



**MODULE 9:**

# **Using Credit Cards**

**INSTRUCTOR GUIDE**



**MONEY SMART for Adults**

SEPTEMBER 2018



The Federal Deposit Insurance Corporation is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this Instructor Guide. For more information about our family of Money Smart products, visit [www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart).

# Contents

<b>Background Information for Instructors</b> .....	2
Training Preparation Checklist.....	2
Materials You May Need .....	4
Understanding the Icons .....	5
Module Purpose .....	6
Module at a Glance Table.....	7
<b>Module Opening</b> .....	8
Welcome Participants as They Arrive.....	8
Pre-Training Survey.....	8
Parking Lot and Participant Guide.....	9
Optional Introductory Activity.....	9
<b>Section 1: How Credit Cards Work</b> .....	10
Introduction to Section and Key Takeaway.....	11
What Is a Credit Card? .....	11
Truth in Lending Disclosure.....	13
Rates and Fees.....	14
<i>Try It: Learning About Credit Card Fees</i> .....	16
Rewards .....	17
Other Important Terms .....	18
<i>Try It: Choosing a Credit Card</i> .....	20
<i>Apply It: My Credit Card Comparison Chart</i> .....	21
Unsecured and Secured Credit Cards .....	22
Applying for a Credit Card.....	23
Section Closing.....	25
<b>Section 2: Managing Your Credit Card</b> .....	26
Introduction to Section and Key Takeaway.....	27
Reading a Credit Card Statement .....	27
<i>Try It: Finding Items in a Credit Card Statement</i> .....	29
Steps for Managing Your Credit Card .....	32
<i>Apply It: Tips for Using MyCredit Card</i> .....	36
Section Closing.....	39
<b>Module Closing</b> .....	40
Remember the Key Takeaways.....	40
Take Action.....	40
Post-Training Survey .....	41
Answer Key for Both the Pre- and Post-Training Surveys .....	43
<b>Money Smart for Adults Modules</b> .....	44

# Background Information for Instructors

Welcome to the FDIC's Money Smart for Adults!

This is the Instructor Guide for **Module 9: Using Credit Cards**.

This module consists of three tools:

- **This Instructor Guide**
- **The Participant Guide**—for participants to use during training and refer to after training
- **The PowerPoint slides**—for you to use during the training

The curriculum also includes a *Guide to Presenting Money Smart for Adults*. This resource offers practical tips for marketing your training, setting up your training space, supporting participants with disabilities, and delivering the training. It also offers learning pathways to help you choose modules and perhaps sections within modules to include in the training. If you don't already have the *Guide to Presenting Money Smart for Adults*, download it at [www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart).

## Training Preparation Checklist

Use this checklist to prepare for training.

- Review the Instructor Guide, Participant Guide, and PowerPoint slides** to learn how they work together.
- Familiarize yourself with the topics.** The Instructor Guide includes scripting to help you explain core content. You can read the scripting as-is to participants. Or, you can present the information in your own style.
- Review the *Try It* and *Apply It* activities in the Participant Guide.** Every module includes both types of activities. Many are designed to be included during the training session. Others are flagged with a Note to Instructor that gives you the option of reviewing, starting, or completing them during the training, or encouraging participants to complete them after training.

Activities make the training more engaging and help participants retain the material. It's generally better to cut content rather than activities if you are short on time.

- **Review the *Guide to Presenting Money Smart for Adults*** for tools and information that can help you plan and deliver training. This resource includes information on making your training accessible and welcoming to all participants, including participants with disabilities.
- **Select the materials that you plan to use.** Ideally, do so by considering the needs or goals of the participants. The *Module at a Glance Table* near the front of each Instructor Guide can help you decide whether to cover modules in their entirety or only certain sections of the modules.
- **Plan to make your training culturally appropriate.** This means communicating respectfully, and also presenting the material in a way that is relevant to the lives of participants.
  - For example, when you discuss ways to cut expenses, participants may not relate to cutting out a daily coffee purchase if they don't normally buy coffee every day. Use examples participants can relate to, which may be different from examples from your own experience.
- **Consider having each of your training sessions include:**
  - **An overview:** Welcome participants and explain the training purpose and objectives. Provide a quick orientation to materials.
  - **An introductory activity:** Energize participants with a fun activity to introduce them to one another and get them ready to learn. This can be an effective way to start training, especially if it is the first time the group has been together. See the *Guide to Presenting Money Smart for Adults* for optional introductory activity ideas.
  - **Pre- and post-training surveys:** Administer the pre-training survey before training starts and the post-training survey at the end of training. Using the surveys can help you evaluate training effectiveness and tailor your training approach for future sessions.
- **Give each participant a Participant Guide.** Consider making it available electronically if you cannot provide paper copies. Also, some participants may need it electronically as a reasonable accommodation. If you deliver only part of a module, you might want to provide only those sections of the Participant Guide. Hide the slides you won't be using. The *Guide to Presenting Money Smart for Adults* has more information on hiding slides.

## Materials You May Need

- This Instructor Guide
- Copies of the Participant Guide
- The PowerPoint slides, and either:
  - Computer, projector, and screen for projecting the slides, or
  - Printed or electronic copies of the slides for participants
- Flip chart(s) and/or whiteboard(s)
- Markers for writing on flip chart(s) and/or whiteboard(s)
- Large self-adhesive notes (5" x 8"), card stock, or paper for making signs
- Tape that can be easily removed from the wall, such as painter's tape
- Pens or pencils for participants

### Optional Materials:

- Parking Lot for questions—Create one by writing "Parking Lot" on the top of a flip chart or whiteboard
- Supplies for the Optional Introductory Activity—Choose an activity from the *Guide to Presenting Money Smart for Adults* or use your own



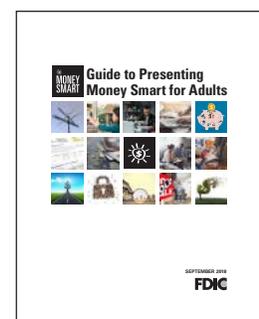
Instructor Guide



Participant Guide



PowerPoint slides



Guide to Presenting Money Smart for Adults

## Understanding the Icons

This Instructor Guide uses several icons to help you quickly navigate the training.

 <b>Do</b>	Actions you take as the instructor
 <b>Say</b>	Information you share verbally with participants
 <b>Ask</b>	Questions you pose to participants
 <b>Share Key Takeaway</b>	When you convey the primary message of a section
 <b>Lead Discussion</b>	When you facilitate discussions
 <b>Lead Activity</b>	When you facilitate activities
 <b>Present Information</b>	When you present information
 <b>Take Action and Closing</b>	When you help participants plan action steps to apply what they learned
 <b>Scenario</b>	When you use a short story to start a discussion or activity about a financial topic

## Module Purpose

This module helps participants understand how credit cards work and how to manage a credit card.

This module also:

- Reviews important credit card terms
- Explains the importance of comparing credit cards
- Explains how to read a credit card statement

**Note to Instructor:** Several modules in Money Smart for Adults cover topics related to debt and credit. You may also want to include parts of these modules in your training:

- *Module 6: Credit Reports and Scores*
- *Module 7: Borrowing Basics*
- *Module 8: Managing Debt*

## Module at a Glance Table

You can cover all or only part of this module.

We estimate you need **1 hour and 50 minutes** to cover the entire module, not including breaks or an optional introductory activity. You can use this table to select sections based on the time you have available and the needs of participants.

The *Guide to Presenting Money Smart for Adults* includes additional information on selecting sections for specific audiences.

