



Credit Cards:

What You Need To

Know

Training Guide

An Educational Partnership Between Consumer Action and American Express

CREDIT CARDS: WHAT YOU NEED TO KNOW

TRAINING GUIDE

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Purpose of Training

Most people use credit cards—but do they know the terms of the agreement they have with their card issuer?

This training will help participants understand how credit cards work and how the way they use credit cards can have an important impact on their credit histories.

Training Objectives

Participants will learn how to:

- Understand the different types of cards available.
- Sort through offers to choose the card that's right for them.
- Understand credit card terms and conditions.
- Avoid fees and penalty rates.
- Know where to go for more information and assistance.

Materials

Participants' folders, which include:

- “Credit Cards: What You Need To Know” Brochure
- PowerPoint Presentation Handout

Worksheets and Activities:

(The activity sheets are attached to this curriculum. You can use them to make copies for participants.)

- The \$200,000 Difference – Teaching Aid
- Rule of 72 – Activity
- Life Stages and Credit Cards – Activity
- Sample Credit Card Solicitations (9 pages with cover sheet)
- Card Fee – Activity
- Credit Card Checklist – Take Home Activity
- Credit Card Resources for Consumers – Take Home Resource

For the trainer:

- “Credit Cards: What You Need To Know” Training Manual
- “Credit Cards: What You Need To Know” PowerPoint Presentation
- Easel, flip chart pad and markers

Seminar duration: This training is designed to last approximately 2 hours. One 10-minute break is included.

Training Outline

Part One (60 minutes)

Credit Card training overview, 5 minutes

The \$200K difference – Teaching Aid

Group Introductions, 5 minutes

Credit Cards, 5 minutes

Stages of Life and Credit Cards – Activity (10 minutes)

Card Offers, 5 minutes

Card Terms and Conditions, 15 minutes

Credit Card Billing Statements, 15 minutes

Break, 10 minutes

Part Two (50 minutes)

Card Fees, 15 minutes

Card Fees – Activity, 15 minutes

Optional Fee-Based Services / Card Features / Card Benefits, 5 minutes

Questions and answers, 10 minutes

Wrap up and evaluation, 5 minutes

Training Design

Part One (60 minutes)

Before conducting the seminar, familiarize yourself with

- This Training Guide and attached activities
- “Credit Cards: What You Need To Know” Brochure
- The accompanying PowerPoint Presentation

Credit Card Training Overview (5 minutes)

Teacher Script:

Welcome. I am _____. I will be your trainer today.

Most people use credit cards—but do they know the terms of the agreements they have with their card issuers?

This training will help participants understand how credit cards work and how the way they use credit cards can have an important impact on their credit histories.

Credit is a valuable and necessary financial tool. It can help you establish a credit history, make purchases conveniently, and take advantage of the benefits and services offered by credit issuers.

Can you think of some things that can happen if you don't manage your credit card use wisely?

Not managing your credit wisely can lead to:

- Increased annual percentage rates (APRs)
- Unnecessary fees
- A decline in your credit score
- Denials of future credit, employment or insurance

Review the topics you will cover:

- Types of Credit Cards
- Card Offers
- Card Terms and Conditions
- Credit Card Billing Statements
- Using Credit Cards
- Card Fees
- Optional Fee-Based Services
- Card Features and Benefits

Emphasize that the topics will be broken down into short, easily digestible sections and that there will be a 10-minute break halfway through the session.

TEACHING AID: “The \$200,000 Difference” (attached to this training guide) is a one-sheet comparison to use in discussing the importance of having good credit. The example compares Julay and Enrique and illustrates that Julay (with bad credit) and Enrique (with good credit) would pay substantially different amounts for credit on a credit card, car loan and 30-year mortgage.

Group Introductions (5 minutes)

Ask participants to introduce themselves and say what they hope to get out of the training.

Write down participants’ expectations on an easel pad or blackboard. Save the page for the final wrap-up and evaluation at the end of the training, so that you can revisit it and ask for feedback on how participants feel about the seminar.

RESOURCE: Direct attention to the “Credit Cards: What you need to know” brochure in participants’ folders. Give the class a few minutes to review the brochure before you continue.

Credit Cards (5 minutes)

Background: Review Training Manual.

Learning objective:

- Uses of credit cards

Ask the class, “Do you have a credit card?”

Ask the class, “What do you find most useful about having a credit card?”

- The ease of making and paying for purchases
- Good for emergencies
- Pay for big-ticket items and stretch out the payments over time
- Establish a credit history
- Insurance or replacement for purchases
- Safer than carrying large amounts of cash
- Airline miles or other rewards
- Gives you more purchasing power
- Protection from fraud

Key credit card advantages

- Using your credit card wisely and paying your bills on time helps you build a good credit history and obtain other kinds of credit.
- People with good credit generally receive the best rates and terms on mortgages and auto loans.
- You can use your credit card to shop by mail and over the Internet without having to send cash or a check.
- You get a grace period of 20-25 days without interest on purchases if you paid your previous bill in full by the due date.
- There are laws that protect you from shoddy goods or services paid for with a credit card.

Important Concepts to Review with Participants

- **Revolving credit**—the type of credit agreement used by most credit cards. It allows consumers to pay all or part of the outstanding balance in each billing cycle. As credit is paid off, it becomes available again to use for another purchase or cash advance.
- **Charge cards**—cards that are not subject to interest, but you cannot carry a balance—you must pay your bill in full each month. Charge cards often have annual fees. ~~There is no set credit limit on charge cards because cardholders agree to pay the full amount they owe every month.~~
- **Secured credit cards**—special credit cards that you can obtain only after you have deposited money in a savings account to guarantee that you will pay for your credit card charges. Secured cards look like and are used just like unsecured cards. Secured credit cards are an option for people who have no credit history or have a poor one.
- **Subprime cards**—credit cards that are marketed to people with poor or damaged credit. Subprime credit is high-interest credit offered to borrowers who may not qualify for any other credit.
- **Stored value cards**—cards that look like credit cards and use the same magnetic stripe to retain account information. Payroll cards, electronic benefits transfer cards, travel funds cards and store gift cards are examples of stored value cards.
- **Retail (store) credit cards**—cards issued by department stores, national chain retailers and gasoline companies as a convenience for their customers. These cards are more limited in their use as compared to general purpose credit cards issued by banks and financial services companies (bank cards). Store cards cannot be used to purchase goods and services from other merchants or service providers.

Stages of Life and Credit Cards – Activity (10 Minutes)

Instructions:

Organize participants into five groups and ask them to take out a copy of the Life Stages and Credit Cards activity sheet. Have each group select a leader who will take notes about the discussion and present their conclusions to the larger group.

