

**FINANCIAL
FOUNDATIONS**

A Financial Beginnings Financial Education Program

**CREDIT
Presenter's Guide**

Presented by





Our Mission

Financial Beginnings empowers youth and adults to take control of their financial future. We provide educational programs that incorporate all aspects of personal finance to give individuals the foundation they need to make informed financial decisions.

Our Vision

Financial Beginnings is the pathway to a financially literate nation. In a financially literate nation, individuals cease to see finances as a barrier and instead view them as a tool to realize their dreams. In a financially literate nation, individuals are vested in and contribute to a healthy economic system nationally, regionally, and in their own neighborhood.

Welcome to Financial Foundations!



Financial Foundations is Financial Beginnings' Financial Literacy Program for high school participants and young adults. Financial Foundations is Financial Beginnings' largest program serving approximately 30,000 participants each year. This is a full-service program in which Financial Beginnings provides all of the materials and presenters to deliver the program.

The curriculum is broken down into five subjects which specifically focus on a different area of personal finance and include:

- Banking
- Budgeting
- Credit
- Investing
- Risk Management

Each of the five subjects is taught in 2-one hour classes or 1-1 1/2 hour block period. Educators are given the flexibility to choose the subjects that best fit into their class (though most choose to have all five).

This **Presenter's Guide** will walk presenters through how to deliver the lessons and utilize the accompanying participant **Resource Guides**, **PowerPoint slides** and additional **online resources** to provided an impactful lesson. The goal of this Presenter's Guide is to help you deliver the lessons and effectively utilize the information provided by Financial Beginnings.

Thank you for partnering with Financial Beginnings to provide this valuable financial education program to our community's youth and young adults.

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Using this Presenter's Guide

This Presenter's Guide is just one tool that Financial Beginnings provides you to help you deliver the Financial Foundations programs for high school students and young adults. Below outlines the Financial Foundations resources available for your use:

Volunteer Website— <http://financialbeginnings.org/volunteers/> You have to be an active volunteer in order to gain access to the website. All of the materials for all of Financial Beginnings' programs are available under the *Classroom Materials* page of the Volunteer Website. In addition, there are supplemental videos available to be viewed on the *Videos* page of the Volunteer Website. Before presenting it is always good to go to the Volunteer Website to ensure that you have the most up to date materials.

Resource Guides— Each of the five subjects has a corresponding booklet, called the Resource Guide. Each participant is provided with a Resource Guide for the corresponding subject taught. You can obtain hard copies of the Resource Guides from the Financial Beginnings office or download pdf files from the Volunteer Website. The Resource Guides were developed to serve as an on-going reference guide for participants to save and refer back to in the future.

PowerPoint Slides— Each subject has a set of corresponding slides and presenter's notes. The slides can be downloaded from the Volunteer Website as well as a pdf file showing the notes pages. Volunteers can modify the PowerPoint Slides to provide up to date relevant information to enhance the presentation.

Presenter's Guide— Provides volunteers with detailed directions on how to deliver the Financial Foundations program. The guide is meant to provide an overview off all of the resources and how they work together to make a smooth lesson plan.

We want to provide our volunteers with flexibility in how they present the lessons, but to ensure program consistency and quality we ask that you meet the course objectives and use as many of the activities as possible. A good rule of thumb to follow for program consistency is to stick to the *80/20 Rule*. Make sure that you are using at least 80% of the provided curricula.

This Presenter's Guide is based on the **Financial Foundations Resource Guides Rev. 7**, Last revised September 2016.

Meeting Standards

Increasing individual financial capability remains at the forefront of our nation. Executive Order 13530 established the President's Advisory Council on Financial Capability. The Council was tasked with identifying new approaches to increase capability through financial education and financial access.

Increasing the financial education opportunities available to youth was identified as one of the Council's three major focus areas. A resource guide published by the Council further emphasized the importance of curriculum that is age-appropriate and aligns with each year of K-12 instruction.

