

Instructor Guide

Money Smart

Charge It Right



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

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Instructor Information

Before the Session

To properly present the *Charge It Right* course, you should:

- Review all materials in the Instructor Guide and the Participant Take-Home Guide.
- Make copies of the Participant Take-Home Guide.
- Copy the slides (overheads) onto transparencies.
- When appropriate, prepare chart paper examples.
- Identify potential trouble spots in the exercises as well as hints for assisting participants.
- Select and prepare anecdotes from real-world experiences that can be used to illustrate special scenarios, generate discussions, and maintain participant interest.
- Prepare copies of the *Credit Card Offers* (3 sheets) and the *Sample Credit Statement* handouts for each participant.

Material and Equipment

- Transparency projector
- *Charge It Right* transparencies
- Chart paper and easel
- Markers for chart paper and transparencies
- Name tents
- Pencils or pens for each participant
- Credit Card Offers handouts
- Sample Credit Card Statement handout
- Participant Take-Home Guides

Instructor Steps

Step-by-step directions are provided for the instructor. The text below is an example of an instructor step:

Instructor Cue	Instructions
Slide 2	<ul style="list-style-type: none">➤ Show Slide 2 (You Will Know).➤ Review course objectives.

Generally, these steps enable the instructor to ask questions, provide explanations, show slides, hand out materials, and introduce exercises.

Icons

Icons alert the instructor to discussion questions, exercises, transitions, and summaries. They appear in the left margin:



Ask questions or conduct a discussion.



Distribute a handout.



Give exercise information or record the results of a brainstorm.



Refer to activity material.



Indicate the beginning of an individual activity or exercise.



Indicate the beginning of a group activity or exercise.



Summarize an activity or check for understanding.



Summarize the course.



Transition to the next topic.

Thumbnail-sized replicas of the slides have been placed in the left column.

Charge It Right

Time



60 Minutes

Objectives



By the end of this course, participants will be able to describe the costs and benefits of using a credit card. To achieve this objective, the participants will be able to:

- Identify characteristics of credit cards
- Describe the costs of using a credit card
- Recognize potential problems with credit card use

Course Instruction

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Before the start of the class, hand out the following materials to each participant: <ul style="list-style-type: none"> • Participant Take-Home Guide • Name tent • Pencil or pen
Slide 1	<ul style="list-style-type: none"> ➤ Show Slide 1 (Charge It Right). ➤ “Welcome to <i>Charge It Right!</i>” Introduce yourself (e.g., your name and experience as an instructor or credit union employee).
Slide 2	<ul style="list-style-type: none"> ➤ Show Slide 2 (You Will Know). ➤ Explain: “By the end of the course, you will be able to describe the costs and benefits of using a credit card. You will know: <ul style="list-style-type: none"> • The characteristics of credit cards • The costs of using a credit card, and • How to recognize potential problems with credit card use.”
	<ul style="list-style-type: none"> ➤ Show the Participant Take-Home Guide to the class. ➤ Explain: “Each of you has a copy of the <i>Charge It Right</i> Take-Home Guide which contains highlights of the course. Take it home and use it as a reference guide.”

What Do You Know



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Take out the last page of your Take-Home Guide, the What Do You Know form.”
	<ul style="list-style-type: none"> ➤ Explain: “The What Do You Know form lets you measure how much you have learned from the course.”
	<ul style="list-style-type: none"> ➤ Read the instructions and walk the participants through each statement. ➤ Explain: “Complete the Before-the-Course column only. You will complete the other column at the end of the course.”
	<ul style="list-style-type: none"> ➤ Provide enough time for participants to complete the What Do You Know form. (1-2 minutes) ➤ Have participants put these forms aside until the end of the course when they will complete the After-the-Course column.
	<ul style="list-style-type: none"> ➤ Transition: “Now, let’s talk about credit cards.”