Assign a life stage to each group. For example, one group will address teenagers, one college graduates, etc. Ask the groups to brainstorm and list Opportunities and Hazards that they think are relevant to that age group's use of credit cards.

After about 10 minutes, call the groups back together for the wrap-up session. Ask the spokespeople to go over their suggestions with the class. In the discussion that results, emphasize that there are no right or wrong answers. Here are some examples for you to use while leading the discussion.

- Teenager (Opportunities: Emergencies; learning about personal finance responsibilities. Hazards: May use the card for wants rather than needs; may hurt credit record by failing to pay on time.)
- College student (Opportunities: Establishing credit; purchasing books and other items for school; purchasing airline tickets for visits home. Hazards: May run up large debts and incur high interest charges; may use card for non-budgeted items, such as restaurant meals or entertainment.)
- Single working person (Opportunities: Paying for big ticket items; taking advantage of interest-free grace period; using for reimbursable employee expenses. Hazards: Excessive use of card may mean that most disposable income is committed to credit payments, making saving difficult.)
- Married couple with young children (Opportunities: Helping to stretch paycheck; making sure children can have the items they need; ensuring that the family can take vacations. Hazards: Temptation to use credit to pay for the increasing costs of a growing family may result in excessive interest payments; too many credit cards may hurt credit.)
- Retiree (Opportunities: Facilitates paying for travel; stretching budget between retirement checks. Hazards: Limited retirement income could easily be exceeded by credit card payments.)

Card Offers (5 minutes)

Background: Review Training Manual.

Learning objective:

- To understand how cards are marketed to individuals.
- To learn how to compare credit card offers.

Introduction: An estimated 1.4 billion credit card offers were distributed in just the first quarter of 2005, about 5-6 solicitations per month for each household in the country.

Ask the class, "What information is the credit card company required to disclose when it makes an offer of credit?"

By law, solicitations must list:

- The annual percentage rate (APR)—the finance charge expressed as a yearly interest rate.

- Variable APRs—if applicable, when and how the interest rate will change.
- Grace period—A period during which you can avoid finance charges on purchases by paying your balance in full each month.
- Annual fees—Some issuers charge annual membership fees ranging from \$20-\$75 or more. A few issuers charge an annual fee only when you don't use your card or use it very infrequently.
- Transaction fees—such as cash advance fee or over credit limit.
- Balance computation method—the method used to calculate the finance charge.

Kinds of credit card offers

Pre-approved	Invitations to apply	Instant Credit
Pre-approved offers are based on your credit history. Federal law requires that pre-approved offers contain a firm offer of credit. The only exception is if you experience a serious decline in creditworthiness after the offer was made.	Invitations to apply simply ask you to apply for a card. Unlike pre-approved offers, invitations do not require a firm offer of credit. The company will use the information you provide in your application, along with any information on file about you at the major credit reporting bureaus, to make its decision about your application.	Salespeople often ask shoppers if they want to apply for the store's credit card, and get a discount on their purchases. Applicants are asked for information so that the store can check their credit and, if the shopper's credit is acceptable, issue credit on the spot.

Ask the class, "How can you compare credit card offers to find the best one?"

- Compare the interest rates of the solicitations you receive in the mail.
- Visit credit card company web sites to see what they are offering "drop-in" visitors.
- Compare cards using Consumer Action's annual credit card survey (www.consumer-action.org) or by visiting the www.bankrate.com, www.cardtrak.com and www.cardratings.com web sites.
- Call your credit union. Visit cuna.org to see if you are eligible to join a credit union.
- Look closely at cards' transaction fees (such as late, over limit, cash advance, bounced check and currency conversion fees) and at any disclosure of how or why your interest rate will change.
- If you want a low—or zero percent—introductory rate, look for one that lasts longer than six months (the minimum introductory period required by law).

Introductory rates (also called "teaser" rates)

- Short-term, temporary interest rates offered to new credit card customers.
- These lower rates must be good for at least six months, although longer teasers exist.

Credit limits

—The maximum amount that you can charge on your card.

—You don't know the amount of your credit line when you apply for a card.

Ask the class, "If a card offer states: 'You have been approved for a credit line of up to \$100,000,' will you get a \$100,00 credit limit? Why, or why not?"

—The key words are "up to," meaning that the company can—and probably will—give you a lower credit limit.

Balance transfers

—Many credit card offers include the opportunity to transfer a balance from another card.

—Application forms often have space for you to list credit card accounts from which you would like to transfer balances.

—You can also transfer balances by calling the company. Some companies charge a fee for transferring a balance from another credit card, commonly as a percentage of the cash advance, such as 3%.

—Often, when you get a new credit card, the fee on balance transfers is waived for a limited time.

RESOURCE: Ask the class, "Is there a way to stop credit card solicitations from being sent to your home?"

—The answer is "yes."

—But if you already do business with a company, it can still send you offers.

—Card solicitations must include a notice informing recipients how to stop the offers.

—You can also call 888-5OPTOUT or visit www.optoutprescreen.com to stop most mailings. [Write the phone number and web site address on the easel pad or blackboard.]

Card Terms and Conditions (15 minutes)

Background: Review Training Manual.

Learning objective:

- To teach participants to read and understand credit card policies.

Introduction: When you get a new credit card, you agree to honor the terms and conditions in the agreement.

Cardholder agreements

—The cardholder agreement is a legal document—a "contract"—that spells out terms and conditions relating to your credit card account.

—The agreement is required by Federal Reserve regulations.

—As a card applicant, you may accept or reject the contract, but you cannot modify its terms.

Ask the class, “How do credit card companies notify you about changes to your cardholder agreement?”

—Card companies must send “change of terms” notices to cardholders.

—These notices must be sent at least 45 days ahead of the date the change will take effect.

—Credit card companies often send change-of-terms notices with your monthly billing statement.

—Look closely at all “bill stuffers” before discarding any of them, as they may contain important information about your card.

Ask the class, “Can the interest rate on a fixed rate credit card change?”

—The answer is, “No, not if they call it ‘fixed’.” Under the new law, if a company calls a rate “fixed,” it can’t change. Not if it goes 60 days late and not by changing the terms. Rates that don’t vary with the Prime Rate will be called “non-variable.”

—By law, credit card companies can change your “non-variable” interest rate at any time after the first year, or whenever you are more than 60 days late with your payment, as long as they give you 45 days notice.

—The rate can also change at any time, without notice, after an introductory rate expires (must be at least six months) or if you haven’t made your agreed-upon payments under a workout agreement (a special arrangement with your credit card issuer to help you pay off your card balance when you are having financial difficulties).

—Except in the case of a penalty increase (as a result of payment more than 60 days late, for example) or the expiration of an introductory rate, an interest rate increase will generally apply only to new transactions made 14 days after the change-in-terms notice is sent.