Financial Beginnings' Financial Footings program provides age-appropriate curriculum on all areas of personal finance for elementary school students. The partnership between COUNTRY Financial, Financial Beginnings and the Financial Footings program represents a proactive effort to advance these national strategies to increase financial education among youth.

In addition to furthering a national agenda to increase financial capability and stability, the Financial Footings program also meets or exceeds the standards set forth by the individual states, in regards to financial education.

Credit

In today's economic society it would be rare to not use credit to pay for items such as a large purchase, car repairs or any type of emergency situation. Credit can be an overwhelming topic, but understanding credit is critical for managing one's finances responsibly, as credit can affect many aspects of your life.

By the end of this session participants will:

- Understand what credit is, how it works, and why it is needed,
- Understand the different ways of establishing credit,
- Know the responsibilities of a borrower,
- Understand how to monitor credit using a credit report and credit score, and
- Understand loans and credit cards and how to borrow responsibly.

Credit Overview & Timeline

Activity (Time)	Objective	Summary of Activity
Icebreaker (5 Minutes)	Review session objectives and introduce the topic of credit.	Review the day's lesson and engage participants with a personal story. Start by covering the basics of what credit is.
Lesson 1 (20 Minutes)	Understand what credit is, how to establish it, and how to avoid being a victim of fraud.	Lead participants through a discussion helping them to learn how to establish good credit using Can I have 3 volunteers?
Lesson 2 (15 Minutes)	Learn about credit reports and credit scores.	Lead participants through a discussion explaining what credit reports and scores are. Utilize the Sample Credit Report to supplement the lesson.
Lesson 3 (20 Minutes)	Understand the different types of loans and how interest is calculated.	Utilize Credit Profile: Sasha to explain to participants how loans are paid and interest calculated.
Lesson 4 (20 Minutes)	Learn how to best manage a credit card and troubles that may arise from having one.	Utilize Credit Profile: Steve to explain to participants how to manage their credit card.
Conclusion (10-25 Minutes)	Review the lesson with a final activity. Review common lending terms and summarize the lesson.	Presenter leads participants through the Credit Profile: Ava , reviews common lending terms and answers any remaining questions.

Resource Guide

Activities:

Page 7-Credit Profile: Sasha

Page 9-Credit Profile: Steve

Page 10-Credit Profile: Ava

Appendices:

Pages 12-13- Appendix A: Sample Credit Report

Page 14- Appendix B: Credit Card Comparison

PowerPoint Slides

Slides can be found on the Financial Beginnings Volunteer Website under Classroom Materials.

Credit Understanding Your Audience

Before beginning any presentation it is helpful to think back to when you were first introduced to the subject. The more that you can understand and relate to your audience the better your presentation will be because it will allow you to make the information relevant to the participants.

Below are some generalities about attitudes and understanding of young adults relating to credit:

- This is the subject they will likely have the most questions on.
- Some may already be 18 and/or acquiring debt.
- They might know someone that has been a victim of fraud.
- They are likely scared of the subject because they hear about it in the news and possibly have seen struggles at home surrounding credit.

Credit Icebreaker

Time: 5 Minutes

Objective: Review session objectives and introduce the topic of credit with a fun icebreaker.

Resource Guide

Page #:

1- Session objectives

PowerPoint Slides

Slide #:

- What do they have in common?
 - What are we doing today?
-

Discussion

The icebreaker for credit PowerPoint Slides shows photos of six stars: Willie Nelson, MC Hammer, Drake Bell, Drake Bell, Mike Tyson, 50 Cent and Walt Disney and asks “What do they have in common?”. All of these stars have filed bankruptcy.

Participants enjoy hearing about the personal experience of their presenters. Especially when those stories talk about mistakes made. Here are some ideas on things that may trigger your personal experiences with credit. Do you recall:

- *When you got your first credit card?*
- *A time when you charged too much on your credit card?*
- *A time when you paid a bill late and experienced the consequences of it?*
- *Have you or someone you have known ever been a victim of fraud?*

Credit Lesson 1

Time: 20 Minutes

Objective: Understand what credit is, how to establish it, and how to avoid being a victim of fraud.

