

UNDERSTANDING CREDIT CARDS



Advanced Level

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RECOMMENDED GRADE LEVELS	AVERAGE TIME TO COMPLETE	EACH LESSON PLAN IS DESIGNED AND CONTINUALLY EVALUATED "BY EDUCATORS, FOR EDUCATORS." THANK YOU TO THE FOLLOWING EDUCATORS FOR DEVELOPING COMPONENTS OF THIS LESSON PLAN.
10-12	Anticipatory Set & Facilitation: 105-115 minutes Conclusion/Assessment Options: 15-149 minutes	<ul style="list-style-type: none"> Marjorie Chinadle, Family and Consumer Sciences Educator, Ruyard, Montana Joanna Krogstad, Family and Consumer Sciences Educator, Manhattan, Montana

NATIONAL STANDARDS	LESSON PLAN OBJECTIVES
The curriculum is aligned to the following national standards: <ul style="list-style-type: none"> National Standards for Financial Literacy American Association of Family and Consumer Sciences Council for Economic Education National Business Education National Jump\$tart Coalition Common Core English Language Arts 	Upon completion of this lesson, participants will be able to: <ul style="list-style-type: none"> Summarize the basic functions of a credit card Assess the benefits of a credit card if managed responsibly Analyze a credit card offer Analyze a credit card statement

MATERIALS		
MATERIALS PROVIDED IN THIS LESSON PLAN	MATERIALS SPECIFIC TO THIS LESSON PLAN BUT AVAILABLE IN A SEPARATE DOWNLOAD	MATERIALS TO ACQUIRE SEPARATELY DEPENDING ON OPTIONS TAUGHT
<ul style="list-style-type: none"> Credit Card Offer Vocabulary 2.6.3.A1 Understanding a Credit Card Statement 2.6.3.A2 Home Talk 2.6.3.A3 Understanding Credit Cards reinforcement worksheet 2.6.3.A4 Comparison Shopping for a Credit Card 2.6.3.A5 Comparison Shopping for a Credit Card Essay 2.6.3.B1 Understanding Credit Cards Vocabulary List 2.6.3.E1 Sample Credit Card Offer 1 2.6.3.E2 Sample Credit Card Offer 2 2.6.3.E3 Sample Credit Card Offer 3 2.6.3.E4 Should They Apply For a Credit Card? Scenario Considerations 2.6.3.E5 Understanding Credit Cards Information Sheet 2.6.3.F1 	<ul style="list-style-type: none"> Understanding Credit Cards PowerPoint Presentation 2.6.3.G1 Spending and Borrowing Unit Multiple Choice Test Bank and Answer Key 2.6.0.M1 & C1 	<ul style="list-style-type: none"> Highlighters Computer with internet access Songs with a credit theme <i>Confessions of a Shopaholic</i> movie White boards Markers

Material List Continued on Page 2

<ul style="list-style-type: none"> Should They Apply For a Credit Card? Scenarios 2.6.3.H1 Understanding Credit Cards Note Taking Guide 2.6.3.L1 		
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RESOURCES

EXTERNAL RESOURCES

External resources referenced in this lesson plan:

- Credit Cards: The Basics Video: www.creditcards.com/credit-card-news/video-credit-card-basics-1264.php
- Federal Reserve System’s Survey of Credit Card Plans: www.federalreserve.gov/creditcard/survey.html
- Federal Reserve System’s Consumer’s Guide to Credit Cards: www.federalreserve.gov/creditcard
- Bankrate: www.bankrate.com
- Consumer Jungle: www.consumerjungle.org

TAKE CHARGE TODAY RESOURCES

Similar lesson plan at a different level:

- Take Charge of Credit Cards 1.6.1

Optional lesson plan resources:

- Video Clips Relating to Financial Education Active Learning Tool 3.0.48
- Attitudes About Money Active Learning Tool 3.0.1
- Technology Integration Options Active Learning Tool 3.0.50
- Confessions of a Shopaholic Active Learning Tool 3.0.41
- PowerPoint Trivia Active Learning Tool 3.0.24

CONTENT

EDUCATOR MATERIALS

- Materials to support educators when preparing to teach this lesson plan are available on the Take Charge Today website.

PARTICIPANT READING

- Understanding Credit Cards Information Sheet 2.6.3.F1

OPTIONAL ADVANCE INSTRUCTION

This lesson is designed to be taught as a stand-alone lesson. However, background content knowledge from the following lesson plans is directly related to this lesson and may be helpful for participants.

- Credit Reports and Scores 2.6.1
- Credit Basics 2.6.2

LESSON FACILITATION

This section is divided into three columns to help navigate the lesson facilitation:

PREPARE

Visual indicators to help prepare the lesson

INSTRUCT

Instructions to conduct the lesson facilitation

CUSTOMIZE

Potential modifications to lesson facilitation

VOCABULARY ACTIVITY:

Credit Card Offer Vocabulary



Approximate time: 15 minutes

Materials to prepare:



- 1 highlighter per participant
- 1 *Credit Card Offer Vocabulary* 2.6.3.A1 per participant




	<ul style="list-style-type: none"> ▪ 1 <i>Sample Credit Card Offer 1, 2, or 3</i> 2.6.3.E2, E3 or E4 per participant (each participant needs one offer, offers should be evenly distributed throughout the class) ▪ 1 <i>Understanding Credit Cards Information Sheet</i> 2.6.3.F1 per participant <p>Before instruction:</p> <ol style="list-style-type: none"> 1. Pass out a <i>Credit Card Offer Vocabulary</i> 2.6.3.A1, <i>Sample Credit Card Offer 1, 2, or 3</i> 2.6.3.E2, E3 or E4, and a highlighter to each participant. 2. Complete step 1: <ol style="list-style-type: none"> a. Instruct participants to find and highlight each vocabulary word on the <i>Sample Credit Card Offer</i>. b. Once all vocabulary words have been highlighted, instruct participants to choose eight words they are not familiar with and record them in the <u>first</u> column of the table on the <i>Credit Card Offer Vocabulary</i> 2.6.3.A1. 3. Complete step 2: <ol style="list-style-type: none"> a. Distribute an <i>Understanding Credit Cards Information Sheet</i> 2.6.3.F1 to each participant. b. Instruct participants to use their <i>Understanding Credit Cards Information Sheet</i> 2.6.3.F1 to find and record the definition of each vocabulary word in the <u>second</u> column of the table. <p>After instruction:</p> <ol style="list-style-type: none"> 4. Complete step three by describing why it is important to understand each word when evaluating a credit card offer in column <u>three</u>.
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ANTICIPATORY SET OPTIONS
There are two anticipatory set options provided for this lesson.

