

THE ROAD TO RICHES: Pros and Cons of Credit

DVD Version

CREDITS

PRODUCED BY

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TEACHER'S RESOURCE BOOK

Heather Howard

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DVD MENU

MAIN MENU

➤ **PLAY**

➤ **CHAPTER SELECTION**

From here you can access many different paths of the DVD, beginning with the introduction and ending with the credits.

1. Introduction
2. Credit is a Loan
3. Big #1
4. Beware of Cash Advances
5. A Personal Story
6. Review and Conclusion

➤ **TEACHER'S RESOURCE GUIDE**

A file of the accompanying Teacher's Resource Guide is available on the DVD. To open the file you need to load the DVD onto a computer that has a DVD-ROM and Adobe Acrobat Reader. Right click on the DVD icon and then double click on the file titled "Teacher's Resource Book."

Credit and credit cards have practically become a necessity of life these days. Americans have developed a “buy now, pay later” attitude and racked up credit card debt into the hundreds of billions of dollars. That’s enough money to fight the Gulf War—six times!

And credit cards are so easy to come by! We’re bombarded with pre-approved credit card offers in the mail—the average household gets at least eight offers a month. We’re enticed into applying for credit cards by offers of free gifts. College students, even though they may have no regular income, are constant targets of credit card marketing and more than 75% of college students have their own credit cards.

At the same time, our credit reports, ratings and scores are being used as measurements in countless aspects of our lives! Landlords use them to decide if they should rent us an apartment; potential employers use them to decide whether we’ll be responsible employees; insurance agents use them to determine if we’re a good risk. Students won’t have the luxury of learning from their mistakes—the need to learn how to handle credit *before* they get their first credit card or car loan.

The more prolific credit and credit cards become in our lives, the more seriously we need to take them. If not managed properly, debt can ruin lives; money problems are often the cause of divorce and domestic violence. And debt doesn’t discriminate—high-income professionals are just as likely to fall victim to its dangers if they’re not careful.

But it doesn’t have to be that way. If we educate ourselves and learn how to use credit wisely, it can be a great benefit. *The Road to Riches: Pros and Cons of Credit* is a thorough guide to understanding credit and using it responsibly. The fast-paced video will entertain students as they learn. The pros and cons of credit are presented in a lively, easy-to-understand style.

Students will be introduced to:

- what credit is and how it’s used
- how to use credit cards responsibly and to their advantage
- how to find the best credit card for them
- what a credit rating is and who uses it
- why you should always pay more than the “minimum payment”
- what to do when you get into debt

Understanding these concepts will help students avoid hazards along “the road to riches.” Until now, using credit responsibly was not a subject that was taught. It was assumed that students would instinctively know how to handle it. *The Road to Riches: Pros and Cons of Credit* fills a great need. The program is further enhanced by worksheets and exercises that expand on the information in the video. With these tools, students can develop the skills they need to handle credit sensibly and use it to their advantage.

LEARNING OBJECTIVES

After watching the video *The Road to Riches: Pros and Cons of Credit* and participating in the class activities included in this Teacher's Resource Book, your students will be able to:

- understand exactly what credit is
- recognize the importance of using credit responsibly
- decide when it's good to use credit and when it's not
- compare credit card offers by using the "disclosure chart"
- know what a credit report is and how to obtain a copy of it
- appreciate why it's important to keep a good credit rating
- realize the significance of paying more than the minimum payment
- understand what bankruptcy is
- know about alternatives to bankruptcy

The Road to Riches: Pros and Cons of Credit opens with lively music and an animated car taking a trip down the “road to riches.” At a fork in the road, the car takes the “pro” path, rather than the “con” dead end. Next, we meet our two hosts, who explain that credit cards are everywhere these days and have practically become a necessity of life. They reveal that most households receive an average of eight “pre-approved” credit card offers every month and about 75% of college students have credit cards. The hosts add that some of the student viewers may already have their own card as well, so it’s essential that we all learn how to use credit wisely and responsibly so that we can take advantage of the benefits of credit without becoming a victim of its dangers.

The hosts introduce us to a panel of experts who share experience and advice in clips throughout the program. We meet bank president Ric Smith, financial planner Hank Parks, insurance agent Charles Hemmans and credit counselor Denise Surratt.

The hosts tell us that the first thing we need to understand is that CREDIT is a LOAN that you promise to repay with interest. Denise Surratt describes how credit might be used for “big ticket” purchases and can also come in handy in emergencies. Hank Parks explains that once you make a decision to borrow money that you are then committed to something and that you must be careful not to make more commitments than you can handle.

The hosts then explain that the best way to use credit is to help you buy things that will appreciate—or go up—in value over time, or things that will increase YOUR value. Examples for good uses of credit are given.

Ric Smith tells us that the most common loan that people make is an automobile loan. He adds that if you fail to pay back an automobile loan, the lender can seize the car and sell it to pay off the loan balance.

The hosts then share the “big number one,” the most important “rule of the road” for using credit... **never borrow what you can’t repay**—in-full and on-time! It’s especially important when you get your first loan, so that when you are ready to make your next loan you’ll have a good credit rating.

So what is a credit rating? The hosts advise us that when it comes to credit, “big brother” really is watching! They tell us about the three major credit bureaus in the U.S. that track the details of your financial life and about the type of information they collect. Our experts go on to explain who looks at this information and how it might be used.

Next the video takes up the subject of credit cards, which the hosts explain will be the most common way for most of us to use credit. The hosts and experts share advice for how to use credit responsibly. Denise Surratt explains that credit cards themselves are not bad, but the

way people use them can be bad... and dangerous. She advises that you should try to pay off your balance in full every month, but that you should always pay more than the minimum payment. The hosts share an example that it could take 12 years to pay off a \$1000 bill if you only paid the minimum payment and that by the time it's paid off, you would end up paying nearly twice the original \$1000.