Credit Card Characteristics

Instructor Cue	Instructions
<p>?</p>	<ul style="list-style-type: none"> ➤ Ask: “How many of you have a credit card?” ➤ Have participants respond with a show of hands. ➤ Ask: “What’s been your experience using a credit card?” ➤ Guide a brief discussion to assess the participants’ experience with credit cards. (1-2 minutes)
	<ul style="list-style-type: none"> ➤ Explain: “Credit cards are a convenient form of borrowing. People generally use credit cards to purchase goods and services. ➤ Credit cards represent a revolving line of credit. This means you can make an unlimited number of purchases, up to a pre-approved 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 course, we will focus on credit cards rather than charge cards.”
	<ul style="list-style-type: none"> ➤ Explain: “Most credit cards are unsecured. This means you do not have to provide collateral. Collateral is what you promise to give the credit union or bank if you do not repay the loan. Examples of items that can be used as collateral include homes, cars, or savings and investment accounts.”





Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “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 share or savings account as collateral. This means the credit union or bank holds the savings account as security for repayment. ➤ For example, if you want a credit card with a \$500 limit, a credit union or bank might require you to keep \$500 in a savings account. You will not be able to withdraw money from that account. The \$500 account assures the credit union or bank you will pay the credit card bill.” <p>Instructor Note: Some financial institutions might require more or less than the credit card limit.</p>
	<ul style="list-style-type: none"> ➤ Explain: “Once you establish good history by paying your credit card bills on time, you will have a better chance of getting an unsecured credit card.”
<p>?</p>	<ul style="list-style-type: none"> ➤ Ask: “How many of you have heard of gold or platinum credit cards?” ➤ Acknowledge participants’ answers. ➤ Explain: “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 your disclosures.”



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Many airlines and hotels offer rewards cards. When you use these credit cards you earn points towards goods or services. You are usually charged annual fees for rewards cards.”
<p style="font-size: 2em;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “Where do you think you would go to apply for a credit card?” ➤ Acknowledge participants’ responses.
	<ul style="list-style-type: none"> ➤ Use the following points to guide a discussion if the participants do not mention the following: <ul style="list-style-type: none"> • 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 credit cards from financial institutions. • Credit unions and banks—you can find credit card offers at your credit union or bank, in the newspaper, or on the Internet. Many financial institutions offer both secured and unsecured credit cards with varying credit limits and rates. Credit unions generally offer better rates than banks.



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Ask: “How many of you have ever received pre-approved credit card offers in the mail?” ➤ Acknowledge participants’ responses. ➤ Explain: “Before accepting the offer, always remember to look at all the terms. Pre-approved credit offers are subject to verification of income, employment, and credit history. Remember to shop for the best possible deal.” ➤ Explain: “You should always be sure to read the credit agreement carefully. There may be limitations or conditions not obvious in the advertisement. For example, credit card issuers might encourage you to transfer balances from other credit cards (balance transfers). There might be hidden costs with these transactions.” ➤ Explain: “Before you decide to apply for a credit card, decide <i>what it will be used for</i>. Keep in mind a credit card is not free money. It is a loan you must repay, with interest.
	<ul style="list-style-type: none"> ➤ Transition: “Now that we have talked about some of the credit card basics, let’s take a look at how you can find the best credit card deal.”