—If you don’t want to accept the new terms, you have the right to cancel the card and pay off the balance at the old interest rate. If you take that option, the issuer may double your required monthly payment to shorten the repayment period but cannot require you to pay off your balance in a period shorter than five years.

Interest rates

—The annual percentage rate, or APR, is your card’s interest rate, expressed as a yearly figure.

—The interest rate is the cost of borrowing money from the credit card company.

—Your card’s APR is usually for purchases—if you withdraw cash, you might be charged a higher interest rate.

EXERCISE: Ask participants to take out the “Rule of 72 Worksheet.”

Explain that it is easy to figure how fast a debt will grow using the “Rule of 72.” The same formula can be used to figure how long it would take to double the money in your savings account.

The Rule of 72: At 10% interest, money will double every 7.2 years. Divide 72 by your interest rate to get the amount of time it'll take to double your money—or your debt.

For example, if your interest rate is 6%, your debt will be doubled every 12 years. 72 (the Rule of 72) divided by 6 (interest rate) = 12 (years).

Give participants a couple minutes to complete the exercises. Ask for volunteers to give the answers.

Answers: 1.) Your debt would double in 4 years. 2.) Your savings would double in 24 years.

Variable interest rates

—APRs that change whenever interest rates go up or down.

—Variable rates change automatically—your credit card company does not have to notify you each time the rate changes.

—Variable interest rates change according to a set formula using an “index” and a “margin.”

—The most common index used is the Prime Rate.

Write this example on the easel pad or blackboard: “The Prime Rate is 5% and your margin is 8.99%”

$$\begin{array}{r} 5.00\% + \\ \underline{8.99\%} \\ = 13.99\% \text{ APR} \end{array}$$

“Non-variable” interest rates

—This means your APR does not go up or down with interest rate fluctuations or movement in the Prime Rate.

—However, “non-variable” interest rates can change, with a 45-day change-in-terms notice, any time after the first year or anytime you are more than 60 days late with your payment.

—The rate can also change without notice after an introductory rate expires (must be at least six months) or if you haven’t made your agreed-upon payments under a workout agreement (debt management plan, or DMP).

—Except in the case of a penalty increase (as a result of a payment more than 60 days late, for example) or the expiration of an introductory rate, an interest rate increase will generally apply only to new transactions made 14 days after the change-in-terms notice is sent.

—If you don’t want to accept the new terms, you have the right to cancel the card and pay off the balance at the old interest rate. If you take that option, the issuer may double

your required monthly payment to shorten the repayment period but cannot require you to pay off your balance in a period shorter than five years.

Ask the class, “Do you know what a penalty rate is?”

—If you do not honor the terms of your cardholder agreement you might be charged a higher rate.

—This rate is called a penalty rate, or a default rate.

Ask the class, “Can you think of any situations that might cause the credit card company to increase your interest rate?”

—You pay your credit card bill late.

—Your payment check bounces.

—You default on another account or loan you have with the same creditor.

Ask the class, “Why is it important to have good credit?”

— When you apply for a credit card or ask for a loan, lenders look at your “credit history” to see how reliable you have been in repaying loans or credit.

—If you have had credit cards or loans and made all required payments on time, you probably have a good credit history.

—A positive credit record results from using credit wisely.

Cash advance APR (interest rate)

—The interest rate charged when you use your card to get cash.

—The cash advance APR is usually—although not always—higher than the “purchase rate” APR.

—Another cost difference for cash advances is that there is no grace period—interest begins to accrue immediately.

Ask the class, “Has your credit card company ever sent you checks? Do you know what these checks are for?”

Credit card checks

—These are called “convenience checks.”

—They are linked to your credit card account and can be used to make purchases or cash advances.

—When you write a convenience check, you will be charged the cash advance interest rate, which may be higher than your regular rate, and a cash advance fee.

—As with all cash advances, there is no grace period—interest begins to accrue immediately.

—There may be a charge to stop payment on a convenience check.

Grace period

- The period in which finance charges do not accrue on purchases if you are not carrying a balance and make your payment before the due date.
- The grace period is the time between the close of the billing cycle and the due date.

Credit Card Billing Statements (15 minutes)

Background: Review Training Manual.

Learning objective:

- To understand key concepts listed on credit card billing statements
- How to review billing statements for accuracy

Introduction: It is important to review your credit card billing statement each month. In this segment we will discuss some of the items and concepts you may encounter when reviewing your statement.

Minimum payment

- This is the lowest amount that you are allowed to pay the credit card company each month without triggering a late fee.
- You can send in any payment you want, as long as it is equal to or larger than the required minimum payment.
- You can also pay all the charges in full.
- In most cases, the minimum payment is figured by using a percentage of your total balance, such as 2% or 3%.
- Some card companies figure the minimum payment by adding your finance charges (interest) for the current month, plus a flat amount, such as \$10 or 1% of the outstanding balance.
- If you send less than the minimum required payment, your payment will be considered late and you might be charged a late fee.
- If you send more than the minimum required payment, the excess must be applied to the portion of your balance with the highest interest rate.
- Your monthly credit card statement must contain information that clearly spells out how long it would take and how much it would cost you to pay off your current balance if you were to make only the minimum required payment each month. (It must also tell you how much you would have to pay each month to get out of debt in three years.)

Periodic interest rate

- A formula used by your credit card company to calculate how much interest you owe on each monthly statement.
- Every day the company adds your charges and payments and a daily amount of interest, then takes the daily total and divides that figure by the number of days in the month, to determine your average daily balance.

EXAMPLE: [Write this calculation on your easel pad or blackboard as you review it.]

Balance calculation on credit cards is complex. Here is a simplified example to help you understand:

Let's say there are 30 days in your billing cycle for August. You charge \$100 on August 1 and you charge \$60 on August 16.

Aug. 1-15: Average balance = \$100
Aug. 15-30: Average balance = \$160

$\$100$ (Aug. 1-15) $\times 15 = \$1,500$
 $\$160$ (Aug. 15-30) $\times 15 = \$2,400$

$\$1,500 + \$2,400 = \$3,900$
Divide \$3,900 by 30 (days)
 $= \$130$ - your approximate average balance

—Then the bank divides your annual interest rate by 365 (the number of days in the year) to get a daily “periodic interest rate.”

EXAMPLE: [Write this example on your easel pad or blackboard.]

An 18% interest rate divided by 365 equals a daily rate of 0.0005 (rounded up for simplicity)

The bank multiplies your average daily balance by the daily periodic interest rate, and then multiplies by the number of days in the billing cycle (in this case, 30) to obtain the finance charge for that month.

Using the example of an average daily balance of \$130, the monthly interest charge would be \$1.95

$\$130 \times 0.0005 \times 30 = \1.95

Your new balance including finance charges would be $\$160 + \$1.95 = \$161.95$

This is a simplified example, and leaves out the effect of daily compounding, that is the amount of interest charged each day.