Now that viewers have heard the downside of credit cards, the hosts share tips and advice for how we can select the right credit cards and use them to our advantage. They advise students to always read the fine print and show us how we can size up and compare credit card offers by using the information provided in the "disclosure charts" that are included in credit card offers.

The information in disclosure charts is illustrated and explained including interest rates or APR, grace periods, late fees, annual fees and rebates. A warning is added about the danger of cash advances. The importance of trying to pay off your balance every month and always paying more than the minimum is reiterated.

The hosts go on to share advice for checking over your monthly statements, reporting disputed charges and keeping your credit cards safe. Ric Smith adds that credit cards are probably the most abused form of credit and that it makes no difference who you are or how much money you make—he's seen doctors and corporate executives who earn huge salaries spend more than they make and run up \$50,000 to \$100,000 in credit card debt.

So what happens when debt catches up with you? The hosts explain that, regardless of what you might see on TV, that filing bankruptcy is truly a last resort. A debt management program can be an alternative to bankruptcy that is offered through Consumer Credit Counseling Services, where Denise Surratt works. Denise explains the long-lasting negative effects of bankruptcy and how a debt management program works.

The female host, Melissa, then reveals that she didn't always know very much about managing money and that, unfortunately, she now knows about debt management programs first hand! She then shares her personal story: Melissa explains how she got her first credit card by filling out an application at a baseball game simply to get a free T-shirt. She got the credit card and used it like it was "free money," though her mother advised her to save it only for emergencies. When she "maxed out" the first credit card, she got more cards. As her debt climbed into the thousands of dollars, she says she stopped opening the bills and answering the phone so she wouldn't have to face reality.

She describes the embarrassment when her roommate would get the calls and how peer pressure caused her to continue spending when she knew she couldn't afford it. When she finally went to Consumer Credit Counseling Services for help, they tore up her credit cards and helped her create a budget. It was only then that she realized that she had more money

PROGRAM SUMMARY
CONTINUED

going out than she had coming in. She concludes her story by saying that she's slowly working her way out of debt and now shares what she's learned. She tells the viewers that she hopes they'll take advantage of the opportunity to learn from her mistakes.

The video closes with the hosts reviewing the "rules of the road" for using credit and Hank Parks advises the viewers to "become the person who says 'this is MY money, I worked very hard for it and I'm not so sure I need what you have...'" and advises that you take your time and think because "bad decisions with money happen very quickly." As the animated car drives off into the horizon, students have acquired some valuable, practical knowledge to help them avoid some of the dangerous pitfalls along the "road to riches."

NOTES TO THE TEACHER

The student activity sheets provided in this program offer specific information and skills that your students will need to learn to help them use credit wisely and responsibly. The following are suggestions for using the activity sheets (referred to by their respective titles) but you are free to decide the best course of action for your class based on your time, space and equipment constraints.

Comparing Offers (Page 9)

The most common way that students will use credit will be with credit cards. This student activity sheet presents tips and information that will help students learn how to effectively compare credit card offers and choose a card that best meets their needs. Students should first read and discuss the information provided in this activity sheet. They are then encouraged to use this information to examine and compare some of the pre-approved credit card offers that are mailed to their homes. Students are encouraged to *always read the fine print* on any offer before selecting a card.

Credit Card Disclosure Chart (Page 10)

All credit card offers should provide a chart that discloses the card's various terms and conditions. This activity sheet provides a sample of a Credit Card Disclosure Chart to show students how they are laid out and the information they contain.

The Cost of Credit (Page 11)

Students need to understand that credit is not free money! This activity sheet contains a chart that shows students how much interest would be paid on different amounts of money each year. The chart gives sample amounts of money and various interest rates and leaves blanks for students to figure for themselves how much the interest will be on other amounts.

Pay More Than the Minimum (Page 12)

Probably the most dangerous thing about credit cards is right on your monthly bill... the box that says "minimum payment due." This student activity sheet includes two charts—the first one shows how much interest you pay when you make only the minimum payment and just how long it would take you to pay off certain items. The second demonstrates how much faster you can pay off items and how much less expensive it is in the long run to pay more than the minimum payment. These charts should be compared and discussed item by item.

Credit Bureaus (Pages 13-15)

Three major credit bureaus track the details of our financial lives. This activity sheet shows students what information the credit bureaus collect and who might request their credit information. It also provides addresses, phone numbers and Internet addresses for the three credit bureaus. If your classroom has Internet access, students are encouraged to check the websites to find out more information.

Sample Credit Report (Pages 14-15)

This student activity sheet provides a sample of a credit report and the information it might contain. Students should review and discuss the report item by item.

Melissa's Story (Page 16)

At the end of the video, Melissa, the female host, shares her personal story of how she got into trouble with debt and worked hard to get out of it through a debt management program. This activity sheet provides specific points to discuss after viewing her story again.

Be Responsible with Credit (Page 17)

This student activity sheet provides tips for managing credit and credit cards. Students should read and discuss each point. A series of questions are also provided that they should ask themselves before using credit.

Credit Card Acrostic (Page 18)

This activity should be discussed item-by-item. It is designed to reinforce the important points to remember about credit cards.

Crossword Puzzle with Answer Key (Pages 19-20)

The answers in this crossword puzzle activity sheet directly reflect the terms and themes presented in the video. The answer key is provided for teachers and a blank puzzle is provided for students.

Safeguard Your Card (Page 21)

Students should review these tips for keeping a credit card and/or account number safe and then discuss them. Some students may also know of real-life situations or stories they have heard about credit card safety and identity theft.

Sample Credit Card Statement (Page 22)

This student activity sheet provides a sample of a monthly credit card statement. Students should review and discuss the various aspects of the statement.