1. Option 1: Video Clip
2. Option 2: Attitudes about Credit Cards



	<p><u>Option 1: Video Clip</u></p> <p><u>Approximate time:</u> 10 minutes</p> <p><u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ Credit Cards: The Basics video clip (URL provided in the supplemental resources section) <ol style="list-style-type: none"> 1. Show participants the short Credit Cards: The Basics video clip (1:35 minutes). This video is about college students’ knowledge of credit cards. 2. Discuss with participants the following questions: <ol style="list-style-type: none"> a. Do you think the students in the video have credit cards? b. Is it essential to understand the basic credit card terms before receiving a credit card? c. Do you think a lack of credit card knowledge leads to credit card misuse? 	
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Alternative video clips include the Saturday Night Live “Don’t Buy Stuff” skit and the “Green Scarf” excerpt from *Confessions of a Shopaholic*. Refer to *Video Clips Relating to Financial Education Active Learning Tool* 3.0.48 for more information about this video clip.

	<p><u>Option 2: Attitudes about Credit Cards</u></p> <p><u>Approximate time:</u> 15 minutes</p> <p><u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ <i>Attitudes About Money Active Learning Tool</i> 3.0.1 	
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<ul style="list-style-type: none"> ○ 1 <i>Attitudes About Credit Cards</i> 3.0.1.A3 per participant ▪ Optional: 8 sheets of butcher paper (each with a different discussion prompt stated in large font in the center) ▪ Optional: 1 marker per participant ▪ Optional: 5-10 sticky notes per participant <p>1. Reference the <i>Attitudes About Money Active Learning Tool</i> 3.0.1 for facilitation options. The <i>Attitudes about Credit Cards</i> 3.0.1.A3 worksheet includes prompts specific to this lesson plan.</p>	<p>Discuss their responses to the <i>Attitudes About Credit Cards</i> 3.0.1.A3 prompts throughout the facilitation.</p>
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RECOMMENDED FACILITATION

 <p><u>Approximate time:</u> 100 minutes</p> <p><u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ <i>Understanding Your Credit Card PowerPoint Presentation</i> 2.6.3.G1 ▪ 1 <i>Sample Credit Card Offer 1, 2, or 3</i> 2.6.3.E2, E3 or E4 per participant (each participant needs one offer, offers should be evenly distributed throughout the class) ▪ 1 <i>Understanding Credit Cards Information Sheet</i> 2.6.3.F1 per participant (pages 4-5 only) ▪ 1 <i>Understanding a Credit Card Statement</i> 2.6.2.A2 per participant ▪ White board and marker per group of 3-5. <p>Present the <i>Understanding Credit Cards PowerPoint Presentation</i> 2.6.3.G1.</p> <p>Part 1: What is a Credit Card?</p> <ol style="list-style-type: none"> 1. Slide 2: What is a Credit Card? <ol style="list-style-type: none"> a. Discuss the definition of credit card. b. Ask participants if a credit card is a form of open-end or closed-end credit. <ol style="list-style-type: none"> i. Credit cards are a form of open-end credit (also “non-installment credit” or “revolving credit”): a line of credit established in advance; borrower does not have to apply for credit each time new credit is desired; loan balance can be repaid in a single payment or a series of equal or unequal payments, usually monthly; borrower chooses how much to pay each month; lender usually requires that a borrower pay at least a specified minimum amount each month. 2. Slide 3: Credit Card Interest <ol style="list-style-type: none"> a. Interest is paid each month the balance is not paid in full. 3. Slide 4: Minimum Payment <ol style="list-style-type: none"> a. No matter how much money is charged to a credit card, a minimum monthly payment is typically required. b. Cardholders who only make the minimum payment make slow progress toward paying off a credit card and pay substantially more than what was charged to the card (because of interest). c. Even though Miranda made no additional charges to the card, she would still pay \$2,913 for the \$1,500 in initial charges if she only makes the minimum payment. 	<p>The <i>Understanding Credit Cards Note Taking Guide</i> 2.6.3.L1 is provided but not included as part of the recommended facilitation instructions or approximate time.</p> <p>Use actual credit card offers instead of the samples provided in the lesson. Black out any personal information.</p>  <p>Have participants play games that teach credit concepts using the Consumer Jungle website.</p>
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Part 2: Credit Cards as a Financial Tool

4. Slide 5: Credit Card = Helpful Financial Management Tool
 - a. Review the five ways credit cards can be used as a financial tool.
5. Slide 6: Develop a Positive Credit History
 - a. Credit cards can have a positive or negative impact on an individual's credit history, depending on how the card is managed and used. Responsible use is essential.
6. Slide 7: Convenient Payment Tool
 - a. Ask participants how credit cards are a convenient payment tool.
 - b. The convenience may make it tempting for individuals to overspend.
7. Slide 8: Protect Yourself from Unauthorized Charges
 - a. Review the liability protections afforded those with credit cards.
8. Slide 9: Safer Online Shopping
 - a. Ask participants to describe the difference between a debit and credit card.
 - i. A debit card is linked to a consumer's bank account whereas items purchased with a credit card are bought on credit and paid for at a later date.
 - b. Discuss why credit cards are safer than debit cards for online shopping.
 - i. Additional credit card safety tips are discussed in the *Protecting Yourself from Fraud* 2.6.4 lesson plan.
9. Slide 10: Should you choose "debit" or "credit" at a point of sale (POS)?
 - a. Some POS terminals automatically distinguish between credit and debit cards, but others ask the cardholder to do so by choosing "credit" or "debit." The choice refers to how the transaction is processed.
 - b. If using a debit card, "debit" or "credit" may be selected whereas if using a credit card, only "credit" may be selected.
 - c. If "credit" is selected for either a credit or debit card, a receipt must be signed to complete the transaction (however some POS terminals are programmed to waive the signature requirement for purchases less than \$25). When credit is selected individuals may receive extra liability protection from fraudulent charges.
 - d. If "debit" is selected for a debit card, the cardholder must enter the card's personal identification number (PIN).
10. Slide 11: Additional Credit Card Benefits
 - a. Ask participants if they would be willing to pay higher/additional fees or higher interest rates to obtain credit card benefits? Ask those who respond to explain.
11. Slides 12-13: Advantages & Disadvantages of Using Credit Cards
 - a. Have participants work in small groups using a piece of scratch paper to brainstorm the advantages and disadvantages of credit cards.
 - b. Compare their answers to those provided on the slide.



Part 3: Credit Card Offers

12. Slide 14: Credit Card Offers
 - a. Credit card companies are required to disclose credit card information in the Schumer box.
 - b. Evenly distribute one *Sample Credit Card Offer 1, 2, and 3*, 2.6.3.E2, E3



Use a tablet or smartphone application to complete the pro and con list. Refer to the *Tablet Applications for the Personal Finance Classroom Active Learning Tool* 3.0.52 guide for examples.

and E4 to each participant.

13. Slides 15-26: Credit Card Offer
 - a. As each section is discussed, instruct participants to find that section on their credit card offer.
14. Slides 27-34: Credit Card Chaos
 - a. For each set of terms presented on the PowerPoint, ask participants to move to the correct side of the room indicated by the arrow on the slide.