Section	Key Takeaway	Purpose / Objectives	Time
Module Opening	N/A	<ul style="list-style-type: none"> <li>▪ Welcome participants</li> <li>▪ Administer the pre-training survey</li> <li>▪ Lead an Optional Introductory Activity (extra 5 to 20 minutes)</li> </ul>	10 minutes
Section 1: How Credit Cards Work	Know how credit cards work so you can more effectively shop around for one that meets your needs.	Participants will be able to: <ul style="list-style-type: none"> <li>▪ Explain how credit cards work</li> <li>▪ Define important credit card terms</li> <li>▪ Choose a credit card based on their needs</li> </ul>	50 minutes
Section 2: Managing Your Credit Card	Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.	Participants will be able to: <ul style="list-style-type: none"> <li>▪ Find key pieces of information on a credit card statement</li> <li>▪ Explain how different payment strategies affect the time needed to pay off a credit card and the costs of borrowing</li> <li>▪ List ways to manage a credit card effectively</li> </ul>	40 minutes
Module Closing	N/A	<ul style="list-style-type: none"> <li>▪ Review the key takeaways</li> <li>▪ Help participants think about how they will apply what they learned</li> <li>▪ Administer the post-training survey</li> </ul>	10 minutes

# Module Opening

## Welcome Participants as They Arrive

Time Estimate for This Section: 10 minutes

### SHOW SLIDE 1



#### DO

As participants arrive for the training, use this time to:

- Welcome them and introduce yourself
- Ask them to sign in for the training if you are using a sign-in sheet
- Ensure any requested reasonable accommodations are in place and make any necessary adjustments



### LEAD ACTIVITY

## Pre-Training Survey

See page 23 in the Participant Guide.

**Note to Instructor:** Before training starts, you can ask participants to complete the pre-training survey in the back of their Participant Guide. You may want to give them “loose” copies so they don’t have to tear them out. The knowledge questions are the same as those in the post-training survey.

The answer key is at the end of this Instructor Guide, but don’t share the answers now.

You may decide to compare pre-training surveys to post-training surveys to estimate knowledge gains of the entire group or for each participant. If you want to estimate by participant, ask them to write their last name or some other unique identifier on both their pre- and their post-training surveys so you can compare them for a given participant.

**SHOW SLIDE 2****SAY**

- Thank you for coming to this Money Smart Training called **“Using Credit Cards.”**
- Please complete the pre-training survey on page 23 of your Participant Guide to give me an idea of what you may already know about this topic.
  - It should take less than five minutes to complete.

**Pre-Training Survey**  
See page 23 in your Participant Guide

**Pre-Training Survey**  
Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

1. You may be charged a penalty annual percentage rate (APR) if:
  - a. You have less than the minimum balance in your account
  - b. You pay your credit card bill late
  - c. You request an increase in your credit limit
  - d. All of the above
  - e. None of the above
2. Paying only the minimum payment helps you to pay off your credit card balance with minimal interest. True False
3. The annual fee, if any, and the APR are key terms to look at when you shop for a credit card. True False
4. A good strategy for improving your credit history is to keep a balance on your credit card that is close to your credit limit. True False

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2015 **2**

**DO**

- Collect the completed surveys if you plan to review them or compare them to post-training surveys.

**PRESENT INFORMATION****Parking Lot and Participant Guide****SAY**

- I’ve created a Parking Lot to capture questions, concerns, ideas, and resources. You and I can add items anytime during the training, and I’ll address them during breaks or at the end of training.
- You have a Participant Guide to use during and after this session. It’s yours to keep, so you can take notes and write in it.

**LEAD ACTIVITY****Optional Introductory Activity**

Adds an additional 5 to 20 minutes, depending on the activity you select and the number of participants

**DO**

- Lead participants through an introductory activity.
- Time permitting, you may also want to show a short video related to the subject of this module or start with an “energizer” of your choice.

**Note to Instructor:**

If time permits, start the training with a fun activity from the *Guide to Presenting Money Smart for Adults* or use your own.

This is a great way to get participants energized and ready to learn!



## Section 1: How Credit Cards Work

Training Time Estimate for This Section: 50 minutes

### Objectives

Participants will be able to:

- Explain how credit cards work
- Define important credit card terms
- Choose a credit card based on their needs

PRESENT INFORMATION (1 MINUTE)  
 **Introduction to Section and Key Takeaway**

See page 3 in the Participant Guide.

**SHOW SLIDE 3**



**SAY**

- We will discuss how credit cards work and important credit card terms.

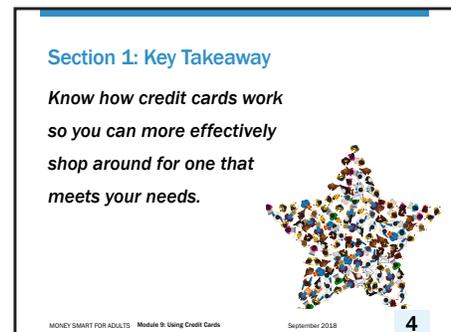


**SHOW SLIDE 4**



**SAY**

- The key takeaway from this section is: **Know how credit cards work so you can more effectively shop around for one that meets your needs.**



**SHOW SLIDE 5**



**ASK**

- What do you know about credit cards?



**DO**

- Write participant responses on a flip chart or whiteboard.



PRESENT INFORMATION (5 MINUTES)  
 **What Is a Credit Card?**

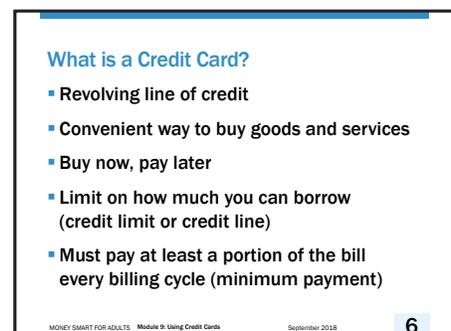
See page 3 in the Participant Guide.

**SHOW SLIDE 6**



**SAY**

- A credit card is a revolving line of credit. That means the balance goes up and down as you make purchases and make payments.



- Credit cards can be a convenient way to buy goods and services without using cash.
- You buy now and agree to pay later.
- There is a limit on how much you can borrow on the card at one time. That is called your **credit limit**, or sometimes credit line. The creditor will set it using several factors, such as your credit history.
- Credit cards require you to pay at least a portion of the bill every billing cycle, called the **minimum payment**. That's usually a small portion—five percent or less—of what you actually owe. You can always pay more than the minimum payment and we will explore later why doing so can save you money.

### SHOW SLIDE 7



#### SAY

- A credit card can be an important financial tool.
- There are a few things to keep in mind:
  - Paying your credit card bill regularly by the due date builds evidence that you are creditworthy. This can be a good strategy to increase your credit scores.
  - The creditor has to receive at least the minimum payment by the due date. It doesn't count as an on-time payment if you put your payment in the mail on the due date. We'll talk more about this in the next section.
  - And, the opposite is also true – if the creditor does not receive at least the minimum payment by the due date, that can damage your credit history and decrease your credit scores.
  - A credit card can help you pay for emergency expenses when you cannot pay them in cash. For example, you might need a car repair to get to work right away, but not have the money to pay for it until next month.
    - » You do need to pay the credit card bill eventually though.
  - Credit cards offer a convenient option for many types of purchases that can't be made in cash, such as purchases online or by phone.
  - You have the right to dispute erroneous credit card charges.
  - You have the right to dispute certain charges for goods and services that weren't delivered as agreed.

**Important Financial Tool**

- Can build evidence you are creditworthy
- Can help you pay for emergency expenses
- Convenient option for purchases online or by phone
- Right to dispute erroneous credit card charges
- Right to dispute certain charges for goods and services that weren't delivered as agreed

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2015 7

**SHOW SLIDE 8****SAY**

- You may hear about other kinds of cards that are different from credit cards.
- **Charge cards** are used like credit cards, but they do not involve credit. You must pay the entire balance every month.
- **Prepaid cards**, sometimes called Stored Value Cards, also do not involve credit. Money is loaded onto these cards in advance. You use the card to access that money when you want to make purchases.
- **Debit cards** generally do not involve credit. They are linked to your checking or savings account. When you use them, the money is taken out of your checking or savings account.
  - Some retailers may allow you to process a transaction using your debit card as a “debit” or “credit” transaction. That simply refers to the network that processes the transaction.
  - Choosing a “credit” transaction with a debit card does not mean you are using credit. The money still comes out of your checking or savings account.
- This module focuses on credit cards, and not these other products.