About Bankruptcy (Page 23)

When someone gets into trouble with debt, personal bankruptcy should be considered only as a last resort. This student activity sheet explains the long-term negative impact that bankruptcy can have, and also discusses a “debt management program” which can be an alternative to bankruptcy. Students should review and discuss the two types of personal bankruptcy and the consequences of each.

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STUDENT ACTIVITIES

Name: _____

Pre-approved credit card offers arrive in the mail in staggering numbers. The average household receives about eight of them every month. Each of these offers should contain a chart of disclosures which include information about the following:

- Annual Percentage Rate (APR); interest charged for purchases
- Other APR's; interest charged on cash advances, balance transfers, etc.
- Variable Rate Information; explanations whether and how these fees may go up or down
- Grace Period; the length of the period of time before interest is charged if you pay off your balance in full by the due date
- Method of computing the balance for purchases
- Annual Fees; some credit cards charge a fee whether you use them or not
- Transaction Fees; fees charged for cash advances or transferring your balance from another card
- Late Fees; fees charged if you fail to pay your bill by the due date
- Over-the-Credit-Line Fees; fees charged if you exceed your credit limit

The following page offers a sample disclosure chart from a credit card offer. Read and discuss the various features offered by the card. Look at pre-approved credit card offers that come in the mail to your home. Compare and discuss the offers in class.

Some points to consider when examining a credit card offer:

- Some APR's are fixed, which means they won't go up or down, but some are variable, which means they can go up and down.
- If the card offers a grace period and you pay your balance in full every month by the due date, you can enjoy the convenience of a credit card without paying interest.
- Note the charges associated with cash advances and see how they can add up quickly.
- Some credit cards, such as American Express, require you to pay off your balance in full every month.
- REMEMBER: It's very difficult for anyone to understand all of the information in these credit card offers. Make sure you read the fine print and ask questions about anything you don't understand!

This activity is continued on the next page.

Name: _____

SAMPLE CREDIT CARD DISCLOSURE CHART

Annual percentage rate (APR) for purchases	10.74%
Other APRs	Balance transfer APR: 0% until June 1, 2003, after that 10.74% Cash advance APR: 19.99% Default rate: Up to 24.74%. See explanation on previous page.
Variable rate information	APR's may vary. The rate for purchases and balance transfers is determined monthly by adding 5.99% to the Prime Rate. The default rate is determined monthly by adding up to 19.99% to the Prime Rate.
Grace Period for repayment of balances for purchases	20-25 days if you pay your balance in full by the due date
Method of computing the balance for purchases	Average daily balance (including new purchases)
Annual fees	None
Transaction fee for cash advances	3% of the amount of each advance, but not less than \$5.00
Transaction fee for balance transfers	3% of the amount of each balance transfer, but not less than \$5.00 or more than \$50.00. However, there is no balance transfer fee for this offer.
Late fee	\$15.00 on balances up to \$100 \$25.00 on balances of \$100 to \$1000 \$35.00 on balances of \$1000 and over
Over-the-credit-line fee	\$29.00

Name: _____

ACTIVITY 2
THE COST OF CREDIT

Credit is not free money! This chart gives examples of different amounts of money and how much interest you will pay on those amounts each year. Fill in the blank amounts and discuss other things you could do with that money rather than paying interest!

APR	AVERAGE DAILY BALANCE				
	\$1,000.00	\$2,000.00	\$3,000.00	\$4,000.00	\$5,000.00
12%	\$120.00	\$240.00	\$360.00	\$480.00	\$600.00
12.5%	\$125.00	\$250.00	\$375.00	\$500.00	\$625.00
13%					
13.5%					
14%	\$140.00	\$280.00	\$420.00	\$560.00	\$700.00
14.5%	\$145.00	\$290.00	\$435.00	\$580.00	\$725.00
15%					
15.5%					
16%					
16.5%					
17%					
17.5%					
18%					
18.5%					
19%					
19.5%					
20%	\$200.00	\$400.00	\$600.00	\$800.00	\$1,000.00

Source: Consumer Credit Counseling Services

Name: _____

ACTIVITY 3

**PAY MORE THAN THE
MINIMUM**

There are some very good reasons why you should always pay more than the “minimum payment due” on your credit card bill. Read on:

COST OF MAKING MINIMUM PAYMENTS

<i>ITEM</i>	<i>PRICE</i>	<i>APR</i>	<i>INTEREST PAID</i>	<i>How much you REALLY pay for the item</i>	<i>Total Years to Pay Off</i>
TV	\$500	18%	\$439.00	\$939.00	8 years
Computer	\$1,000	18%	\$1,899.00	\$2,899.00	19 years
Furniture	\$2,500	18%	\$6,281.00	\$8,781.00	34 years

BENEFIT OF MAKING LARGER PAYMENTS

<i>ORIGINAL BALANCE</i>	<i>APR</i>	<i>MONTHLY PAYMENTS</i>	<i>Total Number of Monthly Payments</i>	<i>Total Years to Pay Off</i>	<i>Total of Payments</i>
\$2,500	18%	Minimum Payment	404	34	\$8,781.00
\$2,500	18%	\$50	94	8	\$4,698.00
\$2,500	18%	\$100	32	3	\$3,163.00

Source: FDIC “MoneySmart” curriculum

Name: _____

Anyone who has ever applied for a credit card, a personal loan or even insurance, has a credit file with the three major credit bureaus. These companies that gather and sell this information are also known as Consumer Reporting Agencies (CRAs). Credit bureaus collect and sell four basic types of information:

1. **Identification and employment information**
Your name, social security number, employer's name and social security number are routinely noted. They may also provide information about your employment history, home ownership, income and previous addresses if a creditor requests this type of information.
2. **Payment history**
Your accounts with different creditors are listed, showing how much credit has been issued and whether it's paid back on time. Overdue accounts referred to collection agencies are also noted.
3. **Inquiries**
Credit bureaus must keep a record of any creditor who has asked for your credit history within the past year as well as businesses that requested credit history for employment purposes in the past two years.
4. **Public record information**
Events that are a matter of public record such as bankruptcies, foreclosures or tax liens will also appear in your report.