Payment due date

—Determined by adding the number of days in your grace period to the date that your card's monthly billing cycle ended.

EXAMPLE: If your billing cycle runs from Aug. 7 to Sept. 5, and your card has a 25-day grace period, your due date will be Sept. 30.

—Due dates must fall on the same day (or date) every month and payments received before 5 p.m. on the due date cannot be considered late.

—If the issuer does not process payments on Saturday, Sunday or holidays and the due date falls on such a day, your payment cannot be considered late until the next business day at 5 p.m. (*Be aware that many issuers do process payments on Saturdays, Sundays and holidays.*)

—Some card issuers allow you to select your due date and structure your billing cycle around your chosen due date.

Dispute rights

—If you find a mistake on your bill, call your credit card company immediately.

—You can formally “dispute” the charge.

—You can dispute charges for:

- the wrong amount,
- fraudulent charges,
- something you didn’t accept, or
- an item or service that was not delivered.

—You have the right to withhold payment on the disputed amount while your card company is investigating.

—You still have to pay any part of the bill that’s not in dispute, including finance and other charges.

—The credit card company must receive your dispute within 60 days of the bill that first contained the error.

—Follow up your call by writing a letter to the card company at the address listed on your statement for billing inquiries.

—Include your name, address, account number and a description of the error.

—The company must acknowledge your complaint in writing within 30 days unless the problem has been resolved in your favor.

—Your dispute must be resolved within the shorter of two billing cycles or 90 days.

Break (10 minutes)

Announce a 10-minute break. Ask the group to return promptly, as you have lots of information to cover before you adjourn.

While participants are taking a break, write the following information on the easel pad or blackboard:

Check your credit report

—Order free copies of your credit report each year from the big three credit reporting bureaus

- Annual Credit Report at 877-322-8228
- Web site: www.annualcreditreport.com
- You can stagger your orders from the three bureaus so that you get one of the free reports every four months
- Review the reports to make sure the information listed is accurate

Part Two **50 minutes**

Card Fees (10 minutes)

Background: Review Training Manual.

Learning objective:

- How to avoid credit card fees and penalty rates.

(Ask participants to take out the Sample Credit Card Solicitations, as you will be referring to them during this segment of the training.)

Introduction: You can avoid fees by carefully managing your account. Let's review some common credit card charges and ways you can avoid them.

Annual or monthly fee

- Common on charge cards, rewards and airline miles credit cards and on secured and sub-prime cards.
- Sometimes applied if you do not make at least a few charges during a year.
- Consider the overall value of a card when comparing fee and no-fee cards.
- If you are thinking about getting a rewards or airlines miles card, make sure that the card's benefits and services are worth the cost of the fee.

Application fees

- Many sub-prime cards and some secured cards charge a fee when an account is opened.
- Account-opening fees, including an annual or application fee, cannot exceed 25% of the initial credit limit.
- Secured credit cards are generally much better deals than sub-prime credit cards, and you can find secured credit cards that don't charge application fees.
- Check out the Bank Rate web site (www.bankrate.com) to find companies that offer secured cards.

Balance transfer fees

- Charged for transferring a balance from one card to another.

- Balance transfer fees are commonly assessed as a percentage of the balance transferred (for example, 3%).
- Most companies don't charge these fees to new cardholders for the first month or two.
- When you apply for a new card, ask about balance transfer fees.

Ask the class to look at the sample solicitation: “If you took advantage of the initial “Zero Percent” balance transfer offer on the Plastic Fantastic credit card, and transferred a \$1,000 balance from another credit card, what is the amount of the balance transfer fee you would have to pay?”

[Answer: None. The balance transfer fee is waived with the “Zero Percent” offer.]

Cash advance fee

- Charged as a percentage of the cash advance, with minimum charges common.
- Cash advance fees are an expensive way to get cash.
- In addition to the fee, interest on cash advances begins to accrue immediately.
- Use your ATM or debit card to withdraw cash from your checking or savings account at ATMs.

Ask the class, “If you took a \$100 cash advance using the Charger Card, how much would your cash advance fee be?”

[Answer: \$5. The fee would ordinarily be \$3 because it is 3% of the amount borrowed—but this card has a minimum fee of \$5.]

Currency conversion fees

- Most credit cards charge fees of 1%-3% when you make purchases while traveling overseas.
- This fee varies by issuer and may be called currency exchange fees or foreign transaction fees.
- If you expect to use a card while traveling outside of the U.S., look for a card that has a low currency conversion fee.

Late fee

- Charged if your payment is late, sometimes even if it is received on the due date after 5:00 p.m.
- Your due date must fall on the same day (or date) every month. To avoid late fees, always pay your bill on time.
- If you send your payment by mail, allow at least seven days for the payment to reach your issuer.
- Consider other payment methods, such as online bill pay, pay-by-phone or automatic payments from your bank account. You cannot be charged a fee to pay bills online at your issuer's web site or to pay by phone by calling your issuer and providing a check

number and your bank's routing number *unless* you make an expedited (last-minute) payment with the help of a customer service representative.

Ask the class, "You have a balance of \$255 on the Friendly Card. If your payment was late, what is the amount of the late fee you would pay?"

[Answer: \$39. The late fees are tied to the balance amount. In this case balances of more than \$250 carry a \$39 fee.]

Over-the-credit-limit fee

—Charged if you go over your credit limit *and* you have given permission to the card issuer to charge a fee if you make transactions that exceed your pre-established credit limit.

—An over-limit fee may be imposed only once in any billing cycle.

—If you have not given permission, transactions that would exceed your credit limit probably will be declined at the point of sale.

—Know your credit limit.

—Call your card issuer in advance if you need an increase.

—Ask if your issuer has a free e-mail service that alerts you when you are approaching your credit limit.

Bounced check or returned item fee

—Charged if your check bounces.

—Make sure you have sufficient funds in your bank account to cover your check.

Card Fees Activity (15 minutes)

Learning objective:

- To find information on credit card solicitations.
- Becoming comfortable with the fine print.

Introduction: Ask participants to use the "Sample Credit Card Disclosures" to answer the following questions. Instruct them to mark the part of the disclosure on which they base their answers so that they will be ready to explain their answers for the class.

1. Which cards might raise your interest rate if you make a late payment or a payment that is not honored by your bank (i.e., your check bounces)?

Answer: All of them. Each card's disclosure says something similar to "All your APRs may automatically increase up to the Default APR if you default under any Card Agreement that you have with us because you fail to make a payment to us when due or you make a payment to us that is not honored."

2. Do any of the sample cards have fixed interest rates?

Answer: No. All of the sample cards have “variable” interest rates (APRs) that will fluctuate with the Prime Rate.