Shopping for the Best Deal


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Not all credit cards have the same terms. This can be confusing when you are shopping for credit cards.”
<p style="font-size: 2em;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “What do you think are some of the terms you must consider?” ➤ Acknowledge participants’ responses.
	<ul style="list-style-type: none"> ➤ Explain: “Here are some important credit card terms you should look for. A sample disclosure is included in your Take-Home Guide on page 4. <ul style="list-style-type: none"> • Annual Percentage Rate, or APR. The APR represents the rate of interest you are charged, plus fees, expressed as a yearly 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 bills in full each month, it will be more important to compare the annual fee and other charges. • Fees. Check how much you will pay for annual fees, late fees, or over-the-limit fees. If you have a good credit history, most credit card issuers will waive the annual fee. • Grace period. The grace period is the number of days you have to pay your balance before a creditor starts charging interest. • Balance computation method. This method will determine how your interest is calculated. There are a variety of methods. The most common is the average daily balance.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “It is important for you to understand these credit card terms. ➤ Interest rates can be fixed or variable. Fixed rate means the interest rate will not change. Variable rate means the rate can increase or decrease. You need to understand how your payment is affected by the interest rate.”
	<ul style="list-style-type: none"> ➤ Refer participants to the glossary in their Take-Home Guides on page 11, for more information about credit card terms.
	<ul style="list-style-type: none"> ➤ Hand out the <i>Credit Card Offers</i> information sheets (See the Handout section of this Instructor Guide). ➤ Tell participants to read the information about Credit Card Offer 1. Allow 1-2 minutes for them to read it.
	<ul style="list-style-type: none"> ➤ Write the following on the chart paper: <ul style="list-style-type: none"> • Credit Card Offer 1: • Super Preferred Credit Card • 1% APR!!! • No Annual Fee
	<ul style="list-style-type: none"> ➤ Explain: “Suppose you received this credit card offer in the mail. What questions would you have before deciding whether to apply for this card?” ➤ Acknowledge participants’ responses.

Instructor Cue	Instructions
	<p>➤ Guide a discussion making the following points:</p> <ul style="list-style-type: none"> • This offer has a promotional APR. While a 1% 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%. • The disclosure also informs you that the grace period only applies if you pay your balance in full every month. If you carry a balance, there is no grace period. • The disclosure also informs you that 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.
	<p>➤ Tell participants to read the information about Credit Card Offer 2. Allow 1-2 minutes for them to read it.</p>
	<p>➤ Write the following on chart paper:</p> <ul style="list-style-type: none"> • Credit Card Offer 2: • Super Secured Credit Card • No Credit? No Problem!
	<p>➤ Explain: “Suppose you received this credit card offer in the mail. What questions would you have before deciding whether to apply for this card?”</p> <p>➤ Acknowledge participants’ responses.</p>

Instructor Cue	Instructions
	<p>➤ Guide a discussion making the following points:</p> <ul style="list-style-type: none"> • This offer is for a secured credit card. That means you must open a savings account at the credit union or 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. • Again, the grace period only applies if you pay your balance in full every month. If you carry a balance, there is no grace period. • After reading the disclosure, you learn that the APR is 17.9%. There is an annual fee of \$35.
	<p>➤ Tell participants to read the information about Credit Card Offer 3. Allow 1-2 minutes for them to read it.</p>
	<p>➤ Write the following on chart paper:</p> <ul style="list-style-type: none"> • Credit Card Offer 3: • Super Unsecured Credit Card • APR 17.9% • Sign up for just \$5 a month!
	<p>➤ Explain: “Suppose you received this credit card offer in the mail. What questions would you have before deciding whether to apply for this card?”</p> <p>➤ Acknowledge participants’ responses.</p>


Instructor Cue	Instructions
	<p>➤ Guide a discussion making the following points:</p> <ul style="list-style-type: none"> • After reading the disclosure, you learn 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. • The disclosure also informs you that 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 \$170 without making a purchase. This type of offer is generally made to people who have had credit problems in the past.
	<p>➤ Emphasize: “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.”</p>
	<p>➤ Refer participants to the <i>Credit Card Comparison Chart</i> in their Take-Home Guide on page 5.</p> <p>➤ Explain: “You can use this chart as you shop for credit cards to compare the terms.”</p>
	<p>➤ Refer participants to the list of tips to keep in mind when shopping for a credit card in the Take-Home Guides on page 6.</p>

Instructor Cue	Instructions
Slide 3	<ul style="list-style-type: none"> ➤ Show Slide 3 (Shopping for a Credit Card). ➤ Read through the list of tips. • “Decide how you will use the credit card and what you will purchase with it. • Start small. Don’t 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 don’t charge fees to open accounts. • Make sure you understand the implications of fixed and variable rates.”
	<ul style="list-style-type: none"> ➤ Transition: “You should now recognize some of the terms to look for when shopping for a credit card. Next we are going to talk about how to apply for a credit card.”