There are three major credit bureaus in the U.S. Check out their websites to find out more about them.

EQUIFAX
P.O. Box 740241
Atlanta, GA 30374-0241
1-800-equifax.com
www.equifax.com

EXPERIAN
P.O. Box 949
Allen, TX 75013
1-888-397-3742
www.experian.com

TRANSUNION
760 West Sproul Road
P.O. Box 390
Springfield, PA 19064-0390
1-800-888-4213
www.transunion.com

Who looks at your credit report?

- Creditors
- Landlords
- Employers
- Insurance agents

This activity is continued on the next page.

Name: _____

SAMPLE CREDIT REPORT

I.D. Section Your name, current address and other identifying information reported by your creditors	John Doe 123 Home Address City, ST 00000 Date: 07/30/02 SS#: 000-00-0000 Date of Birth: 01/01/75 Spouse: Jane										
Credit History Section List of open and paid accounts indicating any late payments reported by your creditors	<i>Company</i>	<i>Acct #</i>	<i>Whose Acct.</i>	<i>Date Opened</i>	<i>Months Reviewed</i>	<i>Date of last activity</i>	<i>High Credit</i>	<i>Terms</i>	<i>Balance</i>	<i>Past Due</i>	<i>Date Reported</i>
	Sears	34567	I	05/00	25	06/02	3,500		0	0	07/02
	C & S	6789	J	07/00	23	04/01	6,000		0	0	07/02
	Visa	00101	I	01/99	42	07/02	9,000		0	0	07/02
Collection Accounts Accounts which your creditors turned over to a collection agency	Collection reported 07/99, assigned to Pro Collection, client ABC Hospital Amount \$978.00, unpaid \$978.00										
Courthouse Records Public record items obtained from local, state and federal courts which reflect your history of meeting financial obligations	Lien filed 03/99, Case number 01234										
Additional Information Primarily consists of former addresses and employments reported by your creditors	Former address: 425 Mulberry Street, Other City, USA Current Employment: Engineer, Acme Engineering										
Inquiry Section List of businesses that have received your credit report in the last 24 months	06/04/01 Sears 08/07/01 First National										

This activity is continued on the next page.

Name: _____

SAMPLE CREDIT REPORT continued

Whose account	Type of account	Timeliness of payment
<p>Indicates who is responsible for the account and the type of participation you have with the account.</p> <p>J = Joint</p> <p>I = Individual</p> <p>U = Undesignated</p> <p>A = Authorized user</p> <p>T = Terminated</p> <p>M = Maker</p>	<p>O = open (entire balance due each month)</p> <p>R = revolving (payment amount variable)</p> <p>I = installment (fixed number of payments)</p>	<p>0 = approved, not used</p> <p>1 = paid as agreed</p> <p>2 = 30 days past due</p> <p>3 = 60 days past due</p> <p>4 = 90 days past due</p> <p>5 = 120 days past due</p> <p>7 = making regular payments under wage-earner plan or similar</p> <p>8 = repossession</p> <p>9 = Seriously delinquent or bad debt</p>
<p>C = Co-maker/Co-signer</p> <p>B = Behalf of another person</p> <p>S = Shared</p>	<p>Length of time information remains in your file:</p> <p>Credit & collection accounts – seven years from date of last activity with original creditor</p> <p>Courthouse records – seven years from date filed</p> <p>Bankruptcy, Chapters 7 & 13 – ten years from date filed</p>	

Name: _____

View Melissa's story at the end of the video again. With your classmates, discuss the following points:

- **Credit is serious business:** Beware of any offer where you can get something free for filling out a credit card application. Applying for credit is something you should *never* take lightly.
- **"It's free money!"** Credit cards are *not* free money. Using a credit card is the same as taking out a loan—never borrow what you can't repay.
- **Emergency use only:** Melissa's mother said to use her credit card only for emergencies... What constitutes an emergency, and what doesn't?
- **Peer pressure:** What should you do when your friends encourage you to do things and buy things you know you can't afford? What if they offer to buy things for you?
- **Fear and embarrassment:** What should you do if you get into trouble with debt?
- **What has Melissa learned from her experiences?** What did you learn from her story?

Name: _____

Together with your classmates, discuss these tips for managing credit and credit cards:

1. Try to pay off your entire bill each month. Always pay more than the minimum payment.
2. Always pay on time to avoid late fees and protect your credit rating. If you cannot pay on time for some reason, call your creditor immediately and explain the situation. They may waive late fees or be willing to help you make different arrangements.
3. Always check your monthly statement to verify the charges. Notify your creditor immediately if you suspect errors in your statement.
4. Ignore offers to reduce or skip payments. You will still be charged interest during this period. It's worse than only paying the minimum payment!
5. Before using credit, think about the cost difference if you purchased the item with cash rather than with credit. (Example: a \$2,500 item paid for over three years at 18% interest will end up costing \$3,163.)
6. Hold on to your receipts and keep a tally of your charges so you're not surprised when the bill comes.
7. Don't buy on impulse. Write down what you want, check your budget and wait a few days or weeks. If you still want it, shop around and compare prices to make sure you are getting the best deal.
8. **KNOW YOUR LIMITS!** Not just your credit limit, you also need to know your spending limit! Check your budget so you can shop with a firm idea of what you need and what you can afford to pay.