Part 4: How to Obtain a Credit Card

15. Slide 35: How Do I Obtain a Credit Card?
 - a. Discuss the steps involved in applying for and receiving a credit card.
 - b. Approval for a credit card depends on the applicant's credit history.
16. Slide 36: Obtaining a Credit Card
 - a. You must be 21 to get a credit card unless you have a co-signer or have proof of sufficient income to make payments.
 - b. Ask participants what impact a credit card not managed responsibly will have on a co-signer.
 - i. It will negatively impact their credit history.

Part 5: What is a Credit Card Statement?

17. Slide 37: What is a Credit Card Statement?
 - a. Credit card statements outline important information about an individual's credit card and should be reviewed closely each month.
18. Break participants into small groups. Distribute one *Understanding a Credit Card Statement 2.6.3.A2* to each participant. Distribute an *Understanding Credit Cards Information Sheet 2.6.3.F1* to each participant.
 - a. Instruct participants to refer to pages 4-5 to reference Andrew's Credit Card Statement.
19. In small groups, have participants complete the *Understanding a Credit Card Statement 2.6.3.A2*.
20. As a class, discuss the answers.
 - a. Optional: Use PowerPoint slides 38-44 to guide the discussion.
 - i. As each section is discussed, instruct participants to find that section on their credit card statement.
 - b. Optional: Use PowerPoint slides 45-46 to guide the discussion about being Andrew's Financial Advisor.

Part 6: Reading a Credit Card Statement (do not use if slides 38-45 were used to facilitate the What is a Credit Card Statement discussion)






21. Give each small group a white board and marker.
22. Ask a question and have participants work in small groups to read Andrew's credit card statement (page 5 of the information sheet) to find the answer.
 - a. How much did Andrew charge in new purchases during this credit card billing cycle?
 - i. \$517.12
 - b. What is Andrew's minimum payment due for this billing cycle?
 - i. \$53
 - c. How long will it take Andrew to pay off the balance of his credit card if





The Federal Reserve System's Consumer's Guide to Credit Cards website includes the credit card offer and credit card statement used in the PowerPoint in an interactive form. Use this in place of the credit card offer and statement provided in the PowerPoint. The credit card offer and statement is also available in a downloadable PDF format.



Have participants highlight each section of the Credit Card Offer as it is discussed.

Conduct the activity online using a brainstorming or discussion tool. See the *Technology Integration Options Active Learning Tool 3.0.50* for resources.



<p>he only pays the minimum payment? i. 8 years d. Has Andrew triggered the Penalty APR? i. Yes, he will pay 28.99% on all transactions made after 4/9/12 e. Other than implantation of the penalty APR, will there be any other changes to Andrew’s account terms? i. Yes, his APR for purchases is increasing to 16.99% f. Does Andrew owe a late fee? i. Yes, he owes a \$35 late fee g. What is the total amount of interest Andrew has paid in the year 2012? i. \$18.74</p>	<p>If additional reinforcement is needed, have participants work in small groups to complete the <i>Understanding Credit Cards Note Taking Guide 2.6.3.L1.</i></p>
<p>CONCLUSION OPTIONS There are three conclusion options provided for this lesson. 1. Option 1: Home Talk 2. Option 2: PowerPoint Trivia 3. Option 3: Credit Counselors</p>	
<p> Option 1: Home Talk <u>Approximate time:</u> 15 minutes (in class time) <u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ 1 <i>Home Talk 2.6.3.A3</i> per participant <ol style="list-style-type: none"> 1. Distribute the <i>Home Talk 2.6.3.A3</i> worksheet to each participant. 2. Participants will interview an adult about credit. 3. Before conducting their interview, they must identify three things they would tell the individual about credit and two questions they would ask the interviewee. 4. Upon completion of the interview, the interviewee must sign the form. 	
<p> Option 2: PowerPoint Trivia <u>Approximate time:</u> 30 minutes <u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ <i>PowerPoint Trivia Active Learning Tool 3.0.24</i> <ul style="list-style-type: none"> ○ <i>Credit Cards 101 PowerPoint Trivia 3.0.24.G2</i> ▪ Scratch paper or white boards per team of 3-5 ▪ Markers <ol style="list-style-type: none"> 1. Conduct PowerPoint Trivia. Refer to the <i>PowerPoint Trivia Active Learning Tool 3.0.24</i> for instructions. <ol style="list-style-type: none"> a. PowerPoint Trivia is designed like the popular television game show Jeopardy®. 	
<p> Option 3: Should They Get a Credit Card? <u>Approximate time:</u> 15-30 minutes depending on facilitation method used <u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ <i>Should They Apply for a Credit Card? Scenarios 2.6.3.H1</i> ▪ <i>Should They Apply for a Credit Card? Scenario Considerations 2.6.3.E5</i> 	

<ol style="list-style-type: none"> 1. Divide participants into groups of 2-3. 2. Provide each small group with 1-2 <i>Should They Apply for a Credit Card? Scenarios 2.6.3.H1</i>. 3. Ask the groups to play the role of a credit counselor and discuss if the individual(s) in the scenario should apply for a credit card. <u>Groups must have at least two reasons to justify their recommendation.</u> <ol style="list-style-type: none"> a. If no, the justification should include what the person should do in order to get credit in the future. b. If yes, the justification should include why they are ready for credit and what features they should look for. 4. As a class, have each group read their card to the rest of the class and identify their recommendation and justification. 5. Ask if there are any other considerations the class should think about when making a recommendation. <ol style="list-style-type: none"> a. Add any considerations not mentioned by participants from the <i>Should They Apply for a Credit Card? Scenario Considerations 2.6.3.E5</i> sheet. 	<p>Rather than working in small groups, designate one side of the room to be “yes” and one side of the room to be “no.” Read the scenario and have participants move to the appropriate side of the room based on what they would recommend. Discuss.</p>
<p>ASSESSMENT OPTIONS There are three assessment options provided for this lesson.</p> <ol style="list-style-type: none"> 1. Option 1: Reinforcement Worksheet 2. Option 2: Comparison Shopping for a Credit Card Essay 3. Option 3: Confessions of a Shopaholic 	
<p style="text-align: center;"><u>Option 1: Reinforcement Worksheet</u></p> <p> <u>Approximate time:</u> 20 minutes <u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ 1 <i>Understanding Credit Cards 2.6.3.A4</i> per participant <ol style="list-style-type: none"> 1. Complete the <i>Understanding Credit Cards 2.6.3.A4</i> reinforcement worksheet. 	
<p style="text-align: center;"><u>Option 2: Comparison Shopping for a Credit Card Essay</u></p> <p> <u>Approximate time:</u> 45 minutes <u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ 1 <i>Comparison Shopping for a Credit Card 2.6.3.A5</i> per person ▪ 1 <i>Comparison Shopping for a Credit Card Essay Rubric 2.6.3.B1</i> per person ▪ 1 of each <i>Sample Credit Card Applications 1, 2, and 3 2.6.3.E2, E3 and E4</i> per person <ol style="list-style-type: none"> 1. Hand out the following to each participant: <ol style="list-style-type: none"> a. 1 <i>Comparison Shopping for a Credit Card 2.6.3.A5</i> b. 1 <i>Comparison Shopping for a Credit Card Essay Rubric 2.6.3.B1</i> c. 1 of each <i>Sample Credit Card Applications 1, 2, and 3 2.6.3.E2, E3 and E4</i> 2. Instruct participants to use the materials provided to analyze the three credit card offers and select the credit card that is best for them. 3. After the selection is made, instruct participants to write a one page essay describing the credit card chosen and the decision making process used to make their choice. The <i>Comparison Shopping for a Credit Card Essay Rubric 2.6.3.B1</i> should be referred to specific directions. 4. When the essays are complete, instruct participants to attach the completed 	<p style="text-align: center;"></p> <p>Have participants choose three credit cards from the Federal Reserve’s Survey of Credit Card Plans to compare. Refer to the supplemental resources section for the website address.</p> <p style="text-align: center;"></p>