Applying for a Credit Card


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “The applicant is the person applying for credit. That’s you. The card issuer is the person approving the credit, the creditor.”
	<ul style="list-style-type: none"> ➤ Explain: “Individual credit is based on your own assets, income, and credit history. You are responsible for paying the credit card bill.”
<p style="font-size: 2em;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “What do you think joint credit is?” ➤ Acknowledge participants’ responses.
	<ul style="list-style-type: none"> ➤ Explain: “Joint credit is based on the assets, income, and credit history of both people who apply. Married 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.”
	<ul style="list-style-type: none"> ➤ Explain: “Another requirement is that you must be 18 years old and have a regular source of income to qualify for a credit card.” <p>Instructor Note: If participants raise the issue, acknowledge that college students are often solicited for credit cards without a source of income. The expectation is that the students will become loyal credit card users.</p>
	<ul style="list-style-type: none"> ➤ Emphasize: “Giving false information about your income or any other item on a credit application is a crime. It is fraud. You have to demonstrate you are a good risk before credit is granted. The proof is in your credit report.”

Instructor Cue	Instructions
<p>?</p>	<ul style="list-style-type: none"> ➤ Ask: “Who knows what a credit report is?” ➤ Acknowledge participants’ answers.
	<ul style="list-style-type: none"> ➤ Explain: “A credit report is a collection of credit information. It is how creditors predict whether you will make regular payments on your loans. ➤ Your credit report is kept on file with three major credit reporting agencies. Financial institutions report information about borrowers to the credit reporting agencies who compile information about you, the consumer. Financial institutions in turn ask the credit reporting agencies for this information when you apply for a loan.”
	<ul style="list-style-type: none"> ➤ Explain: “The three major credit reporting agencies are: <ul style="list-style-type: none"> • Equifax • Experian • TransUnion”

Instructor Cue	Instructions
	<p>➤ Refer participants to page 7 of their Take-Home Guides where they can find phone numbers and addresses for the three credit reporting agencies. The contact information appears below:</p> <p>Equifax: P.O. Box 740241 Atlanta, GA 30374-0241 1-800-997-2493 www.equifax.com</p> <p>Experian: P.O. Box 949 Allen, TX 75013 1-888-397-3742 www.experian.com/consumer/index.html</p> <p>TransUnion: 760 West Sproul Road P.O. Box 390 Springfield, PA 19064-0390 1-800-888-4213 www.transunion.com</p>
	<p>Instructor Note: Remind participants that phone numbers sometimes change. Also, when dealing with these credit reporting agencies, they should also be sure to record the date and name of the person they speak with.</p>

Instructor Cue	Instructions
	<p>➤ Explain: “You can contact any of these three credit reporting agencies to obtain a copy of your credit report. You might want to get copies of your report from each credit reporting agency. Each one could have slightly different information since lenders might not report to all three.</p> <p>Basic information found in your credit report includes:</p> <ul style="list-style-type: none"> • Identifying information. This includes your name, Social Security number, current and previous addresses, telephone number, birth date, current and previous employers, and your spouse’s name. • Credit history. This is your account record with different creditors. It shows how much credit has been extended and how you have repaid it. • Public record information. This includes items that are matters of public record including collection accounts, bankruptcies, foreclosures, tax liens, civil judgments, and late child support payments. • Inquiries. This is a list that identifies creditors and other authorized parties who have requested and received your credit report.”
	<p>Instructor Note: Credit history and public record information demonstrate your willingness to repay your debts.</p> <p>➤ Refer interested participants to the <i>To Your Credit</i> course for more information about credit reports.</p>