**Cards That Are Not Credit Cards**

- Charge cards
- Prepaid cards (also known as stored value cards)
- Debit cards

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 8



PRESENT INFORMATION (1 MINUTE)

**Truth in Lending Disclosure**

See page 4 in the Participant Guide.

**SHOW SLIDE 9****SAY**

- Credit card rates and fees can vary greatly from card to card, so understanding these terms can help you compare credit card offers.
- The Federal Truth in Lending Act or TILA disclosure is a written disclosure that creditors must give prospective credit card customers. It contains important rate and fee information.
  - The TILA disclosure is a helpful tool for comparing offers.

**Truth in Lending Disclosure**

- Credit card rates and fees vary greatly
- Federal Truth in Lending Act or TILA disclosure
  - Written disclosure
  - Creditors must give it to prospective credit card customers
  - Contains important rate and fee information

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 9



PRESENT INFORMATION (5 MINUTES)

## Rates and Fees

See page 5 in the Participant Guide.

### SHOW SLIDE 10



#### SAY

- Let's review some important terms related to credit cards.
- The **APR (annual percentage rate)** is the cost of credit expressed as a yearly rate. It includes interest and other charges.
  - The APR is a key term to look at when you shop for a credit card.
  - If you might keep a balance on your credit card account, you want to look for a lower APR.
  - If you expect to pay your credit card bill in full each month, it may be more important to compare any annual fee, rewards, and other charges. But, you may also use the card for unexpected expenses, so you may still want to consider the APR.
  - Credit cards likely have more than one APR.
    - » For example, credit cards may have a different APR for:
      - Purchases
      - Balance transfers from another card
      - Cash advances
- Using your credit card to get cash is a type of **cash advance**.
  - This is different from using a debit or automated teller machine (ATM) card. With a debit card or ATM card, you are withdrawing money from your checking or savings account. With a cash advance from a credit card, you are borrowing money.
  - When you get a cash advance on your credit card, you will likely pay a different – and likely higher – APR than you would for purchases. And interest will likely start accruing as soon as you take the cash advance. This is true even if the card normally gives you a grace period for purchases.
- Read your cardholder agreement to understand what may be considered as a cash advance. For example, it likely includes using your credit card to:
  - Get cash from an ATM or in person from a provider of financial services.
  - Borrow against your credit limit using a convenience or access check
  - Make a wire transfer
  - Purchase foreign currency

**Rates and Fees**

- **Annual Percentage Rate (APR)**
  - Cost of credit expressed as a yearly rate
- **Penalty APR**
  - Increased rate if you don't pay bill on time
- **Interest Rates**
  - Fixed or Variable

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 10

- Another important term is the **Penalty APR**. The creditor will likely increase the rate on your credit card by a large amount if it does not receive at least the minimum payment due by the due date. This is the **penalty APR**.
  - Penalty APRs may be double the regular APR.
  - For example, the penalty rate may apply if you are more than 60 days late. The TILA disclosure will provide details.
  - If you are late paying your credit card bill and trigger the penalty rate, get current on your payments as soon as possible and then pay on time. Creditors must reduce the penalty rate if they receive on-time payments for six months.
- **Interest rates** can be fixed or variable.
  - Fixed rate means the interest rate will not change until the creditor tells you in writing that it will change.
  - Variable rate means the interest rate will likely change more frequently.
    - » Variable rates for credit cards are tied to another interest rate called the index. If the interest rate on a credit card is a variable rate, it will go up and down as the index goes up and down.

**SHOW SLIDE 11****SAY**

- Low introductory APRs – called **teaser rates** – are sometimes offered for a limited time to attract new customers.
  - Creditors must clearly tell you how long these introductory rates will last.
  - They cannot impose new rates until after the advertised period, which must be at least six months.
  - It is very important to know when the teaser rate ends and what the new rate will be or how it will be determined.
  - If you do not pay off the card in full before the teaser rate ends, be prepared to pay what could be a much higher interest rate on your existing balance and any future purchases.
- For example, a card might offer no interest on purchases for the first 15 months. After the 15 months is over, the interest rate might be variable between 15.49%-25.49%.

**Low Introductory APRs**

- Teaser rates
- Last for a limited time, at least six months
- For example:
  - 0% interest on purchases for 15 months
  - Then, variable APR of 15.49% to 25.49%

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 11



LEAD ACTIVITY (12 MINUTES) – EXERCISE

## Try It: Learning About Credit Card Fees

See page 6 in the Participant Guide.

### SHOW SLIDE 12



#### SAY

- There are several different types of credit card fees.
- Turn to *Try It: Learning About Credit Card Fees* on page 6 in your Participant Guide.
- Take five minutes to work in pairs to match fees with their definitions. Next to each fee in the table, write the number of the definition that best describes it from the *Definition List* below the table.

Try It: Learning About Credit Card Fees  
See page 6 in your Participant Guide

Try It: Learning About Credit Card Fees  
Next to each fee, write the number of the definition that best describes it from the Definition List.

Fee	Matching Definition from Definition List Below (Put the number of the definition)
Late fees	
Annual fees	
Cash advance fees	
Foreign transaction fees	
Balance transfer fees	
Credit limit increase fees	
Over-the-limit fees	

Definition List

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 12



#### DO

- Give participants five minutes to complete the exercise in pairs.
- After five minutes, provide the answers using the Answer Key and offer the additional information provided in the **Answer** column.
- Time permitting, first ask participants to share their answers before providing the correct answers.

## Try It: Learn About Credit Card Fees – Answer Key

Fee	Answer
Late fees	3. These fees are charged for not making payments on time.
Annual fee	4. This is a fee charged every year to use the card.  The annual fee is a key term to look at when you shop for a credit card. If you have a good credit history, you can probably find a credit card without an annual fee.
Cash advance fees	2. These fees are charged for using a credit card to get cash.  For example, you can use a credit card to obtain cash at an ATM or a bank branch. This fee can be significant and you should know what the fee will be before you obtain a cash advance.
Foreign transaction fees	5. These fees are charged for making purchases in a foreign currency.

**Try It: Learn About Credit Card Fees – Answer Key continued**

Fee	Answer
Balance transfer fees	<p><i>1. These fees are charged for transferring balances from one credit card to another.</i></p> <p>Creditors sometimes offer low or zero interest rates to encourage you to pay off other debts with their credit card. However, they may impose significant balance transfer fees, even if the offer is for a zero interest rate. These fees are generally either a percentage of the balance you transfer or a fixed dollar amount, whichever is higher.</p>
Credit-limit increase fees	<p><i>6. These fees are charged for asking for and receiving an increase in your credit limit.</i></p> <p>Most creditors do not charge credit-limit increase fees.</p>
Overlimit fees	<p><i>7. These fees are charged for borrowing more money than the creditor agreed in advance to lend to you (your credit limit).</i></p> <p>Creditors only charge overlimit fees if you “opt in” (agree) for the company to process transactions that cause you to go over your credit limit and impose a fee.</p> <p>These fees are not common.</p>



PRESENT INFORMATION (1 MINUTE)

## Rewards

See page 7 in the Participant Guide.

### SHOW SLIDE 13



#### SAY

- Some credit cards offer rewards, such as cash **rebates** on your purchases, points that can be used to purchase other goods or services, or airline miles that can be redeemed for plane tickets.
  - Know what you need to do to qualify for rewards.** For example, you might have to spend a certain amount on the card. And, be sure to understand how much you would have to spend to accumulate enough points or miles to get what you want.
  - Also understand what you need to do to maintain your reward points. For example, they may expire if you don't use them within a set time.

**Rewards**

- Examples: rebates, points, airline miles
- Know how to qualify
- Understand how to maintain rewards
- Will rewards cause you to overspend?
- Consider fees when you look at rewards
- Shop around

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 13

- **Think about whether the rewards will cause you to overspend.**
  - For example, if a card offers you a reward if you spend at least \$2,000 on it in the first 90 days and you were not planning to spend that much, it likely would not be a good fit for you.
- **Consider the fees** associated with the card when you look at the rewards.
  - For example, a credit card might offer seemingly terrific rewards, but also charge high fees.
- **Shop around** since rewards and how you qualify for them vary from card to card.