Before using credit, ask yourself:

- Do I need this?
- Do I need it NOW?
- Can I wait until I can afford to pay cash for it?
- What APR will I pay?
- What will the total cost be with interest?
- How much more will I pay if I buy on credit?
- Can I afford the monthly payments?

Name: _____

Comparison shop for the best credit card offer available to you.

Read the fine print on all credit card offers.

Emergencies: Save your credit card for emergencies like car repairs.

Disclosure charts: Use the disclosure chart in credit card offers to compare things like interest rates, grace periods and annual fees.

Interest: Try to get the lowest Annual Percentage Rate (APR) available.

Try to pay your balance in full every month.

Cash Advances: Beware of cash advances. Remember that it's much more expensive to take out a cash advance than to charge a purchase to your credit card.

Always pay more than the minimum payment!

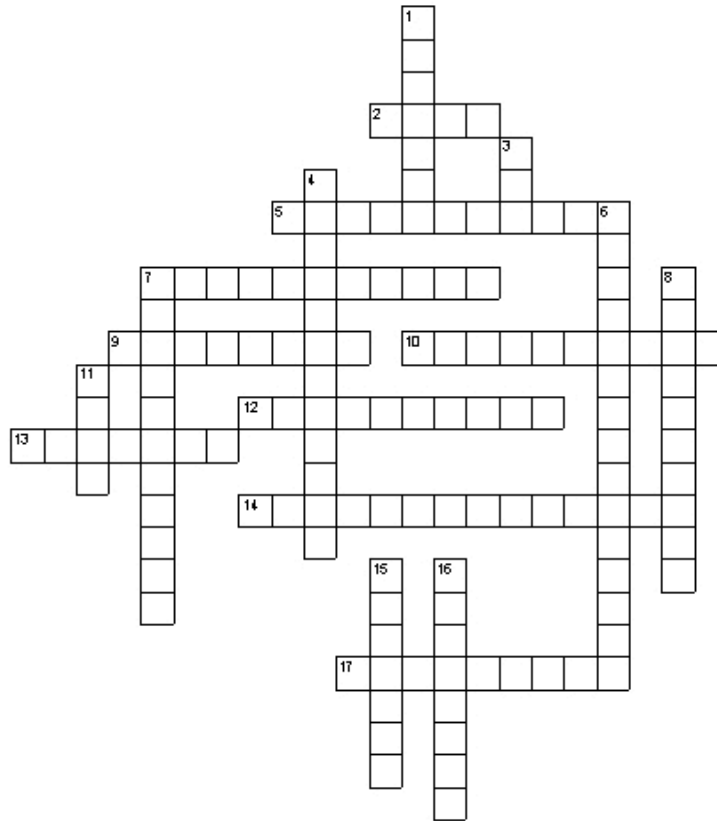
Revue your statements carefully and compare them to your receipts.

Don't forget to record your credit card charges in your budget.

Safeguard your card! Don't ever lend your card to anyone and don't leave your account number or receipts lying around.

Name: _____

CROSSWORD PUZZLE



Across

- 2. What you DON'T want to get into!
- 5. The "free" period that allows you to avoid paying interest if you pay your bill in full by the due date.
- 7. Beware of these!
- 9. Compare these to your statement every month
- 10. What you should seek if you get into debt
- 12. One of the three credit bureaus that track your credit history
- 13. Slang term for Credit Cards
- 14. What you should always pay MORE than!
- 17. What you should read on every credit card offer

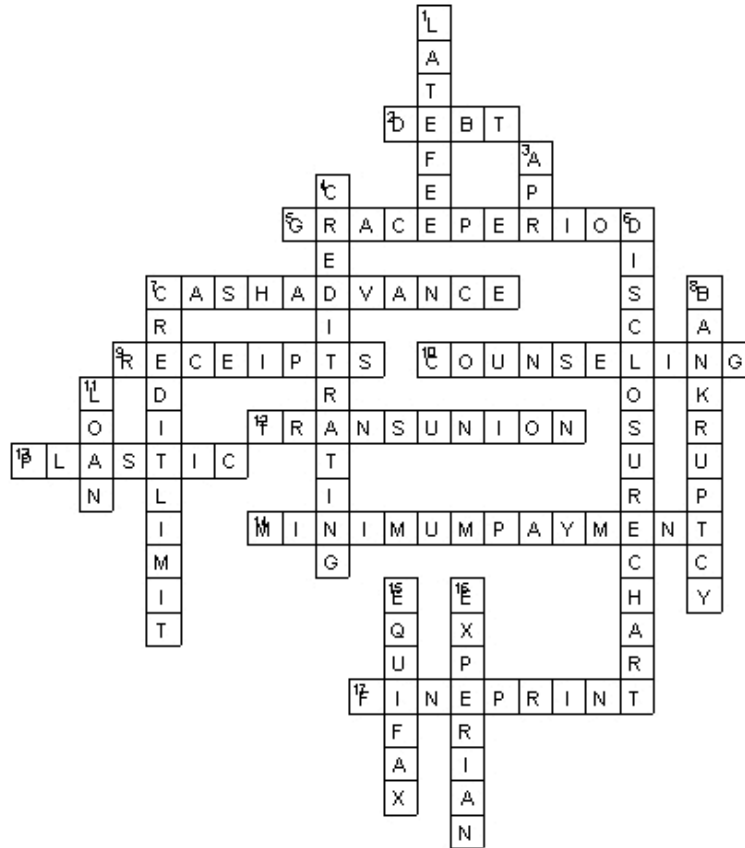
Down

- 1. What you are charged if you don't pay your bill on time
- 3. Abbreviation meaning the rate of interest you are charged
- 4. You want to keep a good one
- 6. What you use to compare credit card offers
- 7. The most you can spend with your credit card
- 8. A last resort
- 11. Another term for credit
- 15. One of the three credit bureaus that track your credit history
- 16. One of the three credit bureaus that track your credit history