<p><i>Comparison Shopping for a Credit Card 2.6.3.A5 and the Comparison Shopping for a Credit Card Essay Rubric 2.6.3.B1 to the essay when it is submitted.</i></p>	
<p style="text-align: center;"><u>Option 3: Confessions of a Shopaholic</u></p> <p> <u>Approximate time:</u> 150 minutes</p> <p><u>Materials to prepare:</u></p> <ul style="list-style-type: none"> ▪ 1 <i>Confessions of a Shopaholic Active Learning Tool 3.0.41</i> <p>1. Refer to the <i>Confessions of a Shopaholic Active Learning Tool 3.0.41</i> for instructions and materials.</p> <p style="padding-left: 20px;">a. Balancing the financial means to provide the necessary items, acquire what is wanted, and attain personal satisfaction in a career can be a challenge. In this movie, Rebecca Bloomwood identifies just how challenging this can be while attempting to be a journalist at a magazine that incorporates the positive financial practices she has yet to implement within her own life. While working at a financial magazine, Rebecca is working to overcome her own struggle by having to decide between needs and wants in the context of her shopping obsession. Her decisions land her with a pile of credit card debt.</p>	

Understanding Credit Cards Vocabulary List

	TERM	DEFINITION
1	Annual fee	A yearly fee that may be charged for having a credit card
2	Annual percentage rate (APR)	The cost of credit expressed as a yearly interest rate
3	Balance transfers	The act of transferring debt from one credit card account to another
4	Credit card	A plastic card that you can use to access a line of credit that has been established in advance
5	Credit limit	The maximum dollar amount that can be borrowed
6	Introductory rate	The APR charged during the credit card's introductory period after a credit card account is opened
7	Late payment fee	Fee charged when a credit card holder does not make the minimum monthly payment by the due date
8	Over-the-limit fee	Fee charged if the credit card account balance goes over the set credit limit
9	Penalty APR	The interest rate charged on new transactions if the penalty terms in the credit card contract are triggered
10	Pre-approved	When someone has passed an initial credit history check
11	Returned payment fee	Fee charged if the cardholder makes a payment but does not have enough money in that account to cover the payment
12	Schumer Box	Terms and fees of a credit card in an easy to read box on all credit card applications and solicitations
13	Variable-rate APR	An APR that may change depending on other factors

Credit Card Offer Vocabulary

	Total Points Earned
24	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Step 1: Find and highlight each of the vocabulary words in the table below in the credit card offer provided. (8 points)

Vocabulary Words			
Annual fee	Annual percentage rate (APR)	Balance transfers	Credit card
Credit limit	Introductory rate	Late payment fee	Over the limit fee
Penalty APR	Pre-approved	Return payment fee	Schumer Box
Variable-rate APR			

Step 2: Review the highlighted words in the credit card offer. Which words are you not familiar with? Write six words that you are not familiar with in the first column of the table below. Using your information sheet, write the definition of each word in your own words in the second column. (8 points)

Word	Definition	Why this matters

Step 3: After instruction, complete column three by describing why it is important to understand each word when evaluating a credit card offer. (8 points)

Understanding Credit Cards Note Taking Guide

	Total Points Earned
	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

A credit card is:

The cost of credit is expressed as:

What is the minimum payment?

What impact does only paying the minimum payment have on a consumer?

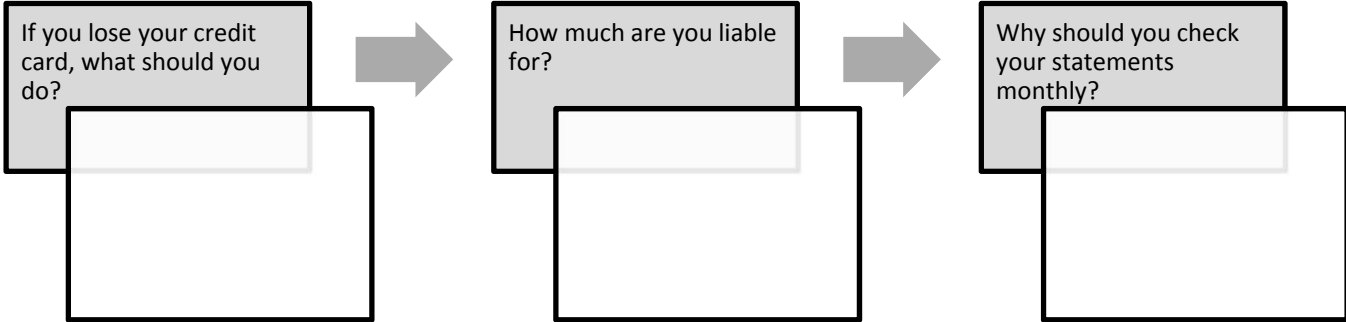
Identify four positive credit card behaviors:

- _____
- _____
- _____
- _____

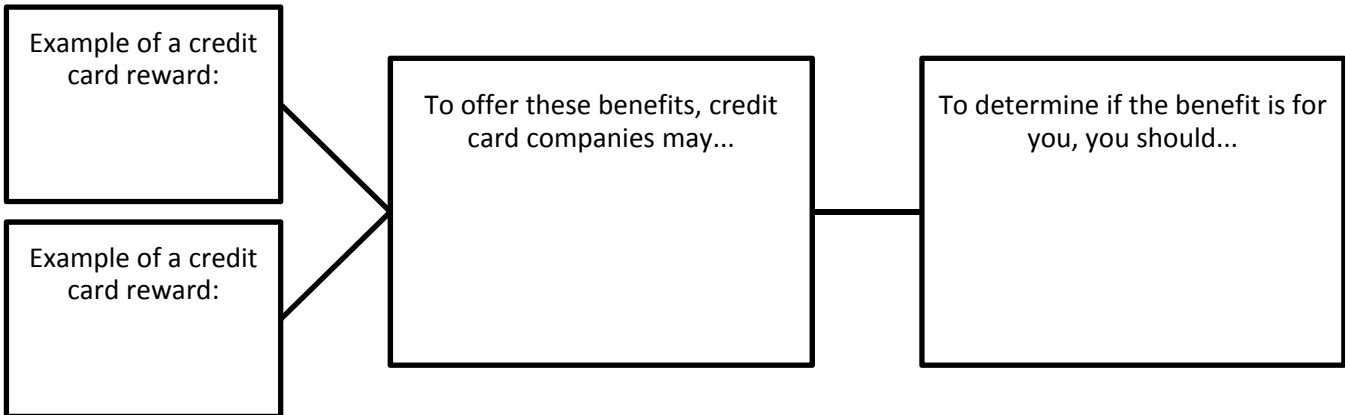
What are three ways a credit card is a convenient payment tool?



