



# MODULE 9: Using Credit Cards

## PARTICIPANT 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 Participant Guide. For more information about our family of Money Smart products, visit [www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart).

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# Welcome

Welcome to the FDIC's Money Smart for Adults!

This is the Participant Guide for **Module 9: Using Credit Cards**. Use it during and after training. Mark it up, write in it, take notes—it is yours to keep.

## Module Purpose

This module covers 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

# Section 1: How Credit Cards Work

We will discuss how credit cards work, important credit card terms, and choosing a credit card based on your needs.



## Key Takeaway



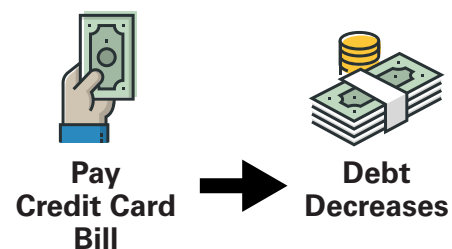
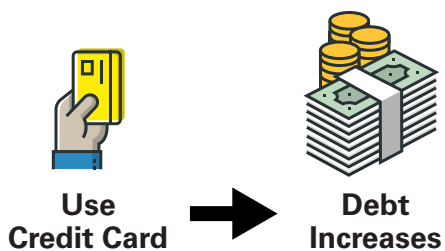
Know how credit cards work so you can more effectively shop around for one that meets your needs.

## What Is a Credit Card?

A credit card is a revolving line of credit. The balance on your card goes up when you make purchases. The balance on your card goes down when you make payments.

There is a limit on how much you can borrow on the card at one time. That is called your **credit limit**. It can also be called a credit line.

You must pay at least a portion of the bill every month, called the **minimum payment**.

































Compare the price of items with how much you really pay when you only pay the minimum payment. All figures are rounded to the nearest dollar.

### 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

Compare what happens when you pay only the minimum payment and when you pay more than the minimum payment.

### 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





## 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.
- 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.

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

- 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.

**Remember the Key Takeaway**

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

# Module Closing

## ★ Remember the Key Takeaways

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

You are more likely to take action if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

### What will I do?

### How will I do it?

**Will I share my plans with anyone? If so, who?****Where to Get More Information or Help**

For information and tools to help manage credit cards, visit **[consumerfinance.gov](http://consumerfinance.gov)** and search for “credit cards.”

For information about a range of topics related to credit cards, including scams to watch out for and consumer protections, visit **[www.consumer.ftc.gov/topics/credit-and-loans](http://www.consumer.ftc.gov/topics/credit-and-loans)**.

For information about credit card laws and resources, visit **[www.usa.gov](http://www.usa.gov)** and search for “credit cards.”

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If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **[www.fdic.gov/consumers/assistance/filecomplaint.html](http://www.fdic.gov/consumers/assistance/filecomplaint.html)**.

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## 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

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## Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

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

### 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.				

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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).**



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**September 2018**

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