Resource Guide

Page #:

2- What is credit?

2- Why do you need credit?

2- Establishing credit

3- Why would credit be denied?

3- Borrower's responsibilities

4- Victim of fraud?

PowerPoint Slides

Slide #:

• What is credit?

• Leveraging credit

• Where does credit come into play?

• Do any of you have a credit card?

• Can I have 3 volunteers?

• Your responsibilities as a borrower

• What if I can't pay?

• What debts never go away?

• Have you or someone you known been a victim of fraud?

Discussion

WHAT IS CREDIT?

"What is Credit?"

"Why would someone lend money?"

Ensure participants understand what credit is and that individuals or companies are motivated to lend money because they receive the amount loaned back plus interest.

Credit tends to invoke a lot of emotions for individuals. We want participants to understand that debt is not necessarily a bad thing because it can provide leverage to help further ones position in life. For example, obtaining student loans or a mortgage are good examples of leveraging debt in a positive way.

WHY DO WE NEED CREDIT? WHERE DOES CREDIT COME INTO PLAY?

One's credit not only effects their ability to borrow, but it can affect other aspects of their life such as getting a job, getting insurance, or renting an apartment.

HOW TO OBTAIN CREDIT

"Do any of you have a credit card?"

"How did you get it?"

Ways to establish credit:

- Turn to a company with which you already have a relationship, like your bank or credit union.
- Add a co-signer.
- Get a secured credit card.
- Get a department store card.

ACTIVITY

Can I have 3 volunteers? **Powerpoint Slide # 8**

This exercise demonstrates why credit would be denied.

1 participant is the lender.

Other two participants are borrowers.

“Which borrower would you lend to?”			
Senario 1	Borrower 1: You do not know at all	Borrower 2: You know very well and have a good relationship with	Demonstrates: The importance of an existing relationship
Senario 2	Normally doesn't need to borrow money	Owes money to three other friends of yours	Maxing out on debt
Senario 3	You lent money to last week and they still haven't paid you back	Borrowed money last week and paid you back the next day	Payment history

YOUR RESPONSIBILITIES AS A BORROWER

Walk participants through their responsibilities as a borrower:

- Borrow only what you can repay—It is important to always have a plan for repaying loans. People can get into financial trouble when they borrow money and only focus on the monthly payment.
- Read and understand the credit contract—Be sure to understand the credit contract. Loans require more and more paperwork now and many times people will blindly sign a contract, without knowing the terms to which they are agreeing too.
- Pay debts promptly—Paying bills late can quickly have a negative impact on one's credit score. However, if you miss a payment by just a few days it is not an immediate worry because the creditor will not report to the credit bureau until your payment is over 30 days late.
- Notify creditors if you cannot meet payments—It is always best to contact creditors if you find yourself in a position where you cannot pay. Many times creditors have options to help you get back on track.
- Report lost or stolen cards promptly—As long as you notify the credit card company promptly you will not be held responsible for fraudulent charges.

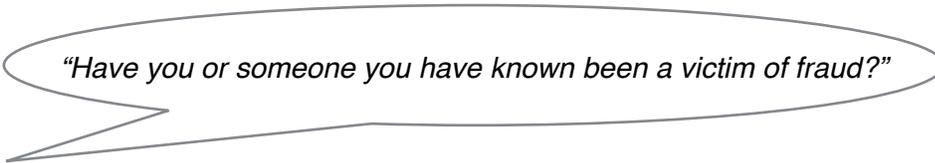
Sometimes people find themselves in situations where they cannot pay a bill. It is important to understand:

- To keep in contact with creditors.
- Credit counseling is available.
- Negative marks will show on credit for 7-10 years.
- Bankruptcy is last resort and it does not relieve all forms of debt.

WHAT DEBT NEVER GOES AWAY THROUGH BANKRUPTCY?