Why may consumers overspend when using a credit card?



Summarize why credit cards are safer than debit cards for online shopping.



Two advantages of a credit card

Two disadvantages of a credit card

Why is reading the Schumer Box information closely important?

Use the space provided to describe each section of the credit card offer and define vocabulary words.

Schumer Box-	
Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	
APR for Balance Transfers	
APR for Cash Advances	
Penalty APR and When it Applies	
How to Avoid Paying Interest on Purchases	
Minimum Interest Charge	
For Credit Card Tips from the Federal Reserve Board	
Fees	
Set-up and Maintenance Fees	
Transaction Fees	
Penalty Fees	
* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."	
* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill	

Describe how an individual obtains a credit card.



What does it mean if an individual receives a pre-approved credit card application?

If you are under 21, how do you receive a credit card?

Why is it important to read a monthly statement closely?

Describe each section of a credit card statement.

Credit Card Statement	
Summary of Account Activity	
Payment Information	
Late Payment Warning	
Minimum Payment Warning	
Notice of changes to your interest rates	
Other changes to your account terms	
Transactions	
Fees and Interest Charges	
Year-to-date Totals	
Interest Charge Calculation	

Sample Credit Card Offer 1

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	12.99%, 13.99% or 14.99%, introductory APR for one year, based on your creditworthiness. After that, your APR will be 14.99%. This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	15.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	21.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit available initially. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$20 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$12 annually (\$1 per month) • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$5 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 2% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$29 if balance is less than or equal to \$1000 OR \$35 if balance is more than \$1000 • Over-the-limit: \$29 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Sample Credit Card Offer 2

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	14.99% This is a variable-rate APR that will vary with the market based on the Prime Rate.
APR for Balance Transfers	0% introductory APR for six months. After that, your Balance Transfer APR will be 18.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
APR for Cash Advances	24.99% <ul style="list-style-type: none"> • This APR will vary with the market based on the Prime Rate
Penalty APR and When it Applies	29.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. <p>How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	There is no minimum interest charge.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$0 • Account Set-up Fee: \$20 (one-time fee) • Participation Fee: \$15 annually • Additional Card Fee: \$5 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: Either \$25 or 5% of the amount of each transfer, whichever is greater (maximum fee: \$100) • Cash Advance: Either \$25 or 5% of the amount of each cash advance, whichever is greater • Foreign Transaction: 3% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$30 • Over-the-limit: \$30 • Returned Payment: \$30

* How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Sample Credit Card Offer 3

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	11.99%, introductory APR for one year. After that, your APR will be 15.99%.
APR for Balance Transfers	14.99%
APR for Cash Advances	20.99%
Penalty APR and When it Applies	28.99% This APR may be applied to your account if you: <ol style="list-style-type: none"> 1. Make a late payment; 2. Go over your credit limit; 3. Make a payment that is returned; or 4. Do any of the above on another account that you have with us. How long will the Penalty APR apply? If your APR's are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than \$2.00.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard
Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, initial available credit will be only about \$209. <ul style="list-style-type: none"> • Annual Fee: \$15 • Account Set-up Fee: \$10 (one-time fee) • Additional Card Fee: \$10 annually (if applicable)
Transaction Fees	<ul style="list-style-type: none"> • Balance Transfer: \$0 • Cash Advance: Either \$10 or 3% of the amount of each cash advance, whichever is greater • Foreign Transaction: 3% of each transaction in U.S. dollars
Penalty Fees	<ul style="list-style-type: none"> • Late Payment: \$35 • Over-the-limit: \$35 • Returned Payment: \$35

* How We Will Calculate Your Balance: We use a method called "average daily balance (excluding new purchases)."

* Loss of Introductory APR- We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill

Understanding a Credit Card Statement

	Total Points Earned
	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Refer to the credit card statement to answer the following questions.

Section	What type of information is in this section?	Why is this section important to review/understand?
Summary of Account Activity		
Payment Information		
Late Payment Warning		
Minimum Payment Warning		
Notice of Changes to Your Interest Rates		
Other changes to Your Account Terms		
Transactions		
Fees and Interest Charged		
Year-to-Date Totals		
Interest Charge Calculation		

Andrew has come to you and voiced his concerns about having a credit card. He is considering getting rid of his credit card. As a financial advisor, you understand that credit cards are financial tools that can be used or abused. What three pieces of advice would you give Andrew?

- 1.
- 2.
- 3.

Home Talk

	Total Points Earned
20	Total Points Possible (20 points for completion)
	Percentage

Name _____

Date _____

Class _____

Directions: Use this form to prepare for and conduct an interview with an adult about credit cards. Upon completion of the interview, have the interviewee sign the form. Use the back of this sheet if additional space is needed.

What are three things you will teach the interviewee about credit cards?	What are your talking points for the discussion?

What are two questions you will ask the interviewee about credit?	The interviewee's responses...

What is one piece of advice the interviewee has for you about using credit?

Name Interviewee: _____

Signature of Interviewee: _____

Interviewee: _____

Should They Apply for a Credit Card? Scenarios

<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Sofia is a college senior in the first week of school. She is bombarded with credit card applications, many of which mention something about special “student rates.” Sofia is starting a part-time job, and she is sure she’ll get a good job after graduation. She is wondering if a credit card is right for her.</p>	<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Nelson is a recent college graduate, but he has not started a job in his degree field. He is currently working in retail and has numerous expenses for material items. He wants a credit card.</p>
<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Max often finds that he cannot make it to his next payday on the money he makes, so he wants a card to get cash advances when he needs them.</p>	<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Laurence and Cindy both have had good jobs for several years and want to get a credit card. They expect to pay off all charges in full each month to keep from having to pay finance charges. They are trying to decide if the card is right for them.</p>
<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Drew has had a good job for a couple of years and is considering getting a credit card. He has been thinking about traveling and feels that it might be a good idea to have a card that offers frequent flyer miles.</p>	<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Levi is excited because he has just received his first job. He wants to get a credit card so that he can buy new things and pay for them over time. He has decided that the most important thing for him is to get a card with a low minimum payment so that he won’t have large bills to pay each month.</p>
<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Ginny is a single mom with three young children. She has a good job, but she also has many expenses with the children and only one income in the household. She is considering getting a credit card.</p>	<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>The Lees are a young family of four, with both parents working. Eddy is thinking about buying a new car in a year or two, and both he and Tiana will want to buy a house someday. They are thinking about getting a credit card now even though they presently don’t have a lot of need for credit.</p>
<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Rosa has a good job and wants a credit card. She expects to carry over a balance each month as she buys the things she needs for her new apartment.</p>	<p style="text-align: right; font-size: small;">2.6.3.H1</p> <p>Finn wants to help out his friend who can’t get a credit card on his own. He knows he can be a co-signer and help his friend establish a positive credit. He’s not sure if he should get a card in just his friend’s name or one in his name as well.</p>