PRESENT INFORMATION (9 MINUTES)

## Other Important Terms

See page 7 in the Participant Guide.

### SHOW SLIDE 14



#### SAY

- There are also other credit card terms and features to understand.
- If you are approved for credit, the creditor will set a **credit limit** for the credit card. This is the maximum credit you can use. Each creditor has its own standards for determining credit limits.
  - They may consider your:
    - » Credit history
    - » Current income
    - » Outstanding debt

**Other Important Terms:**  
**Credit Limit**

- Maximum credit you can use
- Each creditor has its own standards
- May consider your:
  - Credit history
  - Current income
  - Outstanding debt

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 14

### SHOW SLIDE 15



#### SAY

- The **grace period** is the time between when your statement is issued and when your payment is due. During the grace period, you will not be charged interest on new purchases if you pay your balance in full so the creditor receives it by the due date.
  - The law does not require creditors to provide a grace period. Some creditors might provide a grace period for purchases but not for cash advances or balance transfers.

**Grace Period**

- Time between when your statement is issued and when your payment is due
- Creditors do not have to give a grace period

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 15

- If the creditor chooses to provide a grace period, the law requires the creditor to mail or deliver your credit card bill at least 21 days before the payment is due.
  - » Delivery could be through an online statement.

**SHOW SLIDE 16****SAY**

- The **balance computation method** is how interest on your account is calculated. There are different methods.
  - You can find out which method a creditor uses by reviewing the credit card application before you apply. Or, if you already have a card, you can look on your statement. Also, the cardholder agreement explains the details of how that method works.
  - As an example, let's look at how an average daily balance method could work. A creditor might:
    - » Add up the ending balances on your credit card account for each day in the period covered by the credit card statement
    - » Divide that total by the total number of days in that period to get your average daily balance
    - » Calculate the interest you owe for that period based on that average daily balance
  - If you are comparing credit card offers that use different methods to calculate your balance, think about whether you will be carrying a balance, charging small amounts throughout the month, or making one or only a few large purchases.

**Balance Computation Method**

- How interest on your account is calculated
- There are different methods
- Cardholder agreement will include which method is used
- Average daily balance method is one method

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 16

**SHOW SLIDE 17****SAY**

- There are other features, products, and services too.
- Cards may offer different **customer service features**, such as the ability to pay your bills online.
  - Some creditors may give you options that include calling a toll-free number, visiting a local branch, using a smartphone app, or having access to your account on a secure website.

**Other Features, Products, and Services**

- Customer service features
- Additional features for free
  - Example: extended warranty
- Additional products/services for a fee
  - Examples: Payment protection, credit monitoring

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 17

- Some credit cards may also offer you **additional features** for free. For example, the creditor may extend the warranty period on certain products you purchase using the card. Some credit cards provide you with one or more of your credit scores for free.
- There may also be **additional products and services** you can choose, for a fee. These can include:
  - “Payment protection” or “credit protection,” which helps you make payments if a specific hardship occurs, such as unemployment or hospitalization.
    - » Know the costs and the limitations.
  - Programs that will monitor your credit reports for signs that a crook may be attempting to use your name to commit fraud.
    - » Understand how much it will cost.
    - » There are also cost-effective ways to monitor your credit yourself.
    - » Remember that you are entitled to one free credit report every 12 months from each of the three nationwide credit reporting agencies. You can order your free reports at **www.annualcreditreport.com**. Ordering your own credit reports does not affect your credit scores.

**Note to Instructor:** *Module 6: Credit Reports and Scores* includes detailed information about ordering credit reports.

- Additional products and services you may be offered are optional. Before agreeing to pay a fee for an additional product or service, ask for a written summary of product features and costs.
  - Consider checking whether you can receive the offered service somewhere else for less money, or if you already have it from another company.



LEAD ACTIVITY (5 MINUTES)

## ***Try It: Choosing a Credit Card***

See page 8 in the Participant Guide.

**SHOW SLIDE 18**



**DO**

- Ask participants to turn to *Try It: Choosing a Credit Card* on page 8 in their Participant Guide.
- Read the scenario to participants or ask for a volunteer to do so.

**Try It: Choosing a Credit Card**  
See page 8 in your Participant Guide

**Try It: Choosing a Credit Card**  
Read the scenario and answer the question.

**Scenario: Siddharth Chooses a Credit Card**  
Siddharth is a self-employed web designer and is generally satisfied with how much he earns. He knows that his income is not steady. Some months he earns a lot, but then business slows down for a while and he earns much less.

Siddharth has a disability that affects his balance and mobility. He would find it convenient to shop online for things he needs. For example, a grocery delivery service now serves his neighborhood. He can select the groceries he wants on a website and pay online to have them delivered to his door.

He has decided to apply for a credit card and collected information on several cards. Now he wants to choose one.

**What should Siddharth consider?**



MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 **18**



### SCENARIO: Siddharth Chooses a Credit Card

Siddharth is a self-employed web designer and is generally satisfied with how much he earns. He knows that his income is not steady. Some months he earns a lot, but then business slows down for a while and he earns much less.

Siddharth has a disability that affects his balance and mobility. He would find it convenient to shop online for things he needs. For example, a grocery delivery service now serves his neighborhood. He can select the groceries he wants on a website and pay online to have them delivered to his door.

He has decided to apply for a credit card and collected information on several cards. Now he wants to choose one.



### ASK

- What should Siddharth consider?

- Possible Answers:

- Because Siddharth's income varies, it is possible that he'll need to occasionally keep a balance on his credit card. He might want to choose a card with a low APR.
- He may also want to compare reward offers and length of grace periods.
- He could explore using a debit card online.



PRESENT INFORMATION (1 MINUTE)

### Apply It: My Credit Card Comparison Chart

See page 9 in the Participant Guide.

#### SHOW SLIDE 19



### SAY

- Turn to *Apply It: My Credit Card Comparison Chart* on page 9 in your Participant Guide.
- You can use this chart after today's training to compare credit card offers.

**Apply It: My Credit Card Comparison Chart**  
See page 9 in your Participant Guide

As you are shopping for a credit card, you can use this chart to compare different credit cards.

Comparison Item	Credit Card 1	Credit Card 2	Credit Card 3
Name of credit card			
Introductory APR and for how long			
APR after introductory period			
APR: Purchases			
APR: Cash advances			
APR: Balance transfers			
Penalty APR			
Annual fee			
Late fee			

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 **19**

**Note to Instructor:** Time permitting, review the *Apply It* with participants during training, using a copy from a Participant Guide.



PRESENT INFORMATION (4 MINUTES)

## Unsecured and Secured Credit Cards

See page 10 in the Participant Guide.

### SHOW SLIDE 20



#### SAY

- Banks and other financial institutions offer both **unsecured** and **secured credit cards** with varying credit limits and rates.
- Until now, we've been talking about **unsecured credit cards**, although people usually don't think of them using that term.
  - With unsecured credit cards, the creditor lets you borrow money using the card based on their expectation that you can and will repay what you owe. There is no collateral required.
- There's another type of credit card as well, called a secured credit card.
- A **secured credit card** requires collateral. You keep money (as collateral) in a dedicated deposit account at the financial institution issuing the card. The card is "secured" with that collateral.
  - For example, if you want a secured credit card with a \$250 limit, you might be required to deposit \$250 into a dedicated savings account at the financial institution offering you the card.
    - » If you do not pay your credit card bill, the financial institution can use the deposit to pay your credit card bill.
  - The creditor would report your payments to one or more of the credit reporting agencies. If you pay at least the minimum payment regularly so the creditor receives it by the due date, you generally can improve your credit history and increase your credit scores.
    - » However, you can also damage your credit history and reduce your credit scores if you use too much of the credit limit on the card. Just as with an unsecured credit card, using as little of your credit limit as possible on a secured credit card can help improve your credit history. We will talk more about this.
  - And, you may be able to obtain an unsecured credit card after a certain period of on-time payments on the secured card.
- A secured credit card is usually easier to qualify for than an unsecured card. As with any card, be sure to find out what fees you could be charged.