- Student loans
- Alimony
- Child support
- Taxes

FRAUD



Walk participants through what to do if they are a victim of fraud:

- Notify the company as soon as the fraud is discovered.
- Notify your bank or credit union to put a freeze on accounts if needed.
- Obtain a free credit report to see if there are any additional issues.
- File a police report if requested by the company.
- Report fraud to the Federal Trade Commission.
- Set up a fraud alert on your credit report.
- If you are really concerned about future fraud put a freeze on your credit.

Facts about fraud from the Bureau of Justice Statistics:

- 85% of identity theft incidents involved the fraudulent use of existing account information, such as a credit card or bank account information.
- 14% of identity theft victims experiences out-of-pocket losses.
- In 2010, 7% of household had at least one member of the household who had been victim of identity theft.

Credit Lesson 2

Time: 15 Minutes

Objective: Learn about credit reports and credit scores.

Resource Guide

Page #:

4- Credit reports

5- Credit scores

Appendix:

12-13- Appendix A: Sample Credit Report

PowerPoint Slides

Slide #:

- Credit reporting agencies
 - Review sample credit report
 - What is a credit score?
 - What makes up your score?
 - What if you have a good score of 780 and make some mistakes?
-

Discussion

CREDIT REPORTS

A good way of explaining credit reports and credit scores is to compare them to a school report card. A credit report is like their report card and a credit score is like their grade.

Explain to participants what a credit reporting agency is and what information they report. The three major reporting agencies are Experian®, Equifax®, and TransUnion®.

Everyone is entitled to one free credit report from each of the three credit reporting agencies each year. The important thing for participants to know is that the federally mandated site is AnnualCreditReport.com. There are several other websites that say they offer free credit reports, but many times they are just providing you with a free introductory period and will then charge you.

When going to AnnualCreditReport.com you will need to provide:

- Full name
- Social Security Number
- Address for 2-5 years
- Date of birth
- They will ask you to verify information about your address or loans

Walk participants through the **Appendix A: Sample Credit Report** on **page 12 and 13** of the **Resource Guide**. Point out items such as:

- Identity
- Accounts
- Public records
- Inquires
- Dispute instructions

CREDIT SCORES

Explain to participants that separate from the credit reporting agencies are credit scoring agencies. One of the largest is FICO (MyFICO.com). Unlike with your credit report, you have to pay to obtain your credit score. Some credit card companies will now offer a free credit score as a service to customers.

Credit scores range from 300-850 with 300 being the worst and 850 the best. If you do not want to pay for a credit score MyFICO.com does have a credit score estimator that you can use for free.

WHAT MAKES UP YOUR CREDIT SCORE?

Walk participants through what makes up a credit score:

- 35% Payment history- If you pay your bills on-time. A payment will not show late until 30 days after the due date.
- 30% Balance to limit ratio- The amount owed compared to the limit. For credit cards it is good to have a balance less than half of the credit limit.
- 15% Length of credit history- How long credit has been established. This is a reason why it is beneficial to start developing a good credit history early on.
- 10% Mix of types of credit- Having a mix of revolving and fixed loans helps your score.
- 10% Opening new credit accounts- Opening several new accounts in a short period of time can have a negative effect on the score.

Say that someone starts off with a strong credit score but then makes some mistakes. The table shows the effects on their credit score.

Mistake	Downgrade	New Score
Maxed out Credit Card	25-45	735-755
30 day late payment	90-110	670-690
Debt Settlement	105-125	655-675
Foreclosure	140-160	620-640
Bankruptcy	220-240	540-560

Appendix A: Sample Credit Report

Participants can refer to **page 12 and 13** of the **Resource Guide** to identify the different parts of a credit report by reviewing the sample Experian® credit report.

APPENDIX A: Sample Credit Report

Sample Credit Report Page 1 of 4

experian

Online Personal Credit Report from Experian for

DAVID CONSUMERS

Your report number is **1662064065**
04/24/2007

Index:

- Account Information
- Accounts in Good Standing
- Accounts in Dispute
- Accounts in Collections
- Public Records
- Disputed Items
- Potentially Negative Items
- Accounts in Dispute
- Accounts in Collections
- Public Records
- Disputed Items
- Potentially Negative Items

Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can affect your credit. You may have more than one credit file. You may not be aware of all credit files that exist about you. You may not be aware of all credit files that exist about you. You may not be aware of all credit files that exist about you.