3. If you used the Plastic Fantastic Card for a purchase worth \$125 U.S. dollars while traveling abroad, what is the amount of the fee your credit card company would charge you?

Answer: The company would charge a “transaction fee for purchase made in a foreign currency” of \$3.75 (3% of \$125).

4. What would your interest rate (APR) be on the Sky High Limit Platinum Card after the “Zero Percent” introductory period ends?

Answer: There is no way to know the answer. You will not know what your APR is until you apply for the card. However, from the disclosure you do know that your rate will be between 9.99%-16.99%.

5. If you transferred a \$10,000 balance to the Charger Card, what would the amount of your balance transfer fee be?

Answer: Your balance transfer fee would be \$75, because the 3% balance transfer fee is capped at \$75.

Optional Fee-Based Services / Card Features and Benefits (5 minutes)

Background: Review Training Manual.

Learning objective:

- Understand that optional services are not required as a condition of getting a credit card.
- Find cards with valuable free services.
- How to assess the value of a fee-based “add-on” service.

Introduction: Credit cards often have valuable free benefits. These may include:

- Zero liability if your card is used to make purchases without your authorization.
- Cash rebates or merchandise rewards.
- Rental car “collision damage waiver” (CDW) coverage.
- Buyers’ protection against loss and theft.
- Extended warranties on items you buy using your card.

Most credit card issuers offer optional services for a fee. Know that:

- You do not have to buy them.
- Not buying them will not affect your application or change the terms of your card.

—Before making a decision on whether to purchase optional services, get detailed information.

—Carefully review the limitations and restrictions of the service.

Common fee-based services:

Credit protection insurance

—Lenders offer insurance to make your loan payments if you die, become ill or unemployed, but the coverage is quite expensive and there are significant limitations.

—Depending on your company’s program, credit protection insurance might:

- cover your minimum payments when you are ill or out of work.
- allow you to miss several minimum payments without being charged late fees.

—Interest will still accrue as usual.

—On this type of insurance, payouts are usually limited to a few months.

—Often self-employed people or seasonal workers are not covered, but you might not be told this until you make a claim.

—All credit card insurance comes with limitations.

—It’s important to read the fine print before joining a plan.

Identity theft monitoring services

—Credit monitoring companies charge a yearly fee to check your credit report.

—Usually the services check only one of the three major credit reporting agencies.

—The company will alert you if certain information in your report changes, such as reviews by potential creditors or when new accounts are opened.

—You can save the money by checking your credit report yourself.

—You can “freeze” your credit report with a password to prevent unauthorized use.

Questions and Answers (10 minutes)

Background: Review Training Manual.

Learning objective:

- Provide answers to individual questions by participants.
- Refer participants to other resources that provide valuable information about credit cards.

Open the floor to questions. The Training Manual is written in question-and-answer format to help you anticipate frequently asked questions.

At this time, point out the:

- “Credit Card Checklist” for participants to take home. Encourage participants to follow through on what they have learned in the seminar by comparing the terms on the cards they already have and by closely reviewing credit card solicitations before applying for a new card.

- “Credit Card Resources for Consumers,” a guide to additional sources of information about credit cards.

Wrap Up and Evaluation (5 minutes)

Review participants’ expectations from the beginning of the training. Ask the participants if the training met their expectations. Take notes for yourself about participant feedback. This will help you fine-tune future trainings.

Congratulate participants on their attention and participation in the day’s training.

If you would like more information about how to order Consumer Action’s free educational materials, or to learn more about our activities, visit the Consumer Action web site (www.consumer-action.org) or call 800-999-7981.

*Consumer Action created this training guide in partnership with American Express.
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The \$200,000 Difference

Julay has Bad Credit	Enrique has Good Credit
JULAY'S CREDIT SCORE: 620	ENRIQUE'S CREDIT SCORE: 780
Julay got a credit card in college. She ran up a large balance and missed payments.	Enrique got his first credit card when he got his first job. He always pays on time.
<p>Credit card: 26.99% APR. Balance: \$2,000. Minimum payment: \$50. Paying just the minimum, it will take Julay 62 years to be rid of her debt.</p> <p>Finance charges (interest only): \$15,034.52.</p>	<p>Credit cards: 9.99% APR (no balance) and 7.99% APR. Balance: \$2,000. Minimum payment: \$50. Paying just the minimum, it will take Enrique 11 years to be rid of his debt.</p> <p>Finance charges (interest only): \$648.68.</p>
<p>Julay's car loan: New car, \$22,000. 36 months (3-year) loan at 20.95%. Monthly payment: \$828. Total payment: \$29,818.</p> <p>Finance charges (interest only): \$7,818.</p>	<p>Enrique's car loan: New car, \$22,000. 36 month (3-year) loan at 4.99%. Monthly payment: \$659. Total payments: \$23,733.</p> <p>Finance charges (interest only): \$1,733.</p>
<p>Julay's mortgage: 30-year fixed rate at 8.575%. Mortgage amount: \$250,000. Monthly principal and interest payment: \$1,935.59.</p> <p>Finance charges (interest only): \$446,808.43.</p>	<p>Enrique's mortgage: 30-year fixed rate at 5.275%. Mortgage amount: \$250,000. Monthly principal and interest payment: \$1,384.38.</p> <p>Finance charges (interest only): \$248,379.31.</p>
TOTAL FINANCE CHARGES: \$469,660.95	TOTAL FINANCE CHARGES: \$250,760.99

Credit Card Resources for Consumers

Federal Trade Commission (FTC) (www.ftc.gov; 877-382-4357)

The FTC offers a wide range of free publications on credit and consumer rights. (It also accepts complaints from consumers for use in investigating violations, but does not resolve individual complaints.)

Federal Reserve Board (www.federalreserve.gov/consumers.htm)

The Federal Reserve provides a free brochure on choosing a credit card and a guide to credit protection laws.

Comparing cards

Bankrate (www.bankrate.com)

Bankrate provides free credit card tips and rate information.

Consumer Action (CA) (www.consumer-action.org)

Consumer Action's site features free credit card surveys with interest rates, fees and other terms for dozens of credit cards, as well as free brochures and guides on choosing and using credit cards.

CardWeb.com (www.cardweb.com)

CardWeb.com lists credit cards and offers e-mail newsletters for consumers, frequently asked questions and online credit card calculators.

CardRatings.com (www.cardratings.com)

CardRatings.com lists and reviews credit cards, and offers tips and credit card calculators.

Complaints

To complain about a problem with your credit card company, call the company first and try to resolve the problem. If you fail to resolve the problem, ask for the name, address and phone number of its regulatory agency.

