



FAMILIES AND CREDIT CARDS

A CONSUMER ACTION TRAINING GUIDE

Purpose of Training

This training is designed to help parents provide their children with a better understanding of how to use credit wisely and steer clear of credit trouble.

Training Objectives

Participants will learn how to:

- Introduce young people to the wise use of credit cards.
- Educate young people on the importance of paying bills on time and meeting financial obligations.
- Understand card companies' policies on authorized (secondary) user accounts.
- Learn about alternatives to credit cards that may be useful to families.

Materials

Participants' folders, which include:

- "Families and Credit Cards" Brochure
- PowerPoint Presentation Handout

Worksheets and Activities:

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

- Credit Yesteryear — Activity Sheet
- Take a Loan? Needs vs. Wants — Activity Sheet
- Take a Loan? Needs vs. Wants — Take-home Exercise
- Sample Credit Card Statement — Activity Sheet
- Case Studies — Activity Sheet

For the trainer:

- "Families and Credit Cards" Training Manual
- "Families and Credit Cards" PowerPoint Presentation
- Easel, flip chart pad and markers

Seminar duration: This training is designed to last approximately 2 hours, not including the 10-minute break.

Training Outline

Part One (70 minutes)

Overview and Introductions, 5 minutes

Credit Card Considerations, 5 minutes

- Credit Yesteryear (Activity), 15 minutes

Credit Card Eligibility, 5 minutes

Additional Cardholders/Authorized Users, 5 minutes

- Take a Loan? Needs vs. Wants (Activity), 15 minutes

Credit & Spending Management Tools, 5 minutes

- Minimum Payment Example, 5 minutes
- Sample Credit Card Statement, 5 minutes
- Recipe for Good Credit (Activity), 10 minutes

Break, 10 minutes

Part Two (50 minutes)

New Rules to Protect Young Adults, 5 minutes

Credit Card Alternatives, 5 minutes

- Case Studies (Activity), 15 minutes
- Strategies for Reaching Parents (Activity), 10 minutes

Questions and Answers, 10 minutes

Wrap up and Evaluation, 5 minutes

Families and Credit Cards Training Guide

Before conducting this training, familiarize yourself with

- This Training Guide and attached activities
- “Families and Credit Cards” Brochure
- The accompanying PowerPoint Presentation

If you are using the PowerPoint slides that accompany this training, you will find a reference to the slide number in each section. You can download the slides from www.consumer-action.org/english/articles/families_and_credit_cards_eng/.

Overview and Introductions

[PowerPoint Slide #1 and #2]

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.

Direct attention to the “Families and Credit Cards” brochure in participants’ folders. Give the class a few minutes to review the brochure before you continue.

Suggested Remarks

This session is designed to help parents provide their children with a better understanding of how to use credit wisely and steer clear of credit trouble. We’ll discuss how to expose your child to credit cards, how to understand what the card companies’ policies are, and what alternatives there are to credit.

Credit Card Considerations

[PowerPoint Slide #3]

Suggested Remarks:

Earlier than you expect you’ll be faced with the question “Should I give my child a credit card?” The answer is up to each parent and ought to be based on your individual child.

Some of the factors to consider are your child's age, maturity level, his/her needs and spending style. For example, can your daughter control herself when she sets foot in a mall? Will your son feel safer on an overnight school trip if he has your credit card with him? Or will he go on a spending spree? These are the kind of things parents can think about.

Ask yourself:

- Is my child responsible enough to use a credit card?
- Would it help instill responsibility if s/he did?

- What would s/he use credit for? [*PowerPoint Slide #4*]
 - emergencies
 - travel
 - shopping

Suggested Remarks:

[PowerPoint Slide #5]

Parents are the best people to teach kids about credit. Ask participants what they learned from their parents about credit. Was credit a useful tool or something to be avoided?

Credit Yesteryear (Activity)

After the participants have provided a few responses, break the class into smaller groups. Have each group choose a leader to record ideas and speak for the group. Hand out the Credit Yesteryear activity sheet. After 10 minutes call the groups back together. Ask each question and call on group leaders to share their top one or two answers.

