2/8 CREDIT CARDS

One in five college students owe $3,000 to $7,000 dollars on their credit cards. They start their life in major debt with credit cards and school loans! Help them learn the pitfalls of credit cards and how to use them to establish good credit.

How can you use credit cards to your advantage? It helps to know some basic terms:

- **Annual Percentage Rate (APR).** We've already learned something about APR, but credit cards can carry APRs that run as high as 20% or higher. At that rate, you know what damage compounding can do to your wallet, so compare all costs on credit cards and look for the lowest rates, especially if you do not expect to pay your balance in full each month.
- **Annual Fee.** Some cards charge an annual fee, and some don't. To save money, look for cards with no annual fees.
- **Grace Period.** Most cards offer a **grace period**, which is the number of days during which no interest or finance charges will apply. The key is to pay off the entire balance of your card during the grace period. If you don't, you'll pay a finance charge. Twenty-five days is a typical grace period.
- **Minimum Payment.** Many cards require a minimum monthly payment of about 2% of your credit card purchases. Some set a minimum dollar payment, such as $15 per month. While making small payments like these may seem easy, remember that the remainder of your balance due is now compounding at the card's APR. The best strategy is to pay your balance in full each month; that way you avoid interest charges altogether.
- **Credit Limit.** All cards come with a limit establishing how much you can charge. This maximum is called the credit limit. Once you've reached your limit—say $500—your card is "maxed out." At that point, you can't make any new purchases until you pay down the balance owed. Higher limits may sound good, but you need discipline to avoid running up big loan amounts. If you're tempted to overspend, remember that big purchases quickly compound into big interest payments with high APRs. You're the one who will pay for it.
- **Over Limit Fee.** Fee that is charged each month your balance remains over your credit limit.

Activity – How much did that really cost? Students will learn how much credit purchases really cost when they "buy now, pay later" if they only pay the minimum payment each month.

Newspaper Activity

On a 6-3 vote, the Arizona House Committee on Higher Education recently approved legislation to ban credit card companies from offering gifts while soliciting new customers on campuses of state universities and community colleges. Missouri, Oklahoma and Washington have passed similar measures to prohibit marketers from soliciting students and faculty. Should Pennsylvania also pass such a law?

Do you think consumers are being lured into purchasing status goods by using plastic so they can attain the "American Dream" or is this consumerist culture is bad for our nation and for consumers?

Write a letter for "your space" about your thoughts on the use of credit and why laws are necessary to protect consumers.

Quiz Question

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What is a minimum payment?

A. The most you can afford to pay on your credit card bill.
B. The smallest payment you are required by your credit card company to pay.
C. The payment needed to completely pay off your credit card balance.
D. The payment needed to avoid interest charges.

Responses:

A. Incorrect. The minimum payment has nothing to do with how much you can afford. Try again!
B. Correct! The minimum payment is the minimum amount you are required to pay each month. It is approximately 4% of your balance. Not paying off a balance and only paying the minimum payment makes you pay interest on that balance you charged.
C. Incorrect. The minimum payment is not what is needed to completely pay off your credit card balance. Try again!
D. Incorrect. Only paying the minimum payment will not help you avoid interest charges. Try again!

WEEKLY QUIZ Question: Visit www.cccr.psu.edu to play the S^3 Online Game - Save•Spend•Succeed. Your students can use the online game to practice for the Live S^3 Game Show available from JA and Penn State Behrend. Two teams will compete for prizes at Penn State Behrend during the year. They will be treated to lunch and will be given a tour of the college.

Each Friday except Friday 11/23, 12/28, 1/18, 3/21, and 4/18 you will receive newspapers from Erie Times-Newspaper in Education program paid for by our sponsors (see below)

Friday newspaper includes weekly financial literacy topics and weekly activities, your space for student writing, a S^3 trivia bonus question and newspaper activities to help students make the connections to the real world by using the newspaper as their resource.
See below for this week and for more resources.

Partner WEBSITES for more information

www.erie.ja.org
www.cccr.psu.edu
www.eriefcu.org
www.unitedwayerie.org

Financial Literacy Website Resources

NEFE – National Endowment for Financial Education
http://hsfpp.nefe.org/home/
http://www.nefe.org/pages/educational.html
www.smartaboutmoney.org
http://www.smartaboutmoney.org/nefe/pages/content.asp?page=1730#Top
http://www.cooperativalatina.org/education/curriculum.htm

NEFE – Teen Resource Bureau Website
http://www.ntrbonline.org/

The Jump Start Coalition for Personal Financial Literacy
http://www.jumpstart.org/

Money Instructor
http://www.moneyinstructor.com/
http://www.moneyinstructor.com/checks.asp

Financial Literacy in a Box
http://www.mcul.org/Financial_Literacy_In_A_Box_658.html

Pennsylvania Office of Financial Education – Pennsylvania Department of Banking
http://www.moneysbestfriend.com/

CUNA – Credit Union National Association
http://www.creditunion.coop/
http://www.precision-info.com/quiz/quiz.cgi?c=1056147613&t=coop
Thrive By Five - http://www.creditunion.coop/pre_k/

NCUA – National Credit Union Administration
http://www.mymoney.gov/

Money Matters
http://www.smartcredittips.com/

National Youth Involvement Board
http://www.nyib.org

www.eriefcu.org
Treasure Club Kid's Account - http://www.eriefcu.org/savings/treasure-club/
CU Succeed – For Teens 13 – 18 http://www.eriefcu.org/savings/financial-literacy/
Scholarships for college students - http://www.eriefcu.org/loans/student-loans/
"Guides to Independence" Online Interactive Educational Teen Program
http://www.eriefcu.org/savings/financial-literacy/