The Office of the Comptroller of the Currency (www.occ.treas.gov) charters and supervises national banks. If the word "national" appears in the name of a bank, or the letters "NA" follow its name, the OCC oversees its operations. Call 800-613-6743 (9 a.m. to 4 p.m. weekdays, Central Time) or write to its Customer Assistance Group, 1301 McKinney Street, Suite 3710, Houston, TX 77010. E-mail your message to Customer.Assistance@occ.treas.gov.

To complain about a credit bureau, department store or other non-FDIC- (Federal Deposit Insurance Corporation) insured financial institution, write to the Consumer Response Center, Federal Trade Commission (FTC), Washington, DC 20580. You may also file a complaint online at the FTC web site (www.ftc.gov).

Life Stages and Credit Cards

What role do credit cards have in these people's lives?

Brainstorm and list Opportunities and Hazards that you think are relevant to that age group's use of credit cards.

Teenager

Opportunities: _____

Hazards: _____

College student

Opportunities: _____

Hazards: _____

Single working person

Opportunities: _____

Hazards: _____

Married couple with young children

Opportunities: _____

Hazards: _____

Retiree

Opportunities: _____

Hazards: _____

Credit Card Checklist

Use this form to compare credit cards. Make extra copies if you want to compare more cards.

Terms and Conditions	Card Name: _____	Card Name: _____
Annual fee		
Annual percentage rate - APR <i>circle one</i> Fixed <i>circle one</i> Variable <i>Variable example:</i> $APR = \text{Prime Rate}^* + 2.9\%$	Fixed Variable APR = _____ + _____	Fixed Variable APR = _____ + _____
Introductory APR		
Length of introductory APR		
Grace period		
Days in billing cycle		
Credit limit		
Late payment fee		
Cash advance fee		
Over limit fee		
Rebate/reward		
Purchase protection		
Rental car insurance		

* Prime Rate is common on credit cards. Less common indexes are LIBOR (London Interbank Offering Rate) or the Federal Funds Rate.

Rule of 72 Worksheet

You can easily figure how fast a debt will grow using the “Rule of 72.” The same formula can be used to figure how long it would take to double the money in your savings account.

The Rule of 72: At 10% interest, money will double every 7.2 years. Divide 72 by your interest rate to get the amount of time it’ll take to double your money—or your debt.

For example, if your interest rate is 6%, your debt will be doubled every 12 years. 72 (the Rule of 72) divided by 6 (interest rate) = 12 (years).

Figure the following examples for yourself:

1. You have a credit card with an 18% interest rate. (You don’t need to know the amount of the balance for this exercise.) If you didn’t make any payments on the debt, how long would it take your balance to double?

2. Your bank pays you 3% interest on your savings account. You make no new deposits. How long will it take to double your money?

CARD FEES ACTIVITY

Use the “Sample Credit Card Disclosures” to answer the following questions. Mark the part of the disclosure on which you base your answer so that you will be ready to explain your answer for the class.

1. Which cards might raise your interest rate if you make a late payment or a payment that is not honored by your bank (i.e., your check bounces)?

2. Do any of the sample cards have fixed interest rates?

3. If you used the Plastic Fantastic Card for a purchase worth \$125 U.S. dollars while traveling abroad, what is the fee your credit card company would charge you?

4. What would your interest rate (APR) be on the Sky High Limit Platinum Card after the “Zero Percent” introductory period ends?

5. If you transferred a \$10,000 balance to the Charger Card, how much would your balance transfer fee be?

CREDIT CARDS: WHAT YOU NEED TO KNOW

SAMPLE CREDIT CARD SOLICITATIONS

- **I - Plastic Fantastic Card**
- **II - Friendly Card**
- **III - Charger Card**
- **IV - Sky High Limit Platinum Card**

I - Plastic Fantastic Credit Card

Annual percentage rate (APR) for purchases	11.99%.
Other APRs	Balance transfer APR: As long as the first balance transfer is completed within 12 months from date of account opening, 0.00% for 12 months from date of first balance transfer. After that, 11.99%. Cash advance APR: 21.49%. Default APR: 30.49%.*
Variable rate information	Your APRs may vary each billing period. The purchases and balance transfer rate equals the Prime Rate** plus 5.49% . The cash advance rate equals the Prime Rate plus 14.99%, with a minimum cash advance rate of 19.99%. The default rate equals the U.S. Prime Rate plus up to 23.99%.***
Grace period for repayment of balances for purchases	Not less than 20 days if you pay your total new balance in full each billing period by the due date.
Method of computing the balance for purchases	Average daily balance (including new purchases)
Annual fees	None
Minimum finance charge	\$0.50

Transaction Fee for Purchase made in a Foreign Currency: 3% of the amount of foreign currency purchase after its conversion into U.S. dollars.

Transaction fee for cash advances: 3% of the amount of each cash advance, \$5 minimum.

Transaction fee for balance transfers: 3% of the amount of each balance transfer, \$5 minimum, \$75 maximum. However, there is no fee with the 0.00% APR balance transfer offer described above.

Late fee: \$15 on balances up to \$100; \$29 on balances of \$100 up to \$1000; and \$39 on balances of \$1000 and over.

Over the credit-line fee: \$35, if you have given permission to us to charge a fee if you make charges in excess of your credit limit.

* All your APRs may automatically increase up to the Default APR if you default under any Card Agreement that you have with us because you fail to make a payment to us when due or you make a payment to us that is not honored. If an APR is increased for any of these reasons, the Penalty APR will apply indefinitely to future transactions. If we do not receive any Minimum Payment within 60 days of the date and time due, the Penalty APR will apply to all outstanding balances and future transactions on your Account; but if we receive six consecutive Minimum Payments when due, beginning immediately after the increase, the Penalty APR will stop being applied to transactions that occurred prior to or within 14 days after we provided you notice about the APR increase.

** For each billing period we use the U.S. Prime Rate published in The Wall Street Journal two business days prior to the Statement/Closing Date for that billing period.

*** Factors considered in determining your default rate may include how long your account has been open, the timing or seriousness of a default, or other indications of account performance.

We apply payments in excess of the minimum amount due to higher APR balances before lower APR balances. That means if your account has balances with different APRs, the amount of your payment equal to the Total Minimum Payment Due is applied to the balance with the lowest APR before any payments are applied to balances with higher APRs. Any amount of your payment that is greater than the Total Minimum Payment Due is applied to the balances with the highest APR before being applied to balances with lower APRs.

Rates, fees, and terms may change: We may change the rates, fees, and terms of your account (including APRs) in accordance with your Cardmember Agreement.