Instructor Cue	Instructions
?	<ul style="list-style-type: none"> ➤ Ask: “How do you think creditors decide whether to offer you credit?” ➤ Acknowledge participants’ answers.
	<ul style="list-style-type: none"> ➤ Explain: “Most credit card issuers use some form of credit scoring to help decide whether to make a loan. ➤ The score is calculated using a scoring model, or a mathematical equation that evaluates your employment data and payment history. The score is based on information contained in your credit report.”
?	<ul style="list-style-type: none"> ➤ Ask: “What should you do if your application for a credit card is turned down?” ➤ Explain: “You will receive a denial notice, sometimes called an adverse action notice, that lists reasons for denying your application. If you don’t receive this notice, ask your creditor. Reasons for denial might include: <ul style="list-style-type: none"> • You have a bad credit history • You haven’t been at your current address or job long enough, or • Your income does not meet the lender’s standard.”
	<ul style="list-style-type: none"> ➤ Explain: “Each credit card issuer has different criteria.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “If you are denied credit because of information on your credit record, 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.” ➤ Explain: “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 all three credit reporting agencies to ensure they have correct information.”
	<ul style="list-style-type: none"> ➤ Refer interested participants to the <i>Keep It Safe</i> course for more information about their rights as consumers of financial products and services. ➤ Also refer participants to the <i>To Your Credit</i> course for more information about credit reports.
	<ul style="list-style-type: none"> ➤ Transition: “Let’s imagine you have applied for and been approved for a credit card. The next important responsibility is paying your credit card bill.”


Paying Your Credit Card Bill

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “If you are approved for credit, the credit card company, or issuer, will set a credit limit. This is the maximum balance you can carry on your card. Each card issuer has its own standards for setting credit limits.” ➤ Explain: “With a credit card, you have to pay at least the minimum amount due.”
<p style="font-size: 2em; font-weight: bold;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “Do you think it is a good idea to pay more than the minimum payment due on your credit card bill?” ➤ Acknowledge participants’ responses.
<p>Slide 4</p>	<ul style="list-style-type: none"> ➤ Show Slide 4 (Cost of Making Minimum Payments). ➤ Explain: “This example shows what happens if you make only minimum payments on your credit card bill. This is on page 8 on your Take-Home Guide. ➤ In this example, you are required to pay at least 2% of your balance. As you can see, a purchase of \$2,500 on your credit card will cost over \$6,000 in interest and take 30 years to pay off making only the minimum payments. This chart assumes an interest rate of 18% and that you are not making late payments or new purchases.”

Instructor Cue	Instructions
	<p>➤ Instructor Note: Assumptions for the table include:</p> <ul style="list-style-type: none"> • 18% APR (If the APR is higher, it would be more expensive and would take longer to pay off) • Minimum monthly payment equals greater of \$10 or 2% of balance • Average daily balance method 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 made • Minimum payment is received by the financial institution on the last day of the billing cycle (most likely, the interest charges would be greater because the consumer's minimum payment usually will not be received by the financial institution for several additional days) • Years are rounded to the nearest whole year • Dollar amounts are rounded to the nearest dollar
Slide 5	<p>➤ Show Slide 5 (Benefit of Making Larger Payments).</p> <p>➤ Explain: “This table shows how much you can save by paying more than the minimum payment. This is on page 9 of your Take-Home Guide. As you can see, if you can pay \$50 a month on the same \$2,500 purchase, you can pay your balance more than 26 years faster and save over \$4,000.</p> <p>➤ If you can pay \$100 a month, you can pay off your balance in less than three years.</p> <p>➤ This chart also assumes you are not making new purchases or making late payments.</p> <p>➤ 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.”</p>


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “You can see why it is a good idea to pay more than the minimum each month.”
	<ul style="list-style-type: none"> ➤ Transition: “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.”