Name: _____

ACTIVITY 8B
CROSSWORD PUZZLE

ANSWER KEY



Across

- | | |
|---|--|
| 2. What you DONT want to get into! | 12. One of the three credit bureaus that track your credit history |
| 5. The "free" period that allows you to avoid paying interest if you pay your bill in full by the due date. | 13. Slang term for Credit Cards |
| 7. Beware of these! | 14. What you should always pay MORE than! |
| 9. Compare these to your statement every month | 17. What you should read on every credit card offer |
| 10. What you should seek if you get into debt | |

Down

- | | |
|--|--|
| 1. What you are charged if you don't pay your bill on time | 8. A last resort |
| 3. Abbreviation meaning the rate of interest you are charged | 11. Another term for credit |
| 4. You want to keep a good one | 15. One of the three credit bureaus that track your credit history |
| 6. What you use to compare credit card offers | 16. One of the three credit bureaus that track your credit history |
| 7. The most you can spend with your credit card | |

Name: _____

Review and discuss these tips for keeping your credit card and your account number safe:

- Sign the back of your card as soon as it arrives.
- Never lend your credit card to anyone.
- Never leave your card or receipts lying around.
- Keep a record of your account number, expiration date and the address and telephone number of the credit card company in a safe place (other than your wallet).
- Don't give out your account number over the phone, unless YOU initiated the call and you're sure the company you are talking to is reputable.
- Report any wrong or questionable charges promptly over the phone, then follow up in writing.
- Save your receipts to compare them with your monthly billing statements.
- Never sign a blank receipt. Draw a line through any blank spaces on the receipt, and make sure the total is correct.
- When making a credit card transaction, try to keep your card in view if possible. Retrieve your card and put it away promptly after using it.

IF YOUR CREDIT CARD IS LOST OR STOLEN:

Call the company who issued it *immediately* (most companies have a 24-hour toll-free number). The company will cancel that card and issue you a new card under a new account number. It usually takes seven to ten days to receive your new card.

By law, once you report the loss or theft, you should have no further responsibility for unauthorized charges. Under federal law, your maximum liability is \$50 per card.

Name: _____

ACTIVITY 10
SAMPLE CREDIT CARD STATEMENT

SAMPLE CREDIT CARD STATEMENT

CREDIT CARD COMPANY

New Balance

\$243.00

Billing Date

05/01/02

Credit Limit

\$2,000.00

Credit Available

\$1,757.00

Minimum Payment Due

\$10.00

Payment Due Date

05/20/02

NAME
ADDRESS
CITY, STATE, ZIP
ACCOUNT NUMBER

Posting Date	Transaction Date	Transaction Description	Charge	Credit
04/10/02	04/10/02	Neighborhood Grocery	\$25.00	
04/12/02	04/13/02	Around-the-Corner Restaurant	\$15.00	
04/15/02	04/15/05	Cash Advance	\$180.00	
04/15/02	04/15/02	Cash Advance Fee	\$20.00	

ACCOUNT SUMMARY

Previous Balance	\$150.00
Purchases	\$40.00
Cash Advances	\$180.00
Other Debits	\$20.00
Credits	\$0.00
Finance Charges	\$3.00
Payments	\$150.00
New Balance	\$243.00

Name: _____

If you get into trouble with debt, personal bankruptcy should be considered only as a last resort—the results are a long-term negative impact on your credit rating and your ability to get credit. **Bankruptcy stays on your credit report for 10 years, making it difficult to get credit, buy a home, rent an apartment, purchase insurance, or even sometimes to get a job!**

There are two types of personal bankruptcy: Chapter 13 and Chapter 7. They are filed in federal bankruptcy court. The court costs for seeking bankruptcy relief is \$160. There is a filing fee of \$130 and an administrative fee of \$30. Attorney fees are additional and can vary greatly. The consequences of bankruptcy can be huge and should never be taken lightly.

CHAPTER 13 BANKRUPTCY: If you have a regular income and limited debt, Chapter 13 allows you to keep your property (like a house or car) that you might otherwise lose. The court approves a repayment plan that allows you to pay off a default during a period of three to five years, rather than surrendering your property. However, if you don't have an acceptable plan to pay your debts, you may lose property when a creditor has an unpaid mortgage on it.

CHAPTER 7 BANKRUPTCY: This is also known as “straight” bankruptcy. All assets that are not exempt must be liquidated. (Exempt property may include cars, work-related tools and basic household furnishings). Property may be sold by a court-appointed official (a trustee) or turned over to your creditors. You may only file Chapter 7 to a discharge of your debts once every six years.

Both forms of bankruptcy can stop foreclosures, repossessions, utility shut-offs and debt collection activities. Personal bankruptcy usually doesn't eliminate your responsibility to pay child-support, alimony, fines, taxes and some student loans.

BEWARE OF THESE ADVERTISING CLAIMS:

“Consolidate your bills into one monthly payment without borrowing.”

“Stop credit harassment, foreclosures, repossessions and tax levies.”

“Keep your property.”

“Wipe out your debts! Use the protection and assistance provided by federal law. Let the law work for you!”

What these ads DON'T say is that these claims usually involve bankruptcy proceedings, which will hurt your credit rating **and** cost you attorney's fees!

DEBT MANAGEMENT:

If you find yourself getting into trouble with debt, consider contacting a reputable, non-profit credit counseling service (Like Consumer Credit Counseling Services; www.cccs.org). Creditors may be willing to accept reduced payments if you enter a debt management program. You will be required to make regular, timely payments and agree not to apply for—or use—any additional credit while you're in the program.