To return to your report in the near future, log on to www.experian.com/consumer and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing your report.

Public Records

Credit grants may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

MAIN COUNTY CLERK

Address: 100 CENTER RD
BUFFALO, NY 10000

Identification Number: 1

Plaintiff: ANY COMMISSIONER

Case Number: 04/24/2007

Case Status: This item was verified and updated on 04/20/07.

Item: CIVIL CLAIM PAID

Date Filed: 04/24/2007
Claim Amount: \$0

Date Received: 04/20/07
Liability Amount: \$0

Responsibility: NA

Credit Items

For your protection, the last few digits of your account numbers do not display.

ABC BANKS

Address: 100 CENTER RD
BUFFALO, NY 10000

Account Number: 10000000000000000000

Status: Paid/Past due 60 days

Date Opened: 11/20/05
Type: Installment
Reported Since: 04/20/07
Terms: 12 Months
High Balance: NA
Recent Balance: \$0
Payment: \$0 as of 04/20/07
Last Reported: 04/20/07
Responsibility: Individual

Credit Limit/Original Amount: NA

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Sample Credit Report Page 2 of 4

MAIN COLL AGENCIES

Address: PO BOX 173
ANYTOWN, PA 10000

Account Number: 012945174

Status: Collection account 89% past due as of 4/20/06

Origin: CREDITORS
Original Creditor: TELEPHONE CABLE COMM.

Date Opened: 01/20/05
Type: Installment
Reported Since: 04/20/06
Terms: Monthly
High Balance: NA
Recent Balance: \$0
Payment: \$0 as of 04/20/06
Last Reported: 04/20/06
Responsibility: Individual

Credit Limit/Original Amount: \$95

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Accounts in Good Standing

AUTOMOBILE AUTO FINANCE

Address: 100 CENTER RD
SMALLTOWN, MD 20001

Account Number: 1245051866

Status: Open/never late

Date Opened: 01/20/06
Type: Installment
Reported Since: 04/20/07
Terms: Monthly
High Balance: \$7,994 as of 04/20/07
Recent Balance: \$0
Payment: \$0 as of 04/20/07
Last Reported: 04/20/07
Responsibility: Individual

Credit Limit/Original Amount: \$10,350

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

MAN

Address: PO BOX 1234
FORT LAUDERDALE, FL 10009

Account Number: 123456789012

Status: Closed/never late

Date Opened: 01/19/97
Type: Revolving
Reported Since: 06/20/06
Terms: 1 Month
High Balance: \$0
Recent Balance: \$0
Payment: \$0 as of 06/20/06
Last Reported: 06/20/06
Responsibility: Individual

Credit Limit/Original Amount: \$50

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Accounts in Dispute

ITEM DISPUTED BY CONSUMER

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Accounts in Collections

ACCOUNTS IN COLLECTION

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Accounts in Dispute

Account History: 60 days as of 11/20/06
30 days as of 11/20/06

Credit Lesson 3

Time: 20 Minutes

Objective: Understand the different types of loans and how interest is calculated.

Resource Guide

Page #:

7- Loan interest

7- Credit Profile: Sasha

On **page 7** of the **Resource Guide** is the **Credit Profile: Sasha Activity**. Allow participants a few minutes to work through the activity individually or in pairs.

Credit Profile: Sasha

Sasha has always been frugal and has saved up her money for a down payment on a beautiful condo near her job. The condo will cost \$250,000 and Sasha has saved enough for 20% down and to pay all the fees associated with the sale. She visits the bank and finds out that she is approved for a loan for the remaining \$200,000 and based upon her good credit, will only have to pay a 6% interest rate.