II - Friendly Card

Annual Percentage Rate (APR) for purchases	Top Tier and Premium Pricing: (a) A 0% fixed APR for the first 12 billing cycles following the opening of your account. After that, 12.49% variable (b) for Top Tier Pricing, or 16.49% variable for Premium Pricing. Standard Pricing: From account opening, 21.49% variable.
Other APRs	Balance Transfer APR: Top Tier and Premium Pricing (a). A 0% fixed APR for the first 12 billing cycles following the opening of your account. After that, 12.49% variable for Top Tier Pricing, or 16.49% variable for Premium Pricing. Standard Pricing: A 0% fixed APR for the first 6 billing cycles following the opening of your account. After that, 21.49% variable. Cash Advance APR: Top Tier and Premium Pricing: 22.49% variable. Standard Pricing: 22.49% variable. Default APR: 30.49% variable. See explanation below (c). Overdraft Advance APR: 13.99% fixed (not available in some states)
Variable rate information	The following APRs may vary monthly based on the Prime Rate (d): Purchase APR: Top Tier and Premium Pricing: The Prime Rate plus 5.99% for Top Tier Pricing, or plus 9.99% for Premium Pricing for outstanding and new balances after the introductory period. Standard Pricing: The Prime Rate plus 14.99%. Balance Transfer APR: Top Tier and Premium Pricing: The Prime Rate plus 5.99% for Top Tier Pricing, or plus 9.99% for Premium Pricing for outstanding and new balances after the introductory period. Standard Pricing: The Prime Rate plus 14.99% for outstanding and new balances after the introductory period. Cash Advance APR: Top Tier and Premium Pricing: The Prime Rate plus 15.99%. Standard Pricing: The Prime Rate plus 15.99%. Default APR: The Prime Rate plus up to 23.99% (e).
Grace period for repayment of purchase balances	At least 20 days
Method of computing the balance for purchases	Average daily balance (including new purchases)
Annual fee	None
Minimum finance charge	\$1.00

Transaction fee for balance transfers: 3% of the amount of each transaction, but not less than \$5.00 nor more than \$75.00.

Transaction fees for cash advances: All cash advances: 3% of the amount of the advance, but not less than \$10.00.

Late Payment fee: \$15.00 if the balance is up to but not including \$250.00; \$39.00 if the balance is \$250.00 and over.

Over-the-Credit-Limit fee: \$35.00, if you have given permission to us to allow you to exceed your credit line.

International Transactions: 3% of the U.S. dollar amount of the transaction, whether originally made in U.S. dollars or converted from a foreign currency.

- a) You agree that we will consider your response for a Top Tier Pricing account and that we reserve the right, based upon our evaluation of information furnished by you or others, to open a Premium Pricing account or a Standard Pricing account, or not to open any account.
- b) You understand that the terms of your account, including the APRs, are subject to change. This means that the APRs for this offer are not guaranteed; APRs may change to higher APRs, fixed APRs may change to variable APRs, or variable APRs may change to fixed APRs. We reserve the right to change the terms (including the APRs) at any time after the first year, for any reason, in addition to APR increases that may occur for failure to comply with the terms of your account. Any changes will be in accordance with your Cardholder Agreement.
- c) Your APRs may increase if you default under any Cardholder Agreement you have with us for any of the following reasons: We do not receive, for any payment that is owed on this Account or any other account or loan with us, at least the minimum payment due by the date and time due or you make a payment to us that is not honored by your bank. The Penalty APR will apply indefinitely to future transactions. If we do not receive any Minimum Payment within 60 days of the date and time due, the Penalty APR will apply to all outstanding balances and future transactions on your Account; but if we receive six consecutive Minimum Payments when due, beginning immediately after the increase, the Penalty APR will stop being applied to transactions that occurred prior to or within 14 days after we provided you notice about the APR increase.
- d) If your account has balances with different APRs, the amount of your payment equal to the Total Minimum Payment Due is applied to the balance with the lowest APR before any payments are applied to balances with higher APRs. Any amount of your payment that is greater than the Total Minimum Payment Due is applied to the balances with the highest APR before being applied to balances with lower APRs.
- e) The “Prime Rate “ is the highest prime rate published in the Money Rates column of The Wall Street Journal two business days before the Closing Date on the statement for each billing period. Variable APRs above are based on the 6.50% prime rate on 01/29/2010.
- f) We may consider the following factors to determine the default rate: the length of time your Account has been open; the existence, seriousness and timing of defaults; other indications of your Account usage and performance; and information about your other relationships with us or any of our related companies.

III - Charger Card

Annual percentage rate (APR)	Purchases: 9.99%-19.99%* Other APRs: Balance Transfer APR: 0% for the first 12 monthly billing periods that your account is open (“Introductory Period”); after that: 9.99% - 19.99% (see explanation below*) Cash Advance APR: 23.99% Default APR: Up to the Prime Rate plus 23.74% or up to 29.99%, whichever is greater, and may vary (see explanation below†)
Variable rate information	<i>Your APRs may vary:</i> Purchase APR: Prime Rate plus 3.74% - 13.74%, but not lower than the APR for Purchases when your account is opened* Balance Transfer APR: Prime Rate plus 3.74% - 13.74%, but not lower than the non-introductory APR for Balance Transfers when your account is opened* Cash Advance APR: 23.99% or the Prime Rate plus 17.74%, whichever is greater*
Grace period for purchases	At least 25 days if the New Balance is paid in full by the Payment Due Date
Balance calculation method	Average daily balance (including new purchases)
Annual fee	\$0
Minimum finance charge	\$1

Transaction fee for purchases: For purchases made outside the U.S. and its territories: 1% of each purchase

Cash advance fee: 3% of the advance (\$10 minimum)§

Balance transfer fee: 3% of each balance transfer (\$5 min./\$75 max. per transfer)

Late fee: \$19 if balance is less than \$200; \$39 if balance is \$200 or greater

Overlimit fee: \$35 if you exceed your credit line at any time during a billing cycle and have given permission to us to charge a fee if you make charges that exceed your credit limit

We may change the APRs, fees, and other terms of your account at any time in accordance with applicable law and the Account Agreement, which we will send you when your account is opened. Factors we may consider in determining whether and how to change your terms include the frequency and severity of defaults and other indications of risk on accounts with Charger Bank.

***APR for Purchases, Balance Transfers, and Cash Advances:** Your APRs for Purchases, Balance Transfers, and Cash Advances (and the margins added to the Prime Rate to determine these APRs) will depend on Charger Bank’s evaluation of your application and credit history. The APR for Balance Transfers above applies to balances transferred in connection with this application. Depending on your credit profile, you may qualify for additional balance transfer offers with us in the future. The terms of any future offer will be disclosed to you when the offer is made.