Keeping a Record


Instructor Cue	Instructions
	<ul style="list-style-type: none">➤ Explain: “If you have a credit card, you will receive a monthly billing statement. Understanding the billing statement is important. The bill lists detailed activity from your 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.”
	<ul style="list-style-type: none">➤ Hand out the <i>Sample Credit Card Statement</i>. (See the Handout section of the Instructor Guide for the sample statement).

Instructor Cue	Instructions
	<p>➤ Explain: “Follow along as we review some of the terms found on your credit card statement.</p> <ul style="list-style-type: none"> • 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. • Minimum Payment Due. The minimum dollar amount that must be paid each month. This is usually two to three percent of the amount owed and is often based on the balance at the billing date. • Credit Available. This is 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. • Previous Balance. This is 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. This is the cost of credit. It includes interest, service charges, and transaction fees. This charge is calculated on your balance using different methods.”



Instructor Cue	Instructions
	<p>➤ Explain: “We are going to walk through an example of a finance charge calculation. This example matches the sample statement you have.”</p> <p>➤ Explain: “Assume:</p> <ul style="list-style-type: none"> • Your billing cycle is the same as the calendar month. • On April 1, you got a cash advance of \$180 and were charged a \$2 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 charges or payments.”
	<p>➤ Explain: “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 period of time.”</p>
Slide 6	<p>➤ Show Slide 6 (Finance Charge Calculation).</p> <p>➤ Explain: “Let’s assume the annual percentage rate or APR for your credit card is 18%. This means your daily periodic rate is 0.0493% or 18% divided by 365 days.</p> <p style="padding-left: 40px;">\$200 (Average Daily Balance) x 0.0493% (Daily Periodic Rate) \$0.10 per day (for each day you have the \$100 balance) \$0.10 x 30 days = \$3 (finance charge)”</p>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “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 discrepancy, take steps to resolve it right away. To be fully protected, you must report a discrepancy to your credit card company in writing within 60 days from a day the bill was sent to you.”
	<ul style="list-style-type: none"> ➤ Transition: “We have talked about credit card basics, how to shop for a card, how to apply for a card, and the cost of a credit card. Now let’s talk about using a credit card responsibly so you don’t get into trouble.”


Examples of Credit Card Use

Instructor Cue	Instructions
	<p>➤ Explain: “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.”</p>
	<p>➤ Refer participants to their Take-Home Guide for a list of tips for using a credit card on page 10.</p>
	<p>➤ Read through the tips.</p> <ul style="list-style-type: none"> • “Pay your bills on time to keep finance and other charges to a minimum. • Keep your receipts to compare charges when your monthly bill arrives. • 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 can’t pay the total balance, try to pay more than the minimum amount.

Instructor Cue	Instructions
	<ul style="list-style-type: none"> • 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.” ➤ Instructor Note: Balance transfers mean moving the balance from one credit card to another. One way to do this is by using checks provided by the credit card companies, sometimes called convenience checks. • After you have established a good credit history, ask the credit card issuer to waive the fee or lower the interest rate.
<p data-bbox="365 835 418 934">?</p>	<ul style="list-style-type: none"> ➤ Ask: “Do you think you can have too many credit cards?” ➤ Acknowledge participants’ responses.
	<ul style="list-style-type: none"> ➤ Explain: “Too many cards make overspending tempting. Many people don’t control their spending or manage their finances wisely. 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. ➤ 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 experts agree that two or three credit cards should be enough for the average family.”