Sasha is very happy until they tell her the monthly payment will be \$1,200 for the next 30 years. She quickly multiplies \$1,200 times 30 years times 12 months in a year and it comes to \$432,000 to pay off a \$200,000 loan! **How can this be?**

Sasha would like to calculate this out for herself, but does not understand how interest works. Let's work through the first month's payment and see how this works.

Annual interest rate = 6%/year. The monthly interest rate (annual/12) is: .5 %

How much interest is included in her first payment: (monthly interest rate times \$200,000): \$1000

How much of her first payment goes to pay off the loan (payment minus interest): \$200

How would you calculate the second month? $(\$200,000 - \$200) \times .5\% = \$999$ in interest

It can be very surprising to see how much of a loan payment goes toward interest. Using the mortgage in the Sasha activity as an example, it can be hard to swallow the fact that in the beginning years of the mortgage the vast majority of the payment is going towards interest, with very little going towards paying down the loan. The table below (which can be found on **page 7** of the **Resource Guide**) uses the Sasha example and shows the breakdown of the total paid, the amount paid toward interest, and what the loan balance is at years 5, 21 and 30 of the mortgage.

Time	Total Paid	Total Interest	Loan Balance
5 years	\$71,946	\$58,055	\$186,109
21 years	\$302,173	\$202,051	\$99,877
30 years	\$431,676	\$231,676	\$0

It is also important to understand how one's credit score can affect their interest rate and the amount of interest they will pay on a loan. On **page 8** of the **Resource Guide** is a table showing the effect of different credit scores on a \$20,000 car loan and the difference in total interest paid over the life of the loan.

3 Year - Auto Loan - \$20,000			
FICO Score	Interest Rate	Monthly Payment	Total Interest Paid
720-850	6%	\$608	\$1,901
690-719	7.6%	\$623	\$2,430
660-689	9.6%	\$642	\$3,096
620-659	13.4%	\$678	\$4,391
590-619	18.1%	\$724	\$6,077
500-589	18.7%	\$730	\$6,290

PowerPoint Slides

Slide #:

- What is the impact of your score on the interest rate?
- Types of Loans
- How does interest work?
- \$20,000 Car Loan at 10%
- Payday Loans
- Credit Profile: Sasha
- Credit Profile: Sasha Answers
- How interest works: Sasha Case

Discussion

INTEREST

Explain to participants what APR (Annual Percentage Rate) is and how interest is calculated. Participants should understand that even though the APR is what is commonly quoted, usually the compounding period is more frequent like quarterly, monthly or daily.

Explain to participants that in order to calculate interest that is compounded monthly they have to divide the annual interest rate by 12.

Example

18% / 12 months = 1.5% monthly interest

ACTIVITY

Direct participants to **Credit Profile: Sasha** on **page 7** of the **Resource Guide**. Allow participants a few minutes to work through the activity individually or in pairs.

It can be very surprising to see how much of a loan payment can go towards interest. Using the mortgage in the Sasha activity as an example, it can be hard to swallow the fact that in the beginning years of the mortgage the vast majority of the payment is going towards interest with very little going towards paying down the loan. The table on **page 7** of the **Resource Guide** uses the Sasha example and shows the breakdown of the total paid, how much of that total went towards interest and what the loan balance is at years 5, 21 and 30 of the mortgage.

It is also important to understand how one's credit score can affect their interest rate and the amount of interest they will pay on a loan. On **page 8** of the **Resource Guide** is a table showing the effect of different credit scores on a \$20,000 car loan and the difference in total interest paid over the life of the loan.

Credit Lesson 4

Time: 20 Minutes

Objective: Learn how to best manage a credit card and avoid troubles that may arise from having one.

Resource Guide

Page #:

8- Credit Cards

9- Credit profile: Steve

On **page 9** of the **Resource Guide** is the **Credit Profile: Steve Activity**.

Credit Profile: Steve

Steve cannot figure out why he is so far in debt. He graduated from high school, got a job at the local grocery store, and opened a credit card. Each month when he gets his bill, he always makes the minimum payment on time. Yet the balance on his card keeps growing. He is very frustrated and could use your help.