Questions:

- What was credit used for in your house growing up?
 - **Possible answers:** Emergencies, holiday gifts, major purchases (furniture), car repairs
- How do you use credit now? How is it the same or different?
 - **Possible answers:** Gasoline, supermarket, school tuition, clothing
- Would you want your children to use credit the way you do? Why or why not?

Credit Card Eligibility

[PowerPoint Slide #6]

Suggested Remarks:

If you decide that your child is ready to use a credit card for some purchases, you should know:

- Most credit card companies will not give someone under age 18 their own credit card because a minor can't enter into a contract and be held liable for the debt.
- Your child can be an authorized user (or secondary account holder) on your credit account.
- Only the primary account holder (you) is responsible for making payments.

Additional Cardholders/Authorized Users

[PowerPoint Slide #7]

Suggested Remarks:

- Minimum age – usually none
- Account numbers – usually the same, but a separate number for the authorized user could make it easier to track spending and help if card is lost/stolen

- Billing statements – Some issuers may group charges by user or by category (all restaurant charges, for example). That’s helpful to track spending.
- Credit reporting – A credit report is a record of your payment history (like a report card for credit). Credit card companies’ policies regarding reporting an account holder’s payment history on an authorized user’s report vary—ask your particular credit card issuer what its policy is. If it does report authorized users, your child’s credit report would reflect your payment history. If you have good credit and pay your bills on time, that could help your child. Likewise, if you pay late, that could damage your child’s credit report.
- Responsibility – The primary cardholder is responsible for all charges and cash withdrawals made with the card. The authorized user (your child) is not.
- Marketing – Some companies may send credit card offers to minors. Anyone can stop getting these offers by calling 888-5OPTOUT.
- Debt collection – Debt collectors may contact an authorized user to collect on bills not paid by the primary cardholder, but the authorized user is **not** liable to pay any of this debt. Children should officially dispute information in a credit report that shows an authorized user owing that debt.

Take a Loan? Needs vs. Wants (Activity)

[PowerPoint Slide #8]

Hand out or refer participants to the Take a Loan? Needs vs. Wants Activity Sheet. Ask them to take a few minutes to complete as much of the worksheet as possible. After about five minutes, open the discussion.

Questions:

- Were there items on the list that were difficult to categorize as a want or a need? What made it difficult?
- What items on the list would you be willing to finance (take out a loan for)?
- What items on the list would you NOT be willing to finance?
- Was it easy or difficult to find alternatives for certain expenses?

Refer participants to the second Take a Loan? Needs vs. Wants worksheet—the one that says “At-home Exercise.) Encourage participants to use this form at home with their child, explaining the difference between needs and wants, why using credit can be like taking out a loan, and brainstorming more affordable alternatives.

[PowerPoint Slide #9]

Go over the points on the slide.

Suggested Remarks:

It’s important that you and your child are on the same page when it comes to using credit. Use the Take a Loan? Needs vs. Wants at-home exercise as an opportunity to discuss your expectations. Let your child know:

- what types of purchases you approve using credit for
- what you consider wants and what you consider needs

- what kinds of alternatives to using credit you'd like your child to consider
- what spending limits you would set
- which types of charges you will pay for and which charges s/he will be responsible for paying

Credit & Spending Management Tools

[PowerPoint Slide #10]

Suggested Remarks:

Some credit card issuers offer tools to help you manage your family's spending.

- Online access – You and your child can track your credit card spending; you'll be able to see transactions sooner than if you waited for the monthly statement.
- Statements – The statement provides a monthly list of purchases. Some companies offer a year-end statement to help you compare actual spending in each category to budgeted amounts.
- Alerts – Your issuer may be able to warn you if you're nearing your credit limit. You may be able to set up due date or automatic payment reminders by phone or email.
- Financial calculators – Show your kids online how much their minimum payment will be, how long it takes to pay off a balance, and how much they'll pay in finance charges.

[PowerPoint Slide #11]

Minimum Payment Example

Balance: \$1,000

Interest Rate: 15%

Minimum Payment 3% (\$30)

Questions:

Ask participants to raise their hands with the correct answers to the following questions. Write the their answers on the pad.

Q: How long would it take to pay off this \$1,000 balance if only minimum payments were made each month?

[PowerPoint Slide #12]

A. It would take 9 years to pay off the balance.

Q: How much money would it cost in interest?