Should They Apply for a Credit Card? Scenario Considerations

1. Sofia: A credit card may not be a good idea for Sofia. Credit card debt and student loans are the big reasons many students graduate with huge debts. Sofia might be better off with a debit card. However, if Sofia is a good money manager, getting a credit card may help her build a credit history.
2. Nelson: Nelson might be tempted to use his credit card as income in this situation, which could lead to huge debt. Remind participants of the “boomerang generation,” which refers to college graduates who have moved back in with their parents due to financial difficulties.
3. Max: A credit card would probably not be a good idea for Max. If he can’t manage on his current salary, he probably would not be able to make the monthly payments. Also, using credit card advances could result in large cash advance fees.
4. Laurence and Cindy: They would be wise to get a card with no annual fee, and a longer grace period, to help them pay the card off each month. The APR is not as important, if they can truly pay the entire charges on time each month. They will need to take care to do this if the APR is high.
5. Drew: Airline miles and other rewards are sometimes offered as incentives to get people to use the cards. If Drew is going to fly a lot, this card might be good for him but he should watch out for large annual fees or high APR’s.
6. Levi: Levi needs to realize that a low minimum payment only postpones the repayment of the debt and can cause the total payment to be much greater because of the interest that he must keep paying on the debt over time. He should be thinking more about a card with a low APR, if he plans to pay it off slowly. If he doesn’t understand this, perhaps having a credit card is not a good thing for him.
7. Ginny: A credit card might be helpful to her for emergencies, but it could easily lead to debt because a she may not have the finances to pay it off. She should be careful.
8. The Lees: This family might benefit from a credit card, using it for small purchases, buying things by telephone or Internet, and/or using it in an emergency. This way, they can build up their credit history so that they will be able to finance a car or a house in the future.
9. Rosa: She should be careful about adding more to the card each month, so that her payments don’t get too high. She needs to look for a card with a low APR.
10. Finn: Finn should think of another way to help out his friend. There may be many reasons his friend is unable to get a credit card, some of which may stem from previous credit card abuse of debt. If Finn becomes a co-signer, then his credit will suffer if his friend isn’t able to make payments on time, goes over the spending limit or only makes the minimum payment each month.

Understanding Credit Cards

	Total Points Earned
26	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Match the following words with the correct definition. (1 point each)

1. _____ Transferring debt from one credit card to another
 2. _____ Charged if the account balance goes over the credit limit
 3. _____ The maximum amount of charges allowed to an account
 4. _____ The cost of credit expressed as a yearly interest rate
 5. _____ The interest rate that may be charged right after a credit card account is opened
 6. _____ An interest rate that may change depending on other factors, such as the prime rate
 7. _____ A yearly fee that may be charged for having a credit card
 8. _____ Charged when a cardholder does not make the minimum monthly payment by the due date
 9. _____ The interest rate charged on new transactions if the penalty terms in the credit card contract are triggered
- a. Annual Fee
 - b. Annual Percentage Rate (APR)
 - c. Balance transfers
 - d. Credit Limit
 - e. Introductory rate
 - f. Late-payment fee
 - g. Over-the-limit fee
 - h. Penalty APR
 - i. Variable-rate APR

Directions: Write a short answer for the following questions:

10. Is a 13% or 18% APR for a credit card better? Why? (1 point)

11. Describes the three main steps in obtaining a credit card. (3 points)

12. How can a consumer avoid paying interest on a credit card? (1 point)

13. What are two differences between a debit card and a credit card? (2 points)

14. Describe two pieces of information on a credit card statement that you should review closely and why. (2 points)

15. What typically happens if a cardholder makes a late credit card payment? (1 point)

16. Identify three positive ways to manage your credit card use? (3 points)

Directions: For the following questions, please indicate if the statement is True or False by writing a T or F on the line. (1 point each)

17. _____ Credit card applicants will always be accepted for the card they apply for, but they may have to pay a higher interest rate.

18. _____ People under the age of 21 can never receive a credit card.

19. _____ An individual's liability for unauthorized credit card charges is much higher than an individual's liability for unauthorized debit card purchases, regardless of when the fraud is reported.

20. _____ It is better to use a debit card rather than a credit card when purchasing items online.

Comparison Shopping for a Credit Card

	Total Points Earned
35	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Compare at least three sample credit card offers. Identify which credit card you would choose and why. (1 point each)

	Card 1	Card 2	Card 3
What is the Annual Percentage Rate (APR) for Purchases			
Is the APR for purchases a fixed-rate APR or variable-rate APR?			
Introductory APR- What is the rate and how long does it last?			
What is the APR for Balance Transfers?			
What is the APR for Cash Advances?			
What is the Penalty APR?			
Is there a minimum interest charge? If so, how much?			
Set-up and Maintenance Fees			
Transaction Fees			
Penalty Fees			
How is the balance calculated?			

Which credit card would you choose and why? (2 points)

Comparison Shopping for a Credit Card Essay

	Total Points Earned
21	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Write a one page essay explaining why the credit card you choose is the best choice. Your essay should:

- Provide at least 3 reasons why you selected the card that you did
- Explain the decision making process used
- Identify characteristics of the card you must be careful about to use it responsibly

	Exemplary	Satisfactory	Unsatisfactory	No Performance	Score
Content: <ul style="list-style-type: none"> ▪ At least three reasons why the card was selected is provided ▪ The decision making process is described ▪ One or more characteristics of the card that the consumer must be aware of to use it responsibly are described ▪ Answer are thoughtful and reflective 	9-7	6-4	3-1	0	
Writing Skills: <ul style="list-style-type: none"> ▪ Sentences are fluent and effective ▪ Very few errors in mechanics, punctuation and word choice ▪ Essay includes an introduction, body, and conclusion 	6-5	4-3	2-1	0	
Effectiveness of Presentation: <ul style="list-style-type: none"> ▪ Clearly prepared ▪ Easily read and neatly assembled ▪ Minimum of one-page, double-spaced with 12 font and 1-inch margins. 	6-5	4-3	2-1	0	
Total Points Earned					
Total Points Available					21
Percentage					



Understanding Credit Cards

Advanced Level

Credit cards are a form of open-end credit. A **credit card** is a plastic card that you can use to access a line of credit that has been established in advance. When you pay for a purchase with a credit card, you are borrowing money. A credit allows you to continue borrowing with each consecutive purchase as long as the **credit limit** (the maximum dollar amount that can be borrowed) is not exceeded; the exact credit limit varies among cards.

