

UNDERSTANDING CREDIT CARDS OUTLINE

Always encourage your students to take notes. Also, remember to leave yourself 5 minutes before the end of class to go over the post-test and collect them!

➤ **Making a connection | 2 minutes**

1. Introduce yourself: Name, employment or volunteer work, and why this topic is important.

➤ **Begin class | 2 minutes**

In this class, students will learn a lot of terminology; we suggest writing, on one side of the board, key terminology (a word bank) as they appear in the reading. Invite student to repeat the terms.

1. Before opening the book, the first key term is **Credit**, please write it on the board and ask students to define it. After two or three responses, instruct students to open their books on page 1.

I. **Credit Cards : | Page 1| 3 minutes**

A. **What is Credit?**

- Ask for a student to read the first paragraph out loud. Reiterate that credit is all about **trust**.
- Have same or another student read the next paragraph.
- Ask the class, by show of hand, if they have or had in the past a credit card?

B. **How Do I Obtain A Credit Card? | Page 1| 5 minutes**

1. If some students have or had a credit card, ask them to share how they obtained it. If no one volunteers, ask the rest of the class if anybody knows.
2. If students have trouble answering this question then ask for volunteers to read out loud points 1 and 2.
3. Next, you read aloud lines 3 and 4.
4. Write the words **Credit Limit** on the “word bank” and ask them to repeat it after you. Then give them examples of the most common credit limits for newly obtained consumer credit (i.e. \$500, \$1500, \$2500, \$4500).
5. Emphasize that limit means ceiling they should not go above the limit.

C. **How Do Credit Cards Work? | Page 1 | 8 minutes**

1. Ask for volunteers to read aloud line numbers 1-3. As students read each term, please make sure to write it on the board in the “word bank” and then have students repeat it.
 - These are some key terms on this section:
Revolving Credit Interest Balance Minimum payment Late fees
1. You read aloud the bullet point under the paragraph about minimum payment.

2. True and False Activity (**Not in their books**)

Laura has a new credit card (500.00 Limit). Laura spent \$ 100.00 for medicine for her mom.

Ask the following questions:

- a) Laura’s balance is 500.00 (F). Ask student what the 500.00 is & what the balance is.

Reading



Conversation Starter



Reading



Conversation Starter



- b) Laura will be charged with interest if she does not pay the whole balance. (T). Ask students why.
- c) If Laura pays the \$100.00 on time, she will have a revolving credit of \$ 500.00. (T)
- d) If Laura’s minimum payment is 25.00 \$, it is okay for her to pay less or more than this amount. (F). Ask students why.
- e) You read aloud the second bullet point under line # 3.

D. Choosing the Right Credit Card for you. | Pages 1-2 | 3-5 minutes

1. Take a few minutes to summarize this section and highlight all common card types, store credit cards and low fee/low interest cards.
2. Remind students of fees that may be waived the first year (i.e., membership fees).
3. Ask students if they have any questions about fees or any other information covered so far.



II. Difference between Debit and Credit Cards. | Page 2 | 10 minutes

1. Add the term **debit card** to the word bank on the board and then ask students what the differences between debit and credit cards are.
2. After a few responses, ask for a volunteer to read aloud lines A-D under debit cards
3. Have another student read aloud lines A-B under credit cards.
4. **Credit Exercise:** You read each statement aloud and ask students to raise their hand if it applies to credit card and then if it applies to debit card. As you go along, make sure students check the correct column(s) in their books on page 2.



<u>Complete with Students</u>	Credit Card	Debit Card
Tied to a personal checking account		X
Charges an interest rate	X	
Can withdraw money from ATMs	X	X
Can be used to shop online	X	X
Allows you to use someone else's money	X	
Used to help build your credit score	X	
Provides Protections in case of identity theft/ lost or stolen card	X	X

➤ Ask students If they have any questions then instruct them to turn to page 3

4. Other Types of Credit Cards | Page 3 | 10 minutes

Describe the following scenario: Nicolae recently arrived to the U.S. and therefore he does not have credit history in this country. Briefly define what credit history means and then ask students what he can do to begin building a credit history. It’s okay if no one knows.

4.1 Secured Credit Cards.

- Explain that getting a secured credit card is a safe method many immigrants and refugees use to build and use credit in the United States.
- Read aloud lines 1-4. **Line # 2 is a post course question**
- Ask if any of the students have used a secured credit card.

4.2 Pre-Paid Credit Cards

- Read lines 1-4
- Emphasize a pre-paid card does **NOT** help to establish or reestablish credit history.



III. CREDIT CARD OFFERS (Pre-Approved Offers and Invitations to Apply) | Pages 3-4 | 30 minutes

Summarize

1. Ask students if they receive credit card promotions in the mail.
2. Briefly summarize letters A-C
3. Ask the whole class to read with you letter D and then write FINE PRINT on the board.
4. Highlight key terms on the bottom of page 3: **Annual Percent Rate, Finance Charge, Fees, and Grace period** and encourage students to read it carefully on their own at home.
5. Next, explain the differences between **0 % interest vs. Deferred interest financing** (p.4)
6. Bring students' attention to bottom of the chart "Amount owed" and ask them to identify the difference between the 0% and deferred columns. Briefly explain why there is a difference.
7. Give students 2-3 minutes to complete the **promotional activity** on page 5.
8. Ask for volunteers to share their answers.

Answer Keys: 1. 0% interest, 2. 18 months, 3. 12.99% -21.99%, 4. No, 5. excellent to good.

Activity



Reading



9. How to save money on credit cards.

- Read the sentence in bold letters out loud and then guide students through the numbers in the example.
- Ask the class, why Sally paid less interest than Bob. We want them to see that the longer it takes to pay off their debt the more money they spend.

10. How to avoid mistakes.

- Emphasize the first two sentences under letter H (p. 6).
- Ask for volunteers to read aloud number lines 1 and 2.
- Reiterate to students that is okay to call credit card companies to request a better offer. Next, underline the term "credit limit" that you had written on the board at the beginning of class and read aloud the statement in bold letters.

IV. HOW TO USE CREDIT CARDS RESPONSIBLY | Page 6-7 | 10 minutes

Conversation Starter



1. Ask students if some are trying to build credit history. If so, how many credit cards they think they should they have (1, 2, the more the better?). Ask them to explain their answers. After a few responses, instruct students to continue on page 6.

Reading



2. Next, have the whole class read aloud along with you the headings in this section and summarize for the students what each heading means.

- When reading line B (**cash advances**), write the term on the board and ask for a volunteer to read aloud this short paragraph.
- When reading line D emphasize the second line about <https://> **This is a post-course question.**
- Continue to read together the headings aloud.
- When reading line E (**Reading credit card statement**) emphasize that they should always read very carefully their card statement every month. If they have opted for paperless statements, they should log in to their on-line account and read it.
 - a) Ask students to notice a few items from the example statement (p. 7). For example: fees charged, interest charged, minimum payment, How much will be paid at the end by only paying the minimum payment.

Activity



3. Instruct students to complete the personal credit quiz on page 8.
4. Ask for volunteers to share their answers and briefly discuss them.
5. Encourage students to read their book in more depth at home.

POST TEST



Now the class is almost finished. Have the students turn to the last page of the book and complete the Post Test Survey. Read the questions aloud and read through the answers. When the students are finished have them tear off the sheet and hand it in to you. Then place them and the sign in sheet into the class folder.