card Statement on page 15 of the Participant Guide.

Review the statement with them, using the points below and the Instructor Aid #13 on page 48 to guide you.

Information on the statement includes:

- **New Balance.** Your 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 Line.** The maximum dollar amount you can borrow on the card at one time.
- **Minimum Payment Due.** The minimum dollar amount that must be paid each month. This is usually 2 to 3 percent of the amount owed and is often based on the balance at the billing date.
- **Credit Available.** The amount of credit remaining on your card after your balance and your current charges are subtracted from your total credit line.
- **Payment Due Date.** The date your payment must be received by the credit card issuer, not the date it is postmarked.

Be sure to make your payments well before the due date to avoid late charges.

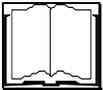
**THE CREDIT CARD STATEMENT (Continued)**

- 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.
- Finance Charge. The cost of credit. It includes interest, service charges, and transaction fees. This charge is calculated on your balance using different methods.

**How the Finance Charge is Calculated**

Now let's take a look at how the finance charge is calculated.

*Continue using Instructor Aid #13 to explain how finance charges are calculated.*



*Sample Credit Card Statement  
– Finance Charge Calculation*



*When you have reviewed the statement and explained how to calculate the finance charge, ask students ...*



*Transition to the next topic.*

Do you have any questions about the credit card statement and how finance charges are calculated?

Now let's take a look at why it is important to keep good records.

## SAMPLE CREDIT CARD STATEMENT

**Credit Card Issuer**

New Balance	\$203.00	Billing Date	5-1-01
Credit Line	\$2,000.00	Credit Available	\$1,797.00
Minimum Payment Due	\$10.00	Payment Due Date	5-20-01

**Name**

**Account Number**

Posting Date	Trans. Date	Transactions	Charge	Credit
4-1-20XX	4-1-20XX	Cash advance	\$180.00	
4-1-20XX	4-1-20XX	Cash advance fee	\$20.00	

### Account Summary

Previous Balance	0	Credits	0
Purchases	0	Finance Charge	\$3.00
Cash Advances	\$180.00	Payments	0
Other Debits	\$20.00	New Balance	\$203.00

	APR	Daily Periodic Rate	Average Daily Balance	Finance Charge	Balance
	18%	0.0493%	\$200.00	\$3.00	\$203.00

### Finance Charge Calculation

Assume:

- Your billing cycle is the same as the calendar month.
- On April 1, you got a cash advance of \$180 and were charged a \$20 fee. Interest started accruing immediately.
- At the beginning of May, you receive your April billing statement. Your average daily balance for the month of April is \$200, since you made no additional payments.
- The finance charge is calculated using a periodic rate. The periodic rate is the interest rate, or cost of credit, in relation to a specific time period.
- If the APR is 18 percent, the periodic rate is 0.0493 percent, or 18 percent divided by 365 days.

$$\begin{aligned}
 & \$200 \text{ (Average Daily Balance)} \\
 & \times 0.0493\% \text{ (Daily Periodic Rate)} \\
 & \$0.10 \text{ per day (for each day you have the \$200 balance)} \\
 & \$0.10 \times 30 \text{ days} = \$3 \text{ (finance charge)}
 \end{aligned}$$

**THE CREDIT CARD STATEMENT (Continued)****Keep Good Records**

*Explain the importance of keeping good records.*

You should always keep your credit card receipts to compare them with your monthly statements. Be sure to check your monthly statement for mistakes.

If you find a mistake, take steps to resolve it 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.



*Ask students ...*

Do you have any questions about the credit card statement?



*Transition to the next topic.*

Let's look at what we have learned today.

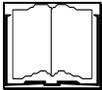


*Review what was covered in the module.*

*Review the chart papers with students' expectations, questions, and concerns to make sure they have all been covered.*



*Ask students ...*



*Refer students to pages 16 through 18 of their Participant Guide.*

*Allow time for students to complete them.*

*Make sure you collect all the forms.*

## SUMMARY AND CONCLUSION

Congratulations! You have completed the Charge It Right module. We have covered a lot of information today about credit cards. You learned about:

- The characteristics of credit cards.
- Other cards that are similar to credit cards.
- The different types of credit cards.
- How to shop for the best credit card terms.
- How to apply for a credit card.
- How to use a credit card responsibly.
- How to pay your credit card bill.

You should now be able to use credit cards responsibly.

Do you have any final questions?

## Evaluation Forms

To improve the training, we will need your feedback. The After-the-Training column on the What Do You Know? form and the Evaluation Form will identify changes that can make this training better.

Please complete the After-the-Training column and the Evaluation Form now.

Great job on completing the Charge It Right module! Thank you for participating.

## WHAT DO YOU KNOW? – CHARGE IT RIGHT

Instructor: \_\_\_\_\_ Date: \_\_\_\_\_

This form will enable you and the instructors to see what you know about credit cards both before and after the training. Read each statement below. Please circle the number that shows how much you agree with each statement.

I know:	<b>Before-the-Training</b>				<b>After-the-Training</b>			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The purpose of credit cards.	1	2	3	4	1	2	3	4
2. How to determine which credit card is best for me.	1	2	3	4	1	2	3	4
3. The factors creditors look for when making credit decisions.	1	2	3	4	1	2	3	4
4. How to use a credit card responsibly.	1	2	3	4	1	2	3	4
5. The steps to take when my credit card is lost or stolen.	1	2	3	4	1	2	3	4

## EVALUATION FORM

This evaluation will enable you to assess your observations of the Charge It Right module. Please indicate the degree to which you agree with each statement by circling the appropriate number.

1. Overall, I felt the module was: <input type="checkbox"/> Excellent <input type="checkbox"/> Very Good <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	<b>Strongly Disagree</b> <b>Disagree</b> <b>Neutral</b> <b>Agree</b> <b>Strongly Agree</b>
2. I achieved the following training objectives: a. Describe the purpose of credit cards. b. Determine which credit card is best for me. c. Identify the factors creditors look for when making credit decisions. d. Describe how to use a credit card responsibly. e. Identify the steps to take when a credit card is lost or stolen. 3. The instructions were clear and easy to follow. 4. The overheads were clear. 5. The overheads enhanced my learning. 6. The time allocation was correct for this module. 7. The module included sufficient examples and exercises so that I will be able to apply these new skills. 8. The instructor was knowledgeable and well prepared. 9. The worksheets are valuable. 10. I will use the worksheets again. 11. The students had ample opportunity to exchange experiences and ideas.	1 2 3 4 5 1 2 3 4 5
12. My knowledge/skill level of the subject matter before taking the module.  13. My knowledge/skill level of the subject matter upon completion of the module.	<b>None</b> <b>Advanced</b> 0 1 2 3 4 5 0 1 2 3 4 5

Continued on next page . . .

## EVALUATION FORM (Continued)

### Instructor Rating

---

Please use the response scale and circle the appropriate number.

<b>Response Scale:</b> 5 <b>Excellent</b> 4 <b>Very Good</b> 3 <b>Good</b> 2 <b>Fair</b> 1 <b>Poor</b>	<b>Name of Instructor</b>				
Objectives were clear & attainable	5	4	3	2	1
Made the subject understandable	5	4	3	2	1
Encouraged questions	5	4	3	2	1
Had technical knowledge	5	4	3	2	1

What was the most useful part of the training?

---

---

---

What was the least useful part of the training?

---

---

---