**Unsecured and Secured Credit Cards**

- Unsecured credit cards – no collateral
- Secured credit cards – require collateral
  - Keep money (collateral) in a dedicated deposit account; may be equal to card's credit limit
  - If you pay balance regularly by due date, you generally can improve your credit history and scores
  - Usually easier to qualify for than unsecured cards

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 20

**SHOW SLIDE 21****SAY**

- Secured credit cards typically have lower credit limits than unsecured credit cards. Some people apply for secured credit cards if they are unable to get an unsecured card. A secured credit card can help them build or improve their credit history.
- We will talk more in the next section about how to manage your use of a credit card, whether secured or unsecured, so that you do not damage your credit history.

**Secured Credit Cards**

- Typically have lower credit limits
- Some people apply for secured credit cards if they are unable to get unsecured cards
- It can help them build their credit history

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 21



PRESENT INFORMATION (5 MINUTES)

**Applying for a Credit Card**

See page 10 in the Participant Guide.

**SHOW SLIDE 22**

- When you decide you are ready to apply for a credit card, you will have several options to find credit card offers.
- For example, many financial institutions offer credit card products. You can call or visit a local branch or review their offerings online.
- You can also apply for credit cards at many retail stores.
- Some websites may present credit card offers from several creditors. Creditors often pay to advertise their products on these sites.
  - If you use these sites, consider also reviewing credit card offers from other creditors that you do not see on these sites, such as banks in your community. This can help you make a more informed decision.
- You may get credit card offers in the mail. You have the right to **opt out** of receiving certain mailed credit card offers.
- You can tell the credit reporting agencies not to share your information with creditors 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 1-888-5-OPTOUT (567-8688)
    - » Visiting **www.optoutprescreen.com**

**Applying for a Credit Card**

- **Several options to find credit card offers**
  - Financial institutions and retail stores
  - Card comparison websites
  - Offers received in the mail
- **Opting out of pre-screened offers:**
  - 1-888-5-OPTOUT (567-8688)
  - [www.optoutprescreen.com](http://www.optoutprescreen.com)

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 22



### SHOW SLIDE 23

#### SAY

- It is helpful to understand what some key terms in the application process mean.
- **Credit Card Applicant:** When you apply for a credit card, you are called the credit card applicant.
  - Remember that providing false information about your income, or any other item on a credit application, is a crime.
  - Anyone under age 21 who wants to obtain a credit card must have a qualified cosigner on the account or must prove he or she alone can repay any debt.
- **Creditor:** This is the company that issues the card. It may also be referred to as the credit card issuer.
- **Individual Credit:** When you apply for a credit card on your own, you get individual credit, based on your own assets, income, ability to pay, and credit history. You are responsible for paying the credit card bill.
- **Joint Credit:** When you apply for a credit card with another person, you get joint credit, based on the assets, income, ability to pay, 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 which one uses the credit card.
- **Authorized User:** An authorized user is someone you allow to use your credit card account. You are legally responsible for paying all charges, interest, and fees that result from the authorized user's use of the credit card.
  - The authorized user may have his or her own card and the card number may even be the same number as your card.
  - Some creditors will report payment history on the credit card account to one or more credit reporting agencies for the authorized user, in addition to the primary cardholder.
    - » This can help build, or hurt, the credit history of both the authorized user and primary cardholder, depending on how well the credit card account is managed.

Key Terms in Application Process

- Credit Card Applicant
- Creditor
- Individual Credit
- Joint Credit
- Authorized User

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2015 23



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 11 in the Participant Guide.

### SHOW SLIDE 24



#### SAY

- Remember the key takeaway from this section: **Know how credit cards work so you can more effectively shop around for one that meets your needs.**

**Section 1: Remember the Key Takeaway**

*Know how credit cards work  
so you can more effectively  
shop around for one that  
meets your needs.*



MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**24**



## Section 2: Managing Your Credit Card

Training Time Estimate for This Section: 40 minutes

### Objectives

Participants will be able to:

- Find key pieces of information on a credit card statement
- Explain how different payment strategies affect the time needed to pay off a credit card and the costs of borrowing
- List ways to manage a credit card effectively



PRESENT INFORMATION (1 MINUTE)

## Introduction to Section and Key Takeaway

See page 12 in the Participant Guide.

### SHOW SLIDE 25



SAY

- We will discuss how to read a credit card statement and manage a credit card.

Section 2  
**Managing Your Credit Card**

See page 12 in your Participant Guide



MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**25**

### SHOW SLIDE 26



SAY

- The key takeaway from this section is: **Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.**

Section 2: Key Takeaway

*Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.*



MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**26**



PRESENT INFORMATION (8 MINUTES)

## Reading a Credit Card Statement

See page 12 in the Participant Guide.

### SHOW SLIDE 27



SAY

- If you have a credit card, you will receive a monthly billing statement every billing cycle, either in the mail, online, or both.
  - Billing cycles are usually about a month.
  - If you select “paperless” statements, you will need to review your statement online. You can set up email or text alerts so you know when the statement is available online.
- Reading and understanding the monthly billing statement is important.

Reading a Credit Card Statement

<b>Account Billing Cycle</b>	Time Period Covered by Statement
<b>Account Summary</b>	Previous Balance
	New Balance
	Credit Limit
	Credit Available
<b>Payment Information</b>	New Balance
	Minimum Payment Due
	Payment Due Date
	Late Payment Warning
	Total Minimum Payment Warning

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**27**

- Information on the statement includes:
  - **Account Billing Cycle**, which is the time period covered by the statement.
  - **Account Summary** including:
    - » **Previous Balance**: The money you owed as shown on your last bill
    - » **New Balance**: What you owe now based on your previous balance, plus any purchases, cash advances, and late fees, minus any payments and credits
    - » **Credit Limit**: The maximum credit you can use
    - » **Credit Available**: The credit remaining on your account after your new balance is subtracted from your credit limit
  - **Payment Information**, including:
    - » **New Balance**: What you owe now
    - » **Minimum Payment Due**: The minimum dollar amount you must pay so that the creditor receives it by the due date on the statement, perhaps three or four percent of your new balance
    - » **Payment Due Date**: The date your creditor must receive your payment, which is not the same as the date your payment is postmarked
      - It must be on the same day each month (for example, always on the 5th day of the month)
    - » **Late Payment Warning**: An explanation of what will happen if you do not make your payment on time
    - » **Minimum Payment Warning**: A table that shows:
      - How long it will take to pay off the new balance if you only pay the minimum due each month
      - How much you would have to pay each month to pay off the new balance in 36 months (3 years)
      - The total cost (payments and interest) of these options

### SHOW SLIDE 28



#### SAY

- Information on the statement also includes:
  - **Credit Counseling Statement**: How to obtain information about credit counseling services
  - **Notice of Changes to Your Interest Rate**: Changes in the interest rate (if any)

**More Items on a Credit Card Statement**

- Credit Counseling Statement
- Notice of Interest Rate Changes
- Transactions or Account Activity
  - Transactions, finance charges, annual fee and interest totals
- Interest Charge Calculation

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 28

- **Transactions or Account Activity**, including:
  - » **Transactions** made with the card
  - » **Finance Charges:** Interest, service charges, and transaction fees for the account billing cycle
  - » **Annual Fee and Interest Totals:** The amount you have paid in fees and interest during the calendar year
- **Interest Charge Calculation:** How the interest charge was calculated



LEAD ACTIVITY (10 MINUTES) – SCAVENGER HUNT

## ***Try It: Finding Items in a Credit Card Statement***

See page 13 in the Participant Guide.

### SHOW SLIDE 29



#### SAY

- Turn to *Try it: Finding Items in a Credit Card Statement* on page 13 in your Participant Guide
- We're going on a scavenger hunt with an example credit card statement.
- Take five minutes to work in pairs to answer the questions.