[PowerPoint Slide #13]

A: You'd pay \$576 in interest on a \$1,000 balance, for a total of \$1,576.

Q: What would happen if you paid an extra \$10 more per month?

[PowerPoint Slide #14]

A. If you paid \$40 instead of \$30, you would pay off the balance in 3 years instead of 9, and it would cost \$206 in interest, a savings of \$370.

Sample Credit Card Statement (Activity)

[PowerPoint Slide #15]

Refer participants to the sample statement attached to this training.

Suggested Remarks:

Anyone who uses a credit card needs to understand how to read a monthly statement. Let's go over some of the key pieces of information your child will need look for when he or she starts using credit.

Questions:

Q: Does anyone know what the current balance is?

A: The balance is \$1,518.65.

Q: What is the interest rate for purchases?

A: It's 15.02%.

Q: What's the cash advance rate?

A: It's 24.52%.

Q: When is your payment due?

A: It's due on Oct 22.

Q: When should you send it in?

A. Send payment at least 5-7 business days in advance of the due date to be sure it arrives on time.

Recipe for Good Credit (Activity)

On the pad, write down key credit tips that parents should explain to their kids. Start by writing out the 'top three' tips and ask the group to participate in offering their own key tips.

Suggested Remarks

[PowerPoint Slide #16]

If we were making a cake, we'd need to have all the ingredients for it to come out right. Let's use the same approach with credit cards. Let's create a credit recipe so our kids will use credit wisely. What are the key points our kids need to know? Here are the top three:

- 1- Pay the bill on time
- 2- Pay the bill on time
- 3- Pay the bill on time

Suggested Remarks:

If you don't pay the bill on time, you could be hit with penalty fees and see your interest rate jump 10 – 12 points or more! You could be paying over 30% interest because of just one late payment.

Ask participants to offer their own tips for wise credit use, writing each one on the pad.

Continue going over the points on the slide [Slide #16], including the following information:

- A damaged credit record can affect whether you get a (car) loan, apartment, even a job because some businesses check applicants' credit reports before making a decision. They consider a good credit report a sign of responsibility.
- It's best to keep outstanding balances to 50% or less of the credit line.
- Check your statement to be sure all charges are correct—keep receipts to compare.
- Dispute any errors — in writing — within 60 days of when the bill was mailed.
- Follow the instructions that come with your credit report to dispute any errors.

New Rules to Protect Young Adults**Suggested Remarks:**

[PowerPoint Slide #17]

Many people, including young adults, have a hard time avoiding the temptation that can come with a credit card. They also may not have the experience with money and credit to understand how overusing credit can hurt them. That is why Congress passed some new rules to protect young adults—at least until they turn 21.

Go over the points on the slide, including the following information:

- Kids under 21 can only get their own credit card if they can prove the ability to pay (proof of income or employment), or if they have a cosigner over 21.
- Parents who cosign no longer have to worry that they'll find out, only when their child can't pay the bill, that the limit on the credit card they cosigned has grown from \$500 to \$5,000. Card issuers now must get written approval from a cosigner before increasing the credit limit on a card for someone under 21.
- Credit card issuers won't be able to market to students on campus as aggressively. That includes banning freebies, like pizza and t-shirts. The idea is that kids won't be as motivated to open lots of new credit accounts. And because proof of income is required, they won't be able to open an account in the few minutes they're walking between classes.
- More knowledge about what the college is getting out of an affinity deal will enable kids to make a more informed choice.

Questions:

- Do you think these new rules will help young adults avoid accumulating too much credit and debt?
- Is there one of these rules in particular that you think will be most effective? If so, why?

Alternatives to Credit

Suggested Remarks:

[PowerPoint Slide #18]

Credit cards are not the only convenient plastic payment method.

There are alternatives to using a credit card. There are:

- Charge cards – They offer the convenience of credit—they allow you to charge purchases. But you must pay the bill in full each month, so you can't rack up debt.
- Debit cards – They look like credit cards, but they help you manage your spending because you cannot spend more money than you have. Debit allows you to withdraw cash and make purchases, but payment is deducted, usually the same day, from your checking account.
- Prepaid cards – You can store value on them, and they can be reloaded (like a gift card). No interest is charged, but there may be activation, loading, and non-usage fees (if the card isn't used within a specified number of months).
- Secured cards – These credit cards are backed by money you deposit. Your credit limit equals your deposit.