Steve's credit card has an annual interest rate of 18%. The minimum payment is 4% of the current balance. Right now, Steve's balance has grown to \$2,500. Let's see how the minimum payment helps Steve pay off his balance:

$$\text{Minimum payment} = 4\% \text{ of the balance } (\$2,500) = \underline{\$100}$$

$$\text{Monthly interest rate} = \text{Annual rate} / 12 = \underline{1.5\%}$$

$$\text{Interest for the month} = \text{Monthly interest times balance } (\$2,500) = \underline{\$37.50}$$

$$\text{Credit Card balance paid off} = \text{Minimum payment} - \text{monthly interest} = \underline{\$62.50}$$

How long do you think it will take Steve to pay off this balance if he makes the minimum payment and charges nothing else?

The chart below shows the difference in interest paid and the amount of time to pay off Steve's balance of \$2,500. It is beneficial to Steve to make more than the minimum payment.

Item	Price	APR	Payment	Interest Paid	Real Cost	# of Payments	Total Years to Pay Off
Steve	\$2,500	18%	Minimum	\$1,289	\$3,789	87	7.1 years
Steve	\$2,500	18%	\$150	\$499	\$2,899	20	1.6 years
Steve	\$2,500	18%	\$200	\$289	\$2,789	14	1.2 years

Appendix:

14- Appendix B: Credit Card Comparison

PowerPoint Slides

Slide #:

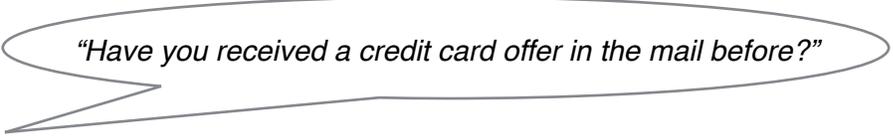
- Credit Card Cycle
 - Credit Profile: Steve
-

Discussion

CREDIT CARD CYCLE

Walk participants through the credit card cycle:

- Finding the right card- Compare fees, APR, fees.
- Using the card- Only use a credit card on purchases you know when you will be able to pay back and calculate the interest you will pay.
- Paying it- Pay bills on time and do not fall into the minimum payment trap.
- Maintaining it- Properly manage card and keep it only if it makes sense.



“Have you received a credit card offer in the mail before?”

Credit card offers start coming even before age 18 and seem to become more and more prevalent as you get older. If you have received a credit card offer recently it could be fun to bring it into the class to look at the different aspects of the card and deciding if it is a good card to have.

ACTIVITY

Direct participants to **page 9** of the **Resource Guide** is the **Credit Profile: Steve**. Allow participants a few minutes to work through the activity individually or in pairs.

On **page 9** of the **Resource Guide** is a chart which compares Steve making the minimum payment, to paying more.

APPENDIX

Point out to participants **Appendix B: Credit Card Comparison** on **page 14** of the **Resource Guide**. This can be a helpful tool for comparing credit cards.

Participants can refer to **Appendix B: Credit Card Comparison** on page 14 of the **Resource Guide** to compare credit card offers.

APPENDIX B: Credit Card Comparison

The information below will help you to compare terms on different credit cards. It is important to have a full understanding of the terms before signing a contract.

	Card A	Card A	Card A
Card Name			
Interest Charges			
Annual Percentage Rate (APR) for Purchases			
APR for Transfers			
APR for Cash Advances			
Penalty APR and When it Applies			
Paying Interest			
Minimum Interest Charge			
Fees			
Annual Fee			
Transfer Fee			
Cash Advance Fee			
Late Payment			
Over-The-Credit Limit Fee			
Returned Payment Fee			
Rewards			
Cash Back Percentage			
Outline of Other Rewards			

Credit Conclusion

Time: 20 Minutes

Objective: Review the lesson with a final activity. Review common lending terms and summarize the learning objectives.

Resource Guide

Page #:

10- Credit Profile: Ava

10- Lending Terms

If time allows do one final activity on **page 10** of the **Resource Guide** it is the **Credit Profile: Ava**. Allow participants a few minutes to work through the activity individually or in pairs.