**Try it: Finding Items in a Credit Card Statement**

See page 13 in your Participant Guide

**Try It: Finding Items in a Credit Card Statement**

Use the example credit card statement on the next two pages to answer these questions.

What is the credit limit, which is sometimes called a credit line?

What is the minimum payment due and when is it due?

How long will it take to pay off the credit card if the cardholder pays only the minimum payment each month?

MONEY SMART FOR ADULTS    Module 9: Using Credit Cards    September 2018    **29**



#### DO

- After five minutes, use the Answer Key to share answers with participants.
- Time permitting, first ask participants to share their answers before providing the correct answers.

### Example Credit Card Statement

Account Number 123456789  
February 21, 2020 to March 22, 2020

Summary of Account Activity	
Previous Balance	\$100.00
Payments and Other Credits	-\$50.50
Purchases and Adjustments	+\$415.00
Balance Transfers	+\$0.00
Cash Advances	+\$0.00
Past Due Amount	+\$0.00
<b>Fees Charged</b>	<b>+\$35.00</b>
<b>Interest Charged</b>	<b>+\$0.50</b>
<b>New Balance Total</b>	<b>\$500.00</b>
Total Credit Line	\$2,000.00
Total Credit Line Available	\$1,500.00
Statement Closing Date	3/22/2020
Days in Billing Cycle	29

Payment Information	
New Balance	\$500.00
Current Payment Due	\$20.00
Minimum Payment Due	\$20.00
Payment Due Date	4/21/20
<b>Late Payment Warning:</b> If we do not receive your Minimum Payment by the date listed above, you may have to pay a late fee of up to \$35.00 and your APR may be increased up to the Penalty APR of 28.99%.	

**Minimum Payment Warning:** If you make only the Minimum Payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay	You will pay off the balance shown on this statement in about	And you will end up paying an estimated total of
Only the Minimum Payment	40 months	\$634.15
\$25	36 months	\$613.99

**If you would like information about credit counseling, call 866-300-5238.**

#### Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/20: As of 5/10/20, the Penalty APR will apply to these transactions.

Transactions made before 4/9/20: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those balances as well.

## Example Credit Card Statement (continued)

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
<b>Payments and Other Credits</b>				
2340980TUH08	2/25	2/25	Payment Thank You	\$50.50-
<b>TOTAL PAYMENTS AND OTHER CREDITS FOR THIS PERIOD</b>				<b>\$50.50</b>
<b>Purchases</b>				
304958VIM345	2/27	2/28	Store 1	\$200.00
0980PCJ34590	3/5	3/7	Store 2	\$150.00
0880PKJ39870	3/5	3/7	Store 3	\$65.00
<b>TOTAL PURCHASES FOR THIS PERIOD</b>				<b>\$415.00</b>
<b>Fees</b>				
897263698VVO	2/23	2/23	Late Fee	\$35.00
<b>TOTAL FEES FOR THIS PERIOD</b>				<b>\$35.00</b>
<b>Interest Charged</b>				
			Interest Charge on Purchases	\$0.50
			Interest Charge on Cash Advances	\$0.00
<b>TOTAL INTEREST FOR THIS PERIOD</b>				<b>\$0.50</b>

2020 Totals Year-to-Date	
Total fees charged in 2020	\$70.00
Total interest charged in 2020	\$1.57

Interest Charge Calculation			
Your <b>Annual Percentage Rate (APR)</b> is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%(V)	\$100.50	\$0.50
Balance Transfers	21.99%(V)	\$0.00	\$0.00
Direct Deposit and Check Cash Advances	21.99%(V)	\$0.00	\$0.00
Bank Cash Advances	21.99%(V)	\$0.00	\$0.00

APR Type Definitions Daily Interest Rate Type: V = Variable rate (rate may vary)

## ***Try It: Finding Items in a Credit Card Statement – Answer Key***

**What is the credit limit?**

Answer: \$2,000 (also called the credit line)

**What is the minimum payment due and when is it due?**

Answer: \$20 by April 21, 2020 (4/21/20)

**How long will it take to pay off the credit card if the cardholder pays only the minimum payment each month?**

Answer: 40 months

**How long will it take to pay off the credit card if the cardholder pays \$25 each month, which is more than the minimum payment?**

Answer: 36 months

**What interest rate will be charged on purchases made after April 9?**

Answer: Starting May 10, 2020, the penalty rate of 28.99% will be charged

**What interest rate applies to cash advances?**

Answer: 21.99%, which is different from the interest rate charged on purchases

**What are some important things to review in your credit card statement when you access it online or receive it in the mail?**

Answer:

It is worthwhile to review all of the information. The *Payment Information* section is important to review so you know how much money you owe and when the creditor must receive your payment. The *Notice of Changes to Your Interest Rates* section is especially important because any changes may affect how much interest you pay on what you owe going forward. It may also be especially helpful to review the *Transactions* section to make sure you recognize the transactions. If you notice any errors, contact your creditor right away.



PRESENT INFORMATION (10 MINUTES)

### **Steps for Managing Your Credit Card**

See page 16 in the Participant Guide.

#### **SHOW SLIDE 30**



#### **SAY**

- Credit card debt can accumulate quickly if you don't pay your balance in full each month. It can get costly if late payments result in fees or a higher APR.
- Here are some basic steps for managing your credit card effectively.

#### **Steps to Managing Your Credit Card**

- Keep good records
- Check statements for mistakes
- Pay on time and at least minimum due
- Understand impact of different payment strategies
- Try to limit what you owe compared to your credit limit

MONEY SMART FOR ADULTS Module 9: Using Credit Cards

September 2018

**30**

- **To start, keep good records.**
  - Keep your credit card receipts to compare them with your monthly statements.
  - Some people prefer taking pictures of their receipts. That way they do not have to keep the paper receipts.
  - You might also be able to have a merchant email you a copy of your receipt.
- **Check your monthly statements for mistakes.**
  - If you find a mistake, contact the creditor right away. To be fully protected, you must report a mistake in writing within 60 days after the statement was sent to you.
  - You may be asked to opt-out of receiving paper statements and instead receive them electronically. Before choosing this option, consider if you expect to have Internet access in the future. For some people, receiving account statements on paper is a reasonable accommodation. If that's the case for you, request a fee waiver if necessary.
- **Pay your credit card bill on time and pay at least the minimum amount due** each month so the creditor receives your payment by the due date.
  - If you don't, you will have to pay a late fee in addition to interest.
  - Late payments and payments of less than the minimum amount due can significantly affect your credit history and reduce your credit scores.
  - Postmarks don't count. The creditor has to receive the payment by the due date. If you are mailing your payment, make sure to allow sufficient time for mailing.
  - If you think you will not be able to pay on time, call the creditor right away. They may be able to work out a plan to help you handle the debt.
- **Try to limit how much you owe compared to the credit limit.**
  - Credit scores are generally higher for consumers who do not "max out" or otherwise use a large share of their available credit.
    - » The percentage of your credit limit that you use is called the **credit utilization rate**.
    - » Using a large share of your credit limit at any point in the month may have a negative impact on your credit scores, even if you consistently pay your full balance each month.
    - » Some experts advise using no more than 30% of your credit limit while others advise using no more than 20%. While keeping balances at or below those percentages may not always be realistic, it helps to use as little of your credit limit as possible.
    - » This can be especially important to remember for secured credit cards, since credit limits for them are typically lower than for unsecured credit cards.

- Understand the impact of different payment strategies, including:
  - Paying only the minimum payment
    - » Over time, you will pay a lot more money if you just pay the minimum monthly payments. And, if you continue to use the card and your balance increases, those minimum required payments will increase.
  - Paying more than the minimum payment, but less than the full balance
  - Paying the full balance by the due date
- Let's now look more closely at different payment strategies

**SHOW SLIDE 31****SAY**

- In the table, compare the price of items with how much you pay when you only make the minimum payment. This payment strategy can result in many years of payments and you paying lots of interest.
- If you paid for these items in cash, you would not be charged the amounts in the "Interest Paid" column.