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Emphasize: “Even with a few credit cards, you can still run into credit problems. As always, be careful.”
	<ul style="list-style-type: none"> ➤ Ask: “What do you think you can do to correct problems involving your credit cards?” ➤ Acknowledge participants’ responses.
Slide 7	<ul style="list-style-type: none"> ➤ Show Slide 7 (Correcting Credit Card Problems). ➤ Explain: “To correct credit problems, you can: <ul style="list-style-type: none"> • 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. • Turn to a reliable credit counselor. Some of these can help you for little or no cost.” ➤ Refer interested participants to the <i>Money Matters</i> and <i>To Your Credit</i> courses for more information about credit counselors.
	<ul style="list-style-type: none"> ➤ Explain: “I am going to give you several examples. You tell me if you think the example could present problems for the credit card user.” ➤ After reading each example, call on participants to answer the question.

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “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?” ➤ 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.
	<ul style="list-style-type: none"> ➤ Explain: “Marvin has a credit card bill of \$3,000. He only makes 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?” ➤ Answer: Marvin might have a problem. Similar to 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. Remember the Cost of Making The Minimum Payment chart!
	<ul style="list-style-type: none"> ➤ Explain: “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?” ➤ Answer: Jerome is avoiding interest charges by paying the credit card bill in full each month.




Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “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 added to her account. What do you think about Cathy’s use of a credit card?” ➤ Answer: Cathy might have a problem. She did not read the disclosure and understand the credit card terms before she accepted the credit card.
	<ul style="list-style-type: none"> ➤ Transition: “Now you should recognize potential problems with using a credit card. Now we are going to talk about what you should do if your credit card is lost or stolen.”

Lost or Stolen Credit Card



Instructor Cue	Instructions
<p>?</p>	<ul style="list-style-type: none"> ➤ Ask: “What do you think you should do if your credit card is lost or stolen?” ➤ Acknowledge participants’ answers.
	<ul style="list-style-type: none"> ➤ Explain: “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.”
	<ul style="list-style-type: none"> ➤ Explain: “Never give your card number, confidential personal identification number, or PIN, or similar personal information over the telephone unless you have placed the call to someone you know is legitimate.”
	<ul style="list-style-type: none"> ➤ Explain: “Under federal law, if a thief uses your credit card or card number, the most you are liable for is \$50 per card if the creditor is notified immediately. If you contact your card company before any unauthorized charges are made, you are not responsible for any unauthorized charges.”
	<ul style="list-style-type: none"> ➤ Explain: “Credit card fraud is a national problem and 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 and the National Fraud Information Center.”

Instructor Cue	Instructions
	<ul style="list-style-type: none">➤ Explain: “Turn to the <i>For Further Information</i> section on page 14 of your Take-Home Guide. It has the contact information for these agencies.➤ Refer interested participants to the <i>Keep It Safe</i> course for more information about their rights as a credit card consumer.

Course Summary

Instructor Cue	Instructions
	<p>➤ Summarize the course: “Congratulations! You’ve completed the <i>Charge It Right</i> course. We’ve covered a lot of information including:</p> <ul style="list-style-type: none"> • Credit card characteristics • Shopping for the best credit card deal • Applying for a credit card • Paying your credit card bill • Keeping good records • Examples of credit card use and potential problems, and • What to do if your credit card is lost or stolen. <p>➤ You should now be able to describe the benefits and hazards involved in using a credit card.”</p>
	<p>➤ Ask: “Are there any questions?”</p> <p>➤ Answer questions as time permits.</p>
	<p>➤ Transition: “To improve the course, we will need your feedback. The After-the-Course column on the What Do You Know form and Course Evaluation will identify changes that can make this course better.”</p>

End of Course Evaluation

Instructor Cue	Instructions
	<ul style="list-style-type: none">➤ Explain: “Please complete the After-the-Course column and the Course Evaluation. These forms are the last two pages of your Take-Home Guide.”
	<ul style="list-style-type: none">➤ Allow time for participants to complete it.
	<ul style="list-style-type: none">➤ Collect the What Do You Know and Course Evaluation forms.
	<ul style="list-style-type: none">➤ Conclusion: “Great job on completing the <i>Charge It Right</i> course! Thank you for participating.”