You pay interest each month on the balance of the credit card that is not paid in full. The longer you take to pay off the total balance, the more you will pay in interest. The rate at which interest is charged on a credit card account is expressed in terms of the **annual percentage rate (APR)**, which is the cost of credit expressed as a yearly interest rate.

Credit card companies require at least a minimum payment (usually monthly) on the amount owed. However, the minimum payment is usually only a small percentage (2.5 – 5%) of the total balance, enough to cover the interest charge for that month but not much more. Consequently, if you only pay the minimum payment each due date you will make very slow progress toward paying off the total card balance.

Take Miranda for example. To prepare for her first semester of college, Miranda purchased a new computer for \$1,000 and textbooks for \$500, spending a total of \$1,500 on her credit card charging 15% APR. It would take her 11 years to pay off the balance if she made only the required minimum payment of \$30 (and make no additional charges to the credit card). Counting the \$1,413 in interest paid, she would end up paying \$2,913 for the computer and textbooks. A larger payment of \$135 per month would allow her to pay off the entire balance in just 1 year, with only \$125 paid in interest.

	Payment Made	~ Time to pay off card	~ Total amount of interest paid	~Total amount paid
Full Payment	\$1,500	1 month	\$0	\$1,500
Partial Payment	\$135	1 year	\$125	\$1,625
Minimum Payment	\$30	11 years	\$1,413	\$2,913

Credit Card vs. Debit Card: A debit card is a plastic card (which looks like a credit card) that is electronically connected to the cardholder's depository institution account. Charges to a credit card are paid back at a later time. Charges to a debit card are paid for immediately.

Credit Cards as Financial Tools

Credit cards are helpful financial tools if managed responsibly. Credit cards have the following benefits:

- **Convenient payment tool:** Credit cards reduce the need to carry large amounts of cash, are useful in emergencies, and are often required to hold a reservation (most commonly at a hotel). However, the convenience may make it tempting to overspend. Be conscious of all credit card purchases to ensure you can pay that money back.
- **Protected from unauthorized charges:** A cardholder's maximum liability for unauthorized use of a credit card is \$50. If loss of a credit card is reported before the credit card is fraudulently used, the cardholder has no personal liability for unauthorized charges. If the credit card number is used fraudulently, but the credit card itself is not used, the cardholder has no personal liability.
- **Develop positive credit history:** When a credit card is used responsibly it can help you develop a positive credit history. Follow these tips for positive credit card management:
 - Pay credit card balances in full every month
 - Pay credit card bills on time
 - Be conscious of how credit cards affect your credit history
 - Check the monthly credit card statement for errors
 - Neglecting any of these practices could develop a negative credit history
- **Online shopping is safer with a credit card than a debit card:** Online shopping with a credit card is safer than using a debit card. Credit cards have more protection against fraud than debit cards. Personal liability for unauthorized use of a debit card depends on how quickly the loss is reported as well as the policies of each depository institution. Personal liability can be \$0, \$50, \$500, or unlimited. In addition, since debit cards are connected to a depository institution account, money may not be replaced right away because depository institutions have ten business days to investigate fraud.
- **Credit card bonuses:** Some credit card companies offer additional benefits beyond the use of the credit card. Bonuses vary greatly but may include cash rebates, airline miles, warranties for items purchased with the card and travel accident insurance. However, some credit cards that offer extra benefits may also charge higher/ additional fees or charge higher interest rates. It is important to evaluate if the benefits outweigh the costs.

Debit or Credit?

Ever wonder when using a debit card in a store why you may be asked if it should be run as a debit or credit purchase? When a purchase is made with a debit or credit card, a point-of-sale (POS) terminal is used to process the transaction. Some POS terminals automatically distinguish between credit and debit cards, but others ask the cardholder to do so if it is not a credit card to determine how the transaction is processed.

If you select "credit", a receipt must be signed to complete the transaction, although this may be optional if the purchase amount is under \$25.

Potential benefit: extra liability protection from fraudulent charges

If you choose "debit," then you must enter the card's personal identification number (PIN).

Potential benefit: You may be able to withdraw cash from your depository institution account at the end of the transaction for no fee



Would you be willing to pay either higher/ additional fees or higher interest rates to obtain credit card benefits? Explain.

Credit Card Offer

Credit card issuers are required to disclose the terms and fees of each credit card in an easy to read box format (known as the **Schumer Box**) on all credit card applications and solicitations. The Schumer Box displays the credit card terms including the main costs of the card. When shopping for a credit card, evaluate the Schumer Box to find the credit card that best fits your needs. A sample Schumer Box is displayed below with explanations of each section.

Interest Rates and Interest Charges	What This Means for You
Annual Percentage Rate (APR) for Purchases	This section discloses the interest paid for purchases on the card. Some credit cards have an introductory rate which is the APR charged during the credit card's introductory period after a credit card account is opened. If the card has an introductory rate, the introductory rate along with the rate that applies after the introductory rate ends will be shown here. Multiple interest rates may be listed here because the final interest rate may depend on the applicant's credit history. Some cards will have a variable-rate APR that is an APR that may change depending on other factors.
APR for Balance Transfers	This section discloses the interest paid for balance transfers (the act of transferring debt from one credit card account to another). Balance transfer fees (disclosed in the fee section of the Schumer box) may apply, even if the balance transfer APR is 0% .
APR for Cash Advances	This section discloses the interest paid for cash advances such as withdrawing cash from an ATM using a credit card. Cash advance fees may also apply.
Penalty APR and When it Applies	Penalty APR is the interest rate charged on new transactions if the penalty terms in the credit card contract are triggered. The Penalty APR is almost always higher than the APR for purchases. This section discloses the penalty APR as well as the penalty terms that trigger the penalty APR.
How to Avoid Paying Interest on Purchases	This section explains how you can avoid interest charges on purchases by paying your bill in full by the due date.
Minimum Interest Charge	Credit card companies often have a minimum interest amount. These charges typically range from \$0.50 to \$2 per month and are disclosed in this section of the credit card offer.
For Credit Card Tips from the Federal Reserve Board	This section directs consumers to the Federal Reserve website to obtain more information about credit cards.
Fees	What This Means for You
Set-up and Maintenance Fees	This section discloses any set-up and maintenance fees for the card, which can include: <ol style="list-style-type: none"> 1. Annual Fee- A yearly fee that may be charged for having a credit card. 2. Account Set-up Fee- Usually a one-time fee for opening and setting up the account. 3. Participation Fee- Usually a monthly fee charged for having a credit card. 4. Additional Card Fee– Usually a one-time fee for having a second card on an account.
Transaction Fees	This section discloses any transaction fees for the card (balance transfer fees and cash advance fees).
Penalty Fees	This section discloses the penalty fees for the card, which can include late-payment, over-the-limit, and returned payment fees. <ol style="list-style-type: none"> 1. A late payment fee is charged when a cardholder does not make the minimum monthly payment by the due date. 2. An over-the-limit fee is charged if the account balance goes over the set credit limit. The cardholder will not be charged this fee unless he/she has authorized the credit card company to permit transactions that exceed the credit limit. 3. A returned payment fee may be charged if the cardholder makes a payment but does not have enough money in that account to cover the payment.
* How We Will Calculate Your Balance	The four balance calculation methods are: adjusted balance, average daily balance including new purchases, average daily balance excluding new purchases and previous balance. Depending on the balance you carry over and the timing of your purchases and payments, you'll usually have a lower finance charge with the adjusted balance method, the average daily balance excluding new purchases method or the previous balance method.
* Loss of Introductory APR	If the card has an introductory rate, this area will list how the lower introductory rate can be lost.