**Paying Only the Minimum Payment**

Item	Price	Credit Card APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
TV	\$500	18%	\$132	\$632	3
Repair	\$1,000	18%	\$863	\$1,863	8
Furniture	\$2,500	18%	\$5,363	\$7,863	23

All figures are rounded to the nearest dollar.  
APR is the Annual Percentage Rate.

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**31**

**DO**

- Briefly review the information in the table

**Paying Only the Minimum Payment**

Item	Price	Credit Card APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
TV	\$500	18%	\$132	\$632	3
Car Repair	\$1,000	18%	\$863	\$1,863	8
Furniture	\$2,500	18%	\$5,363	\$7,863	23

All figures are rounded to the nearest dollar

**SHOW SLIDE 32****SAY**

- This next table shows the benefit of paying more than the required minimum payment.

**DO**

- Briefly review the information in the table

**Paying More than Minimum Payment**

Original Balance	Credit Card APR	Monthly Payments	Total Years to Pay Off	Interest Paid	Total Amount Paid
\$2,500	18%	Only the Minimum Payment	23	\$5,363	\$7,863
\$2,500	18%	Minimum Payment + \$24	4	\$1,025	\$3,525
\$2,500	18%	Minimum Payment + \$41	3	\$754	\$3,254

All figures are rounded to the nearest dollar. APR is the Annual Percentage Rate.

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

32

**Paying More Than the Minimum Payment**

Original Balance	Credit Card APR	Monthly Payments	Total Years to Pay Off	Interest Paid	Total Amount Paid
\$2,500	18%	Minimum Payment	23	\$5,363	\$7,863
\$2,500	18%	Minimum Payment + \$24	4	\$1,025	\$3,525
\$2,500	18%	Minimum Payment + \$41	3	\$754	\$3,254

All figures are rounded to the nearest dollar

**SAY**

- To save money and avoid paying interest charges, pay off your balance in full each month.
- If you can't do that, pay as much as you can, as soon as you can.
- Your creditor will include a table that is similar but not necessarily identical to this one in your credit card statement. It is helpful to review that information as you decide whether to pay the minimum amount due or more.

**SHOW SLIDE 33****SAY**

- You may be wondering how your payments are applied to the different portions of your credit card balance.
  - This is important because the creditor may apply different interest rates to different portions of your balance. For example, the portion of your balance from purchases may have a lower interest rate than the portion of your balance from cash advances.

**How Payments Are Applied to Your Balance**

- **Minimum payment**
  - Creditor chooses how to apply to balance
  - Often applied to portion of balance with lowest interest rate
- **Amounts over minimum payment**
  - Generally applied to portion of balance with the highest interest rate

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

33

- Likewise, any balance you transferred from another credit card may have a lower interest rate than other balances on the card.
  - The more of your payment that is applied to the balances with the highest interest rates, the less interest you will pay.
- Creditors can choose how to apply your minimum payment and they will explain this in the cardholder agreement. For example, they may choose to apply the minimum payment to the portion of your balance with the lowest interest rate.
  - By law, creditors generally must apply any amount you pay over the minimum payment to the portion of your balance with the highest interest rate.



PRESENT INFORMATION (10 MINUTES)

## ***Apply It: Tips for Using My Credit Card***

See page 18 in the Participant Guide.

### SHOW SLIDE 34



#### SAY

- Turn to *Apply It: Tips for Using My Credit Card* on page 18 in your Participant Guide.
- You can review these tips after today's training and check tips from the list you want to start doing.
- Take five minutes to start reviewing the list of tips for managing your credit card effectively. Check off tips from the list you want to start or continue doing. If you do not have time to read through the entire list now, you can finish after today's training.

**Apply It: Tips for Using My Credit Card**  
See page 18 in your Participant Guide

**Apply It: Tips for Using My Credit Card**  
You can use these tips to manage your credit card effectively. Check tips from the list you want to start or continue doing.

- Review your monthly statement as soon as you receive it. Contact the creditor right away if you notice errors. For example, there may be a charge for an item you did not purchase.
- Pay off your balance in full each month to save money and avoid paying interest. If you can't do that, pay as much as you can, as soon as you can.
- Pay on time to avoid late fees and avoid having late payments on your credit report. If you cannot pay on time, call the creditor right away. The creditor may waive the late fees or be willing to make other payment arrangements.
- Try to minimize how much you owe in relation to your credit limit. This is your credit utilization rate. Some experts advise using no more than 30% of your credit limit while others advise using no more than 20%. While keeping balances at or below those percentages may not always be realistic, it helps to use as little of your credit limit as possible.
- Know that using a high percentage of your credit limit at any point in the billing cycle can negatively affect your credit scores. This is true even if you regularly pay off your entire balance every month.
- Keep a record of important information about your credit cards. This includes [https://www.accountnumbers.com/association\\_data\\_and\\_the\\_webinars\\_address.asp](#)

MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018 34

#### DO

- Invite participants to ask questions or share tips that they found especially important.

## Apply It: Tips for Using My Credit Card

You can use these tips to manage your credit card effectively. Check tips from the list you want to start or continue doing.

- Review your monthly statement as soon as you receive it.** Contact the creditor right away if you notice errors. For example, there may be a charge for an item you did not purchase.
- Pay off your balance in full each month to save money and avoid paying interest.** If you can't do that, pay as much as you can, as soon as you can.
- Pay on time to avoid late fees and avoid having late payments on your credit report.** If you cannot pay on time, call the creditor right away. The creditor may waive the late fees or be willing to make other payment arrangements.
- Try to minimize how much you owe in relation to your credit limit.** This is your credit utilization rate. Some experts advise using no more than 30% of your credit limit while others advise using no more than 20%. While keeping balances at or below those percentages may not always be realistic, it helps to use as little of your credit limit as possible.
- Know that using a high percentage of your credit limit at any point in the billing cycle can negatively affect your credit scores.** This is true even if you regularly pay off your entire balance every month.
- Keep a record of important information about your credit cards.** This includes keeping your account numbers, expiration dates, and the website address and telephone numbers of each creditor in a safe place, separate from your credit cards, so that you can report a loss quickly.
- Carry only the credit cards you expect to use.** This can save you time if you lose your wallet or purse because you would have fewer cards to cancel.
- Think about the cost difference if you purchase an item with cash compared to if you purchase an item with credit and do not pay the credit card bill in full.** For example, if you purchase a \$500 television using a credit card with a 20% APR, it could cost you \$1,084 and take 3 years to pay off your debt.
- Read the rules that govern your account (the cardholder agreement).** You can access the information online or ask your creditor for a paper copy if you do not already have one.
- Read all notices and information you receive from the creditor.** They may be telling you about an important change to your account.

**Apply It: Tips for Using My Credit Card *continued***

- Ask the creditor to lower the interest rate after you have established a good record of making payments on time.** Creditors are not required to do so, but they may be willing to do so to keep you as a customer.
- Think carefully before accepting a balance transfer offer.** In many cases, a balance transfer can be a good way to get your debt under control and pay it off faster. However, before you move your balance, you need to know exactly what you're getting into. For example, while a balance transfer may offer a low APR, you may have a higher APR than what you were originally paying after the introductory period ends. This becomes particularly important if you were not able to pay off your balance during the introductory period.
- Be careful with blank convenience checks that your creditor may send you as a quick way to write yourself a loan.** Expect to incur a transaction fee of several percent of the amount of each check. In addition, the interest rate can be much higher than the rate on your card purchases, perhaps twice as high. Even if you are offered a low interest rate initially, find out what interest rate you will pay when the introductory period is over. Most creditors also start charging interest as soon as the check posts to your account, even if they otherwise give you a grace period to repay your credit card for purchases.
- Remember that incidental and impulse purchases can add up.** When the bill comes, you have to pay what you owe. If you are in the habit of regularly using your credit card, consider checking how much you currently owe on the card before you make a new purchase to make sure you are able to pay the balance in full when due. You may be able to check your current balance online or with a mobile app. You can also keep your own record of your purchases.
- Think carefully before closing a credit card account.** Closing a credit card account can lower your credit scores, particularly if it is an account you have held for a long time. It can also lower your credit scores if closing an account means you use a larger percentage of your credit limits on other accounts.
- If your card is lost or stolen, or if you suspect that your information may be used to make fraudulent purchases on your credit card account, immediately contact the creditor.**
- Ask the creditor about activating free security features.** You may be able to sign up for alerts online. As an example, those alerts can notify you whenever your card is used without the credit card being physically present.
- If you need help with a debt challenge, consider contacting a credit counselor for personalized guidance.** Look on your credit card statement for a toll-free number you can call to get help in finding one.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 19 in the Participant Guide.

