

MATERIALS NEEDED:

- Laptop computer
- PowerPoint Projector
- Instruction for Laptop/Projector Setup
- Make sure all cords are present:
 - Laptop power cord
 - Laptop to projector connector cord
 - Projector power cord
 - Extension cord (if needed)
- Presentation Outline and PP slide sheet
- Credit Card Terms & Types Fact Sheet handout
- Comparing & Selecting a Credit Card Fact Sheet handout
- Credit Card Comparison Shopping Activity handout (4 pages)
- Evaluation Sheet
- Copies of Handouts
- SAFE cards, brochures, or bookmarks
- Email list signup sheet
- Evaluation sheets
- Candy (optional)

PRESENTATION:

1. Credit Cards 101
2. Brought to you by SAFE:
 - Your on campus personal financial educators! formed to give students in Family and Consumer Sciences, especially those in HDCF 342 (Financial Counseling), an opportunity to learn financial counseling skills
 - Services Include:
 - Answers to questions: staff members available Monday-Friday from 8am to 5pm
 - Free and confidential one-on-one financial counseling to students
 - Presentations to classes and organizations
 - Information sheets
 - On-line and in-office resources
3. Today's Presentation
 - Introduction
 - Credit card basics and terminology
 - Obtaining a credit card
 - Extra information for you
 - How to handle disputes
 - Conclusion and partner work
 - Please ask questions at any time.

4. Did You Know?
 - The percentage of undergraduate students carrying at least 1 credit card has risen 24% since 1998
 - Ask students how many of the carry one card. More than one card?
 - 92% of college students have a credit card by their sophomore year
 - Ask all sophomore to raise their hand, ask those without credit cards to put hands down
 - Almost half (47%) of all college students carry four or more credit cards
 - 21% of undergrads owed between \$3000 & \$7000 on their credit card – a 61% increase from 2000

5. What are Credit Cards?
 - Pre-approved credit which can be used for the purchase of items now and payment of them later.

6. Are debit cards a type of credit card?
 - NO!
 - Debit Cards are:
 - Not the same as credit cards
 - Not a form of credit at all
 - Directly linked to your bank account
 - Debit cards allow payment and purchase to happen simultaneously

7. Why use credit cards?
 - Before exposing slide ask students to list reasons to use credit cards
 - Proper use can help establish good credit rating
 - Conveniently accepted across United States and abroad
 - Emergency buying power
 - Additional form of identification
 - Record of purchases on bill statement
 - Often required to hold a reservation

8. Why not use a credit card?
 - Before exposing slide ask students to list reasons to not use credit cards
 - Improper use can damage credit rating
 - Higher risk for impulsive buying and overspending
 - Debt trap when used unwisely
 - Expensive way to borrow due to high interest rates
 - Possible hidden fees & surcharges
 - Less to spend in the future due to paying off purchases from past
 - Privacy is an increasing concern
 - Identity theft easier

9. Types of credit cards

Cards where purchases can be made in many locations

 - Bank Credit Cards
 - Card issued by financial institution

- Credit is issued by service provider (Wells Fargo Visa card)
- Balance paid-off at end of month or extended over period of time
- Travel and Entertainment Credit Cards
 - Credit and card issued by service provider (Diner's Club)
 - Not accepted at as many locations as bank cards
 - Entire balance **must** be repaid in 30 days

10. Types of credit cards

Cards where purchases are made in particular location

- Retail Credit Cards
 - Credit and card issued by particular retailer (Old Navy, The Bon, Home Depot, Shell Oil)
 - Balance paid-off at end of month or extended over period of time

11. Obtaining Card

- Comparison shop when choosing the right card
- Know the facts
 - We'll go over basic terms to help understand the facts in the next few slides
- Terms and conditions of credit card accounts differ
- Be aware of "hidden" costs of card(s)
 - For example, will the APR increase if a payment is missed? Is there a charge if card is not used during the month
- Federal Truth in Lending Act
 - Requires card issuer to display the cost of credit card
 - The **Federal Truth in Lending Act** was originally enacted by Congress in 1968 as a part of the Consumer Protection Act. The law is designed to protect consumers in credit transactions.
 - www.smartagreements.com/bltopics/Bltopi41.html
 - **Schumer Box**: easy to read box format of the cost of credit

Ask if students have heard of the Schumer Box before moving to next slide, if they have, ask them to explain the box

12. The Schumer Box as you may see it

- This slide is how the box appears on most credit card paperwork, for explanation purposes, however, the next few slides will explain the terms in the Schumer Box in a format better suited for PowerPoint
- Pass out Schumer Box handout