How to Obtain a Credit Card

1. **Shop around:** Find the card that best fits your needs by comparing different credit card offers.
2. **Complete a credit application:** Credit card applications are available on the Internet, over the phone or in-person depending upon the specific lender. Credit card companies also send applications through the mail to potential applicants. You may receive pre-approved credit card applications in the mail, meaning you have been **pre-approved** for that particular card because you passed the initial credit history check.
3. **Determine if you are approved and the final credit terms offered:** You may or may not be approved for the credit card. If you are approved, make sure to review the final credit terms offered.

You must be 21 to obtain a credit card. If you are under 21, you can obtain a credit card with a co-signer or proof of sufficient income to make payments.

Credit Card Statements

To use a credit card responsibly, you need to understand how to read and evaluate a credit card statement. Credit card statements outline important information about your credit card. The information included on a credit card statement is explained below. The numbers in the statement correspond to the credit card statement on page 5.

1. **Summary of Account Activity-** This section includes an overview of all the basic information for the card.
2. **Payment Information-** The total new balance, the minimum payment amount, and the date payment is due is included in the payment information.
3. **Late Payment Warning-** The late payment warning states any additional fees and the higher interest rate that may be charged if a payment is late.
4. **Minimum Payment Warning-** A minimum payment warning includes an estimate of how long it can take to pay off a credit card balance if only the minimum payment is made each month, and an estimate of the total amount paid, including interest, if the bill is paid in three years (assuming no additional charges are made).
5. **Notice of changes to your interest rates-** This section notifies the cardholder if the rates for the card will be increasing (usually because the Penalty APR was triggered).
6. **Other changes to your account terms-** This section notifies the cardholder of any increase in fees or any other significant changes to the account.
7. **Transactions-** All transactions that have occurred since the last statement are listed here.
8. **Fees and Interest Charges-** The fees and interest charges are listed separately.
9. **Year-to-date Totals-** The total amount paid in fees and interest charges are displayed for the current year.
10. **Interest Charge Calculation-** This section provides a summary of the interest rates on the different types of transactions, account balances, the amount of each, and the interest charged for each type of transaction.



Credit cards are a form of open-end credit. You can continue to borrow as long as the credit limit is not exceeded. Credit cards have many benefits and are a helpful financial tool if you manage them responsibly. You do not pay interest if you pay the balance in full every month. However, if you only pay the minimum payment you make slow progress towards paying off the total card balance, and will pay significantly more interest.

Credit Card Statement

Summary of Account Activity		Payment Information														
Previous Balance	535.07	New Balance	2	\$1786.00												
Payments	-450.00	Minimum Payment Due		\$53.00												
Purchases	+517.12	Payment Due Date		4/20/12												
Balance Transfers	+785.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APR's may be increased up to the Penalty rate of 28.99%														
Cash Advances	+318.00	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:														
Past Due Amount	+0.00	<table border="1"> <tr> <td>4</td> <td>If you make no additional charges using this card and each month you pay...</td> <td>You will pay off the balance shown on this statement in about...</td> <td>And you will end up paying an estimated total of...</td> </tr> <tr> <td></td> <td>Only the minimum payment</td> <td>8 years</td> <td>\$2,785</td> </tr> <tr> <td></td> <td>\$62</td> <td>3 years</td> <td>\$2,232 (savings = \$553)</td> </tr> </table>			4	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	8 years	\$2,785		\$62	3 years	\$2,232 (savings = \$553)
4	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				8 years	\$2,785										
	\$62	3 years	\$2,232 (savings = \$553)													
Fees Charged	+69.45															
Interest Charged	+11.36															
New Balance	\$1,786.00															
Credit Limit	\$2,000.00															
Available credit	\$214.00															
Statement closing date	3/22/2012															
Days in billing cycle	30															

Notice of Changes to Your Interest Rates	Important Changes to Your Account Terms				
<p>5</p> <p>You have triggered the Penalty APR of 28.99%. This change will impact your account as follows: <u>Transactions made on or after 4/9/12:</u> As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely. <u>Transactions made before 4/9/12:</u> 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 transactions as well.</p>	<p>6</p> <p>The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement. These changes will impact your account as follows: <u>Transactions made on or after 4/9/12:</u> As of 5/10/12, any changes to APR's described below will apply to these transactions. <u>Transactions made before 4/9/12:</u> Current APRs will continue to apply to these transactions. <u>If you are already being charged a higher Penalty for purchases:</u> In this case, any changes to APR's described below will not go into affect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.</p> <table border="1"> <thead> <tr> <th colspan="2">Revised Terms, as of 5/10/12</th> </tr> </thead> <tbody> <tr> <td>APR for purchases</td> <td>16.99%</td> </tr> </tbody> </table>	Revised Terms, as of 5/10/12		APR for purchases	16.99%
Revised Terms, as of 5/10/12					
APR for purchases	16.99%				

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
XXXX1	2/22	2/23	Store #1	\$517.12
XXXX2	2/25	2/25	Payment	\$450.00 -
XXXX3	2/26	2/26	Cash Advance	\$318.00
XXXX4	2/27	3/1	Balance Transfer	\$785.00
Fees				
XXXX5	2/23	2/23	Late Fee	\$35.00
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
			Total Fees for this Period	\$69.45
Interest Charged				
			Interest Charge on Purchases	\$6.57
			Interest Charge on Cash Advances	\$4.79
			Total Interest for this Period	\$11.36
2012 Totals Year-to-Date				
			Total fees charged in 2012	\$90.14
			Total interest charged in 2012	\$18.74

Interest Charge Calculation			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$533.32	\$6.57
Cash Advances	21.99%	\$265.00	\$4.79
Balance Transfers	0.00%	\$575.67	\$0.00