### SHOW SLIDE 35



#### SAY

- Remember the key takeaway from this section: **Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.**

**Section 2: Remember the Key Takeaway**

*Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.*



MONEY SMART FOR ADULTS Module 9: Using Credit Cards September 2018

**35**

# Module Closing

**Training Time Estimate:** 10 minutes



LEAD ACTIVITY (5 MINUTES)

## Remember the Key Takeaways

See page 20 in the Participant Guide.

**Note to Instructor:** Only mention key takeaways for sections you included in the training.



**SAY**

- Remember the key takeaways. These are also listed on page 20 in your Participant Guide. Let me know if you have questions about any of them.

Section	Key Takeaway
1: How Credit Cards Work	Know how credit cards work so you can more effectively shop around for one that meets your needs.
2: Managing Your Credit Card	Credit cards can be convenient, but manage them carefully to keep costs down and avoid damage to your credit.



## Take Action

See page 20 in the Participant Guide.

**SHOW SLIDE 36**



**SAY**

- You are more likely to take action if you commit to taking action now.
- Consider writing down what you intend to do because of what was covered during this training session.
- Take a few minutes now to answer the questions under *Take Action* on page 20 in your Participant Guide:
  - What will I do?
  - How will I do it?
  - Will I share my plans with anyone? If so, who?

**Take Action**  
See page 20 in your Participant Guide

- What will I do?
- How will I do it?
- Will I share my plans with anyone? If so, who?

Visit [fdic.gov/education](http://fdic.gov/education) to learn more

MONEY SMART FOR ADULTS Module 9: Using Credit Cards 36

- DO**
- ☑ ▪ Time permitting, ask participants if they want to share what they are going to do or how they are going to do it.
  - Remind participants about the activities in their Participant Guide they can complete after today's training.
  - Refer participants to *Where to Get More Information or Help* on page 21 in their Participant Guide for a list of online resources.
  - If this is the end of your training, thank participants for attending and administer the post-training survey.



LEAD ACTIVITY (5 MINUTES)

## Post-Training Survey

See page 25 in the Participant Guide.

**Note to Instructor:** After training ends, you can ask participants to complete the post-training survey in the back of their Participant Guide. You may want to give them “loose” copies so they don't have to tear them out. The knowledge questions are the same as those in the pre-training survey.

The answer key is at the end of this Instructor Guide.

You may decide to compare post-training surveys to pre-training surveys to estimate knowledge gains of the entire group or for each participant. If you want to estimate by participant, ask them to write their last name or some other unique identifier on both their pre- and their post-training surveys so you can compare them for a given participant.

**SHOW SLIDE 37****SAY**

- Thank you for attending this Money Smart Training called **“Using Credit Cards.”**
- Before you leave, please take a few minutes to complete the Post-Training Survey on page 25 of your Participant Guide.
- I can look at the surveys to tell if I helped you add to your knowledge and to make changes and improvements to future trainings.
  - It should take less than five minutes to complete.
  - Let me know if you have any questions.

**DO**

- Collect the completed surveys if you plan to review them or compare them to pre-training surveys.
- Review the answers to the knowledge questions using the Answer Key on the next page.

**THANK YOU**

**Post-Training Survey**  
See page 25 in your Participant Guide

**Post-Training Survey**  
Your instructor may ask you to complete this post-training survey.

Please answer these questions:

1. You may be charged a penalty annual percentage rate (APR) if:
 

a. You have less than the minimum balance in your account	True	False
b. You pay your credit card bill late		
c. You request an increase in your credit limit		
d. All of the above		
e. None of the above		
2. Paying only the minimum payment helps you to pay off your credit card balance with minimal interest.
 

	True	False
--	------	-------
3. The annual fee, if any, and the APR are key terms to look at when you shop for a credit card.
 

	True	False
--	------	-------
4. A good strategy for improving your credit history is to keep a balance on your credit card that is close to your credit limit.
 

	True	False
--	------	-------

MONEY SMART FOR ADULTS    Module 9: Using Credit Cards    September 2015    **37**

## Answer Key for Both the Pre- and Post-Training Surveys

- You may be charged a penalty annual percentage rate (APR) if:  
The answer is **b**.
  - You have less than the minimum balance in your account
  - You pay your credit card bill late**
  - You request an increase in your credit limit
  - All of the above
  - None of the above
- Paying only the minimum payment helps you pay off your credit card balance with minimal interest.  
The answer is **false**.
- The annual fee, if any, and the APR are key terms to look at when you shop for a credit card.  
The answer is **true**.
- A good strategy for improving your credit history is to keep a balance on your credit card that is close to your credit limit.  
The answer is **false**.

**Note to Instructor:** There are no “right” or “wrong” answers to the remaining questions, which appear in the post-training survey and not in the pre-training survey.

### About the Training

Check the box that best describes your agreement or disagreement with each of these statements.

	Completely agree	Somewhat agree	Somewhat disagree	Completely disagree
5. I would recommend this training to others.				
6. I plan to apply what was discussed in this training to my life.				
7. The instructor used engaging training activities that kept me interested.				
8. The instructor was knowledgeable and well prepared.				
9. The Participant Guide is clear and helpful.				

## Money Smart for Adults Modules

Thank you for presenting this module. Consider providing training on other Money Smart for Adults modules, as shown below. Visit [www.FDIC.gov/moneysmart](http://www.FDIC.gov/moneysmart).

Module Number	Module Name	Module Focus
1	<b>Your Money Values and Influences</b>	Internal values and goals, external influences, and their relationships to financial decisions
2	<b>You Can Bank On It</b>	Financial products, services, and providers
3	<b>Your Income and Expenses</b>	How to track income and expenses
4	<b>Your Spending and Saving Plan</b>	How to develop a spending and saving plan, and how to prioritize spending when money is short
5	<b>Your Savings</b>	Saving money for expenses, goals, and emergencies
6	<b>Credit Reports and Scores</b>	Credit reports and scores, building productive credit histories, and repairing and improving credit
7	<b>Borrowing Basics</b>	Options for borrowing money and the costs
8	<b>Managing Debt</b>	Different kinds of debt and ways to manage it
9	<b>Using Credit Cards</b>	How credit cards work and how to manage them
10	<b>Building Your Financial Future</b>	Ways to build assets, including buying a car and getting training and education
11	<b>Protecting Your Identity and Other Assets</b>	Ways to recognize, respond to, and reduce the risks of identity theft, along with strategies for protecting other assets
12	<b>Making Housing Decisions</b>	Different types of safe and affordable housing, including specific information on renting
13	<b>Buying a Home</b>	The home buying process, including mortgages
14	<b>Disasters—Financial Preparation and Recovery</b>	How to financially prepare for, and recover from, disasters

PAGE INTENTIONALLY  
LEFT BLANK

Visit the FDIC's website at [www.fdic.gov/education](http://www.fdic.gov/education) for more information and resources on banking-related issues. For example, FDIC Consumer News provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

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

**You can also call the FDIC for information and assistance at  
877-ASK-FDIC (877-275-3342).**



**MONEY SMART for Adults**  
**INSTRUCTOR GUIDE**  
**Module 9: Using Credit Cards**

September 2018  
[www.fdic.gov/education](http://www.fdic.gov/education)