13-17 The Schumer Box and Credit Card terms Explained

13. **Annual Percentage Rate (APR)**: interest rate charged for amount borrowed in terms of percentage per year

Grace Period: amount of time allowed before finance charges (interest or cost of credit) are applied

14. **Minimum Finance Charge**: minimum amount charged for card use

- Not all cards have this

Balance Calculation Method: method used to determine balance including finance charges

- Emphasize that this is how companies determine the amount of interest your account will accrue, or in other terms the amount they will charge you based on the APR for the use of credit

15. Balance Calculation Methods (continued) **These are in the fact sheet we are handing out so you do not need to try to remember all of these.**

- **Creditors use a number of ways to determine how interest, often called finance charges, accumulate**
 - *Average Daily Balance Method* (including new purchases with a grace period):
 - If the balance is not zero, interest is applied to new purchases when they are made, if balance is zero, a grace period is allowed before interest is charged
 - *Average Daily Balance Method* (including new purchases with no grace period)
 - Regardless of the previous month's balance, interest is applied to new purchases as they are made

16. Balance Calculation Methods (continued)

- *Previous Balance Method*
 - Interest is only paid on the previous balance, not on purchases made since the last payment
- *Two-cycle Average Daily Balance* (including new purchases)
 - This method should be **avoided** by consumers! **Emphasize this**
 - The interest is paid on the current balance as well as the previous month's balance, this leads to double finance charges
 - A zero-balance must be held for two months in order to avoid charges

17. **Annual Fees:** yearly charge for credit card ownership

- **Good example is airline miles credit cards. Delta charges roughly \$80 annually for a card which accrues 2 miles for every \$1.00 spent.**

Cash Advance Transaction Fees: cash withdrawal fees

Late Payment Fees: penalty fee for payments not made by the due date

18. Opening a Credit Account

- Applicant completes a credit application
- Lender conducts a credit investigation
- Applicant is given a credit rating
- Lender accepts or denies the credit request
- If accepted, applicant evaluates the credit card details (USE THE SCHUMER BOX!)
- Applicant accepts or refuses credit terms

19. Understanding the Bill

- **Minimum Payment Due:** minimum amount to be paid
 - If this amount is paid and a balance is left on the account, additional finance charges will be included in the following month's balance
- **Past Due Amount:** the previous amount due which was not paid before the due date

- **Due Date:** the day by which the company requires a payment to be made
- **New Balance:** the total amount owed on a credit card

20. Understanding the Bill (continued)

- **Credit Line:** the maximum amount of charges allowed to an account
- **Closing Date:** last day for transactions to be reported on the statement
- **Charges, Payments, and Credits:** the transactions which occur with the use of a credit card
- **Finance Charge:** charges assessed for credit card use

21. Handling Disputes

Two Types of Disputes:

1. In the case of any unauthorized use of your card...
 - Liability Limited to \$50
 - Must Notify Company **ASAP**
 - Phone **AND** Written Notice Required

22. Handling Disputes (continued)

1. In the case of a billing error...
 - Notify Company Within 60 Days
 - Letter must include
 - Name
 - Account
 - Dollar Amount Involved
 - Reason for Dispute
 - Any Other Clarifying Information

Emphasize importance of handling disputes ASAP. Also, you can add that when a charge is in dispute, the consumer has option of not paying the charge until the dispute is settled. If a consumer informs the company about the dispute and does not pay charges, then no interest should be charged on the disputed amount. If a consumer simply does not pay the charge without notifying company of dispute, interest will be charged on on-paid amount.

Using a Credit Card Properly

23. Using a Credit Card Properly

- Only use when there is no doubt about ability to pay-off the charges at the end of the billing cycle
- Record all expenses and keep receipts
- Check credit statement for errors
- Always pay off balance completely and timely

24. Safety Tips

- Sign card with signature **and** "Please See ID"
- Do not leave cards lying around
- Close unused accounts in writing and by phone, then cut up the card
- Do not give out account number unless making purchases
- Keep a list of all cards, account numbers, and phone numbers separate from cards
- Report lost or stolen cards promptly

25. Conclusion

- What are credit cards
- Different types of credit cards
- Understanding the Schumer Box and credit card vocabulary
- Understanding the bill
- How to handle disputes
- Tips for proper and safe use of credit cards

26. \$AFE

- Come and visit us!
- Map and contact info

After presentation:

Move onto activity. Pass out Credit Card Comparison handouts and do project. Using Schumer Boxes on back of credit card offer letters, fill in comparison chart to determine which card is best for the individual doing the project.

References

#1 *Credit Card Information Guide*, Retrieved October 21, 2002, from www.onecreditguide.com/Basics/

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