FACT SHEETS

Name: _____

CREDIT THROUGH
HISTORY

In this new millennium, consumer debt has reached an all-time high, but the truth is that the U.S. has depended on credit since the birth of our nation! Here are some highlights from America's love affair with credit:

- 1780: George Washington's Yorktown campaign is financed with a loan arranged by Robert Morris, who was later imprisoned for land speculation debts.
- 1800: The first U.S. bankruptcy law is adopted in response to losses suffered by land speculators. (Voluntary bankruptcy filings are not allowed until 1841).
- 1812: New York's Cowperthwaite & Sons begins selling furniture on "installment," allowing consumers to take items home while paying them off over time. Competitors soon follow suit.
- 1831: The first building and loan association is formed, offering mortgages with fixed monthly payments instead of requiring payback in one lump sum.
- 1856: I.M. Singer & Co. launches an installment selling campaign, allowing "suitable" buyers to take home a sewing machine for \$5 down and monthly payments for the balance, plus interest.
- 1889: Installment plans have become so widespread that the term is listed in the dictionary for the first time.
- 1910: The Sears catalog condemns the "folly" of buying on credit—just a year later, Sears abandons its cash-only policy and starts installment selling for fear of losing business.
- 1914: Western Union and some department stores issue the nation's first charge cards, letting people pay for purchases at the month's end.
- 1919: General Motors launches the General Motors Acceptance Corporation to help buyers finance car purchases.
- 1924: Three out of every four automobiles purchased in the U.S. are bought on credit. Auto loans make up more than half of all retail installment credit.
- 1950: The Diners' Club introduces its "travel and entertainment" card—the first charge card that can be used at more than one retail establishment.
- 1958: American Express introduces its charge card. Bank of America mails the first 60,000 "BankAmericards" to Fresno, California residents.

Name: _____

FACT SHEET 1B

**CREDIT THROUGH
HISTORY**

- 1966: Bank of America begins licensing BankAmericard to other banks. Rival banks respond by forming the Master Charge group.
- 1970: President Nixon bans mass mailings of unsolicited credit cards, forcing banks to ASK customers if they actually want a card before they send them one.
- 1976: BankAmericard becomes Visa (Master Charge later becomes MasterCard).
- 1986: Sears launches the Discover Card.
- 1995: For the first time in U.S. history, credit cards overtake cash payments for consumer purchases.

Source: usnews.com; U.S. News cover story 3/19/01

Name: _____

Amount Due: Be aware that some credit cards use this term to describe the “minimum payment.” This is not necessarily the total amount you owe. (See “New Balance”)

APR or Annual Percentage Rate: Interest or finance charges expressed as a yearly percentage.

Cash Advance: A loan in the form of cash made through a credit card (as opposed to the purchase of goods and services). Interest starts adding up on a cash advance as soon as you get the money. Some cards also charge a higher interest rate on cash advances than on purchases.

Credit Bureau: A company that gathers information on people who use credit. The company then sells the information to companies that issue credit.

Credit Issuers: Companies that issue, or grant, credit. (May also be known as a Lender or Creditor).

Credit Limit (or Credit Line): The maximum amount of money that you may borrow from your credit card company.

Credit Report: Your information which credit bureaus sell to credit issuers.

Credit Score: A rating number developed and/or used by creditors based on their experience and information in your credit report.

Disclosure Chart: A chart in a credit card offer containing the most important information. This information allows you to compare credit card offers.

Due Date: The date by which your payment must be received by the company in order for you to remain in good standing.

Finance Charge: Interest charged on your outstanding credit card balance.

Grace Period: A period in which you can make new purchases without paying interest.

Interest: The price of credit. Interest is compensation to lenders, paid by borrowers.

Late Fee: A charge assessed if your payment is received after the due date.

Minimum Payment Due: The smallest amount you can pay to avoid being delinquent. Paying only the minimum is the most expensive way to handle your credit card bills.

New Balance: The total owed after new charges and credits have been added up.

Pre-Approved: A misleading term that merely means you were chosen to receive the offer because you meet certain criteria. Does not mean you are guaranteed a credit card.

Previous Balance: Any unpaid amount owed from previous months.

Name: _____

Debt is often the source of marital and family problems—and unless the problems are dealt with properly, in some cases these problems can become extreme! For example, in May, 2002, the Associated Press reported the following story:

College student allegedly shoots family over credit card debt

Chattanooga, TN—A college student allegedly shot and killed his parents and sister after a dispute over credit card debt he had run up, authorities said.

Peter Bullington, 24, was charged Sunday with three counts of first-degree murder in the deaths of his father Nigel, 50; mother Gerardinia, 49 and sister, Amanda, 22.

All three were shot to death Saturday in the family's home in Apison, an affluent community about 20 miles east of Chattanooga.

Sheriff John Cupp said Peter Bullington told investigators “there was a family discussion about his spending on the family's credit cards. He went upstairs and got his father's gun, came back downstairs and shot them in the kitchen.”

Cupp said Peter Bullington, a psychology student at the University of Tennessee at Chattanooga, had “maxed out” credit cards, spending more than \$5,000. He said the family was having financial problems. All three victims had been shot multiple times.

Name: _____

A number of laws have been enacted to protect your rights when using credit. The following is an overview of what some of these laws cover. For more information, check out the Federal Trade Commission's web site (www.ftc.gov).

Truth in Lending Act

Creditors must fully disclose the cost of credit in consistent terms as APR or "Annual Percentage Rate." This enables consumers to easily compare interest rates and prevents lenders from using methods that might make an interest rate sound lower than it actually is. It also requires lenders to tell you WHEN interest will start being charged. For credit cards, companies must disclose exactly how the finance charges will be applied against what you owe. (See the "Sample Disclosure Chart" on page 10).