Credit Profile: Ava

Ava, 24, recently graduated from a state university. During her college years, Ava had four credit cards and used them to buy many items she did not have the money for. Often Ava was late with the payments on her card by a few days. A couple of times she missed one payment entirely and paid it 60 days after it was due.

When Ava left college, she had combined balances of \$3,000 on her credit cards.

Ava works at a bank, earning \$50,000. She learns that she could finance her own one-bedroom condominium for about the same amount she pays in rent each month.

Ava has a \$30,000 inheritance from her grandmother that she can use as a down payment on a condo. After looking at places for a month or two, Ava finds a \$125,000 condo that she wants to buy. She fills out all the paperwork required by the mortgage lender and waits to hear if she is going to get the home loan.

Do you think Ava will get her Mortgage?

In what ways could Ava have handled credit more responsibly?

The answers for this activity may vary. Many times in real life people are able to find a loan, but will likely be paying much more for that loan if they have poor credit. Ava should have done a better job managing her credit while she was in college and made her payments on time. Although the payments that were a few days late will not show on her credit report, any payments over 30 days will negatively affect her credit. Instead of putting the entire \$30,000 towards the down payment on the house, it might be good for Ava to pay off her credit cards and ensure she has a proper emergency fund of 3-6 months established. When you own your own home you have to be more prepared for emergency expenses because you no longer have a landlord to pay for home repairs.

PowerPoint Slides

Slide #:

- Lending terms
 - Credit Profile: Ava
 - Takeaways
 - Got it?
-

Discussion

LENDING TERMS

Walk participants through some of the other common lending terms they may come across including:

- Fixed rate loan- such as a car loan
- Variable rate loan- such as an adjustable rate mortgage
- Finance charge- the interest paid on the loan
- Collateral- such as a car to a car loan or a house to a mortgage
- Secured loan- a loan that has collateral tied to it
- Unsecured loan- such as a credit card

TAKEAWAYS

Cover some key takeaways from the lesson including:

- Establish good credit early on,
- Pay loans as agreed,
- Always have a plan to pay off borrowed money, and
- Do not overuse credit.

Answer any remaining questions participants have about credit. Review the session objectives one last time to ensure you have covered all of them.

Please allow a few minutes at the end of the course for participants to fill out the survey on **page 15** of the **Resource Guide**. Collect the surveys and deliver or send to Financial Beginnings.

ACTIVITY

If time allows do one final activity on **page 10** of the **Resource Guide**. It is the **Credit Profile: Ava**. Allow participants a few minutes to work through the activity individually or in pairs. The answers for this activity may vary. Many times people are able to find a loan, but will likely be paying much more for that loan if they have poor credit.

Survey (Optional)

The final page of the student workbook is an optional retrospective survey designed to measure knowledge gained by the participants from this program. This is essentially a combined pre- and post-program survey taken at the end of the module. Results will be used to make improvements in how we deliver our programs, for marketing purposes, and to share with donors and stakeholders as appropriate.

Please set aside about **5-10 minutes** at the end of class to administer the survey. Your role will be to introduce the surveys to participants, ask them to complete the surveys, answer any questions, and then collect the surveys when they have been completed.

Below is a suggested script to use when administering the survey. Please feel free to modify as you see fit.

“We want to know what you learned today. On the last page of your workbook is a short survey. Please spend 5-10 minutes filling this out, and tear it off when you finish.

“This test is separated into two sections. The first section asks about what you now know after this class. The second section asks you to think back before you had this class, and to answer about what you knew then. This survey helps us determine how effective are programs are. It will also help us improve the program and the results will be shared with our supporters and other teachers and schools. Thank you for taking the survey seriously and for your help in making this program effective for you.”

Please mail or drop off completed surveys to:

Financial Beginnings
9600 SW Capitol Hwy.
Suite 150,
Portland OR 97219.

If you have any questions about the survey, its protocols, or use of results don't hesitate to contact us at programs@financialbeginnings.org or via phone at 800-406-1876.