†**Default APR:** Each time you default on this or any Charger Bank account because you fail to make at least the minimum payment when due or you make a payment to us that is not honored by your bank, we may increase the APRs on your account up to a maximum of the Default APR. Factors considered in

determining whether and by how much to increase your APRs include the frequency and severity of defaults and other indications of risk on accounts with Charger Bank. The Penalty APR will apply indefinitely to future transactions. If we do not receive any Minimum Payment within 60 days of the date and time due, the Penalty APR will apply to all outstanding balances and future transactions on your Account; but if we receive six consecutive Minimum Payments when due, beginning immediately after the increase, the Penalty APR will stop being applied to transactions that occurred prior to or within 14 days after we provided you notice about the APR increase.

‡**Prime Rate:** The Prime Rate used to determine your APRs is the highest Prime Rate published in The Wall Street Journal on the first business day following the 22nd day of the previous calendar month. Variable rates are current as of March 2010.

§**Purchase of Cash Equivalents:** Charges for the purchases of cash equivalents such as money orders, traveler's checks, foreign currency, lottery tickets, casino gaming chips, and the like are treated as Cash Advances and are subject to the Cash Advance fee described above.

Cash line: The amount available for cash advances will be 20% of your total credit line and will be shown on your statement.

How payments are applied: Payments will be applied first to the minimum payment due and then to Balance Categories (including new transactions) in the order of the highest APR to the lowest APR. If the Purchase Balance and another Balance Category have the same APR, payments will generally be applied first to Purchases.

IV - Sky High Limit Platinum Card

Annual Percentage Rate (APR) For Purchases	0.00% until the last day of the billing period ending during April 2010*; thereafter the standard APR, an estimated rate between 9.99% and 16.99%* (see Variable Rate Information).
Other APRs	Balance Transfers: 0.00% until the last day of the billing period ending during August 2006*; thereafter the standard APR for purchases. Default Rate: A rate not to exceed the Prime Rate + 10.99%, 15.99%, or 19.99% (currently 17.49%, 22.49%, and 26.49%), based on your account history*. Cash Advances: Platinum Card: 20.99%; Classic Card: 22.99%
Variable Rate Information	Your standard APR for purchases may vary and is determined monthly by adding an amount between 3.49% and 10.49% to the Prime Rate†. Your Default Rate may also vary and is determined monthly as described above*.
Grace Period for Repayment of the Balance of Purchases	At least 25 days when you pay your balance in full each month
Method of Computing the Balance for Purchases	Average daily balance (including new purchases)
Annual Fee:	NONE
Minimum Finance Charge:	\$0.50

Cash Advance Transaction Fee: 3% for each cash advance, with a minimum of \$5 and no maximum.

Late Fee: \$15 on balances up to \$100; \$25 on balances of \$100 up to \$1,000; \$39 on balances of \$1,000 and greater. **Over-limit Fee:** \$15 on balances \$1,000 or less; \$35 on balances greater than \$1,000.

***Default Rate:** If you are late making a payment, or if your payment is not honored, any introductory/special rates terminate and the purchase APR will apply to purchases and balance transfers. Your purchase APR and cash advance APR will also be increased to a variable APR not to exceed the Prime Rate + 10.99%. If you fail twice to make a required payment when due, your purchase APR and cash advance APR will be increased to a variable APR not to exceed the Prime Rate + 15.99%. If you fail 3 times to make a required payment when due, your purchase APR and cash advance APR will be increased to a variable APR not to exceed the Prime Rate + 19.99%. If your cash advance APR exceeds the applicable default rate described in this paragraph, it will not be changed. See Cardholder Agreement for details. The Penalty APR will apply indefinitely to future transactions. If we do not receive any Minimum Payment within 60 days of the date and time due, the Penalty APR will apply to all outstanding balances and future transactions on your Account; but if we receive six consecutive Minimum Payments when due, beginning immediately after the increase, the Penalty APR will stop being applied to transactions that occurred prior to or within 14 days after we provided you notice about the APR increase.

† The Prime Rate used is the highest prime rate listed in The Wall Street Journal on the last business day of the month.

*Actual amount added will be based on our evaluation of your credit and will be disclosed with your Card. You agree that if your application for a Platinum Card with a minimum credit limit of \$5,000 and the APRs shown above is not approved, your application will also constitute your request for a Classic Card with the APRs shown above, a minimum credit limit of \$1,000 and different insurance coverage.

Introductory/Special APRs: Please allow up to 4 weeks before payments to your other accounts are made. Accordingly, you should continue to make all required payments until you confirm that the balance transfers were made. If you are approved for an Account, you will be able to make balance transfers under this offer until January 1, 2006. If you request balance transfers after this date, we will not make the balance transfers. Balance transfers may not be used to pay any Sky High Limit Bank accounts. Balance transfers do not earn bonuses or miles. Balance transfer requests will be processed from the lowest to the

highest dollar amount. If a balance transfer transaction would cause you to exceed your account credit limit, you authorize us to process your balance transfers for an amount less than the full amount requested. Making additional transactions may still cause you to exceed your account credit limit. You may only make balance transfers to Accounts that list you as an Accountholder. There is no grace period on balance transfers.

Default: Any introductory/special rates will terminate if you are late making a payment or your payment is not honored, as discussed in the Default Rate section above and in the Cardholder Agreement. If you make a balance transfer with this application, there is no balance transfer transaction fee.

Payment Allocation: We apply payments and credits to balances with higher rates prior to introductory/special APRs (such as special balance transfer and purchase APRs). In addition, the length of time the introductory/special APRs will apply to your account may be reduced by the amount of your payments.

Application Information: Federal law requires that we obtain certain information about you such as your date of birth and street address in order to verify your identity. You authorize us to obtain a consumer report from consumer reporting agencies in considering this application. Upon your request, we will inform you of the name and address of each consumer reporting agency from which we obtained a consumer report relating to you. Offer available to US citizens and permanent residents only. To apply with a joint applicant, write to Sky High Bank at PO Box 00000, Salt Lake City, UT 84130. Every applicant, including spouse, may apply for a separate Account. THIS OFFER SUPERSEDES ALL PRIOR OFFERS. Terms of this offer, including fees and calculation of variable rates, are accurate as of March 2010 and may change after that date. To find out what may have changed after that date write to us at Sky High Bank, PO Box 20065, Wilmington, DE 19000-0000. Please allow 30 days for us to process your application.

Cardholder Agreement: You agree to be bound by the terms of the Cardholder Agreement, which will be sent with the card. You also agree that the Cardholder Agreement and the account are governed by Delaware and federal law. The Cardholder Agreement, which includes the rates and fees, is subject to change.

Arbitration: The Cardholder Agreement provides that we may choose to resolve a claim relating to your Account by binding arbitration, in which case, you will not have the right to have that claim resolved by a judge or jury. You may reject the arbitration provision with respect to your new Account within 30 days after receiving your Card. For restrictions and details, write to Sky High Bank, PO Box 20065, Wilmington, DE 19000-0000.