Equal Credit Opportunity Act

In granting credit, lenders may not discriminate on the basis of sex, race, color, marital status, religion, national origin, age, or because someone received public assistance. However, a creditor can "turn down" any credit application that doesn't meet certain credit criteria.

Fair Credit Billing Act

Creditors, including credit card companies, must explain your rights if you are incorrectly charged on your credit account.

Fair Credit Reporting Act

Consumers have the right to know what information is being reported by credit bureaus and they have the right to correct any incorrect information. If a creditor turns down your credit application, they must tell you which credit bureau provided the information that prompted their decision to deny credit.

Fair Debt Collection Act

Prohibits debt collectors from violating your rights with abusive or violent threats or behavior. For example, they may not harm or threaten harm to you, your reputation or your property. They also may not use obscene or profane language.

Name: _____

**TYPES OF CREDIT
CARDS**

There are many different types of credit cards. Read on to learn more about each type:

Debit Card

Though they may have a Visa or MasterCard logo on them, debit cards are NOT credit cards—they deduct money directly from the cardholder’s bank account (usually a checking account) whenever a transaction is made with the card. You should note that the consumer protections guaranteed by law to credit card users may not necessarily apply to debit cards.

Prepaid Credit Card

These cards allow parents to set spending limits and monitor where and how minor children are spending their money—both through monthly statements and Internet accounts that show daily transactions. Parents can transfer money from their own checking accounts to the card for a small transaction fee. These cards can be used like any other credit card to make purchases.

Secured Credit Card

These cards are linked to a bank account, allowing the credit card company to deduct payment from the account if the cardholder fails to pay. In order to obtain a secured card, a consumer must deposit an amount of money in an account that is equal to the credit limit of the card, but this account is separate from any other accounts the consumer may have.

Low-Limit Credit Card

Parents may opt to help their child apply for a “real” credit card by co-signing for an account with a limit of a few hundred dollars. (Some parents prefer this option rather than adding a child to one of their own high limit accounts in case a card should be lost or stolen).

Name: _____

Credit issuers use the information in your credit report to develop a credit “score” for potential borrowers. Credit issuers compile the information available from the three credit bureaus (Equifax, Experian and TransUnion), combine it with their own past experiences, and run it through a computer program that turns it into a rating number—your credit score. It is difficult to know what your personal score is. But you can get a good idea of your score by understanding what sort of criteria they use.

In addition to the obvious factors like how much money you make, how much money you owe and if you pay your bills on time, credit scoring takes other aspects of your life into consideration (many of which may seem unfair and arbitrary).

Who might request to see your credit score?

- Credit issuers
- Potential employers
- Landlords
- Insurance agents

Here are some examples of the criteria used to calculate your credit score:

Education

For example, a college-educated person is given more “points” than someone with only a high school diploma.

How long you’ve lived in your current home

You may lose points if you’ve moved around a lot.

If you own your home

Renters are considered more “transient” (temporary, not permanent) and less reliable than homeowners.

How long you’ve worked for a single employer

Scoring agencies favor people who are more stable.

How many credit cards and accounts you have

Fewer cards is better, but not too few! Two to four credit cards is viewed as optimum. And you should also keep a checking and savings account.

How close you get to the limits on your credit cards

What you spend your money on

Name: _____

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Bruce Williams, in association with Chris McMahan, CLU, ChFC.
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"Money Smart" program

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

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Name: _____

The Internet offers a wealth of useful information to help you learn how to use your money and credit responsibly. Here are some websites to get you started. Many of these sites also have links to refer you to other sites.

www.jumpstart.org (The JumpStart Coalition)

www.aba.com (American Bankers Association)

www.cccs-RealHelp.org

This “Consumer Educational Tips” page helps you learn about the wise use of credit and budgeting. You may also download spreadsheets with budget forms from Consumer Credit Counseling Services.

www.zillions.org

This site is dedicated to helping students make well-informed consumer decisions from the Consumers Union (the nonprofit publisher of “Consumer Reports”).

www.consumerworld.org

This public service site has compiled over 2000 of the most useful consumer resources on the Internet and categorized them for easy access. Topics include personal finance tips, finding low-rate credit cards or mortgages, looking up wholesale prices of cars and reading up on the latest scams.

www.ftc.gov

This government site offers information on consumer protection laws and much more from the Federal Trade Commission.

www.consumer.gov

Also brought to you by the Federal Trade Commission, this site is a “one-stop link” to a wide range of federal information resources arranged into easy-to-use categories.

www.financenter.com

This site compiles and publishes research on rates, fees and customer satisfaction levels for financial products and services, as well as web-based calculators to help you easily compute borrowing, investing and spending options.

www.fraud.org

Brought to you by the National Fraud Information Center and the National Consumers League, this site helps consumers get answers to questions about credit fraud.

Name: _____

www.ncfe.org

Sponsored by the National Center for Financial Education, this site offers some terrific lessons on credit and debt for all ages.

www.wa.gov/ago/youth

The Washington State Attorney General's office website brings you this excellent consumer education resource for teens—actually written by teens.

www.ntrbonline.org

A great resource for teachers and teens from the National Endowment for Financial Education. Includes “Ask Madame Moolah” to get answers to your questions.

OTHER CAREER EDUCATION PRODUCTS
FROM HUMAN RELATIONS MEDIA

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<i>Communication Skills for the Workplace</i>	video/print
<i>10 Easy Ways to KEEP Your Job</i>	video/print
<i>10 Easy Ways to LOSE Your Job</i>	video/print
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<i>What's Your Attitude? Getting in the Mood to Work</i>	video/print
<i>Ready for Work: Qualities That Count with Employers</i>	video/print
<i>Carving Your Own Path: Youth in the New Economy</i>	video/print
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