Case Studies (Activity)

[PowerPoint Slide #19]

Have the class break into smaller groups and have each one choose a spokesperson. Hand out or refer the groups to the Families and Credit Cards Case Studies sheet. Have each group work together on answering the question at the end of each case study. After five to 10 minutes, ask the spokesperson from each group to share their answer to one of the two questions. Refer to the Answer Key for Case Studies for guidance.

Strategies for Parents (Activity)

[PowerPoint Slide #20]

Break into the same small groups as earlier in this session. Allow participants 5 minutes to brainstorm how to help other parents educate and guide kids in establishing and using credit wisely. Bring the groups back together and have each one share its main idea.

Suggested Remarks:

Let's close out this session with a few great tips on how best to reach other parents with all this information. We will break into small groups again. Each group has the next 5 minutes to create one effective way to share this information with other parents.

- Return to a full group and allow each group leader to share their group's best strategy. If you have time, write each strategy on your pad.

Questions and Answers

[PowerPoint Slide #21]

Open the floor to questions. Use the Families and Credit Cards Training Manual, written in question-and-answer format, to help you foster discussion and respond to frequently asked questions.

Wrap Up and Evaluation

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.

[PowerPoint Slide #22]

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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Credit Yesteryear — Activity Sheet

This exercise is designed to help you recognize how your use of credit can change over the years. Even within our own families, we place different values on how we use credit. Think about how your parents used credit and how you use credit now, and answer the questions below.

Your Parents

What was credit used for in your house growing up?

You

How do you use credit now? How is it the same or different from your parents' use of credit?

Has your use of credit changed over the years?

Your Children

Would you want your children to use credit the way you do? (Please explain the reasons for your answer.)

Would you want your children to use credit the way your parents did?

Take a Loan? Needs vs. Wants — Activity Sheet

Did you know that anytime you carry a credit card balance, you are taking out a loan to pay for your purchases? Below are items that people buy every day with credit cards. Consider these items and ask yourself if you would take out a loan to pay for them. Follow the example, answering the questions for each item.

ITEM	NEED/ WANT	WHY	COST	LOAN	ALTERNATIVES
Fast food lunch	want	easy, tastes good	\$5	no	Bring lunch from home
Running shoes					
Spa treatment					
Groceries					
Jewelry					
Gym membership					
Movie/sports tickets					
Airline tickets					
Cosmetic surgery					
Prescription (antibiotics)					
Child's party					
Braces					

Take a Loan? Needs vs. Wants — Take-home Exercise

Help your child complete this worksheet at home. Discuss the difference between needs and wants, and explain why using a credit card is like taking out a loan if you don't pay the balance in full each month. Share the worksheet you completed in class, explaining your entries. At the end of the exercise, have your child write down his or her real-life wants and needs. Discuss whether or not they are worth borrowing for, and brainstorm less expensive alternatives.

ITEM	NEED/ WANT	WHY	COST	LOAN	ALTERNATIVES
Fast food lunch	want	easy, tastes good	\$5	no	Bring lunch from home
New outfit					
Best friend's birthday gift					
Computer					
ipod					
Video game					
Movie/sports tickets					
Camping trip					
Designer shoes					
Scooter repair					

In the spaces below, write down some things you need and some things you want.

NEEDS	WANTS

Sample Credit Card Statement — Activity Sheet



PLASTIC FANTASTIC CARD

From YOUR BANK

How to reach us:
 Visit: www.cards.com
 Customer Service: **1-800-PLASTIC**

James and Janice Parent
Account 5566 7786 9934 5242

Billing Period: Sept 1 – Sept 30

Summary of Account Activity

Previous Balance	\$1,500.00
Payments	\$250.00
Other Credits	0.00
Purchases	\$250.00
Balance Transfers	0.00
Cash Advances	0.00
Past Due Amount	0.00
Fees Charged	0.00
Interest Charged	\$18.65
New Balance	\$1,518.65
Credit limit	\$4,000.00
Available credit	\$2,481.35
Statement closing date	Sept. 30
Days in billing cycle	30

Payment Information

New Balance	\$1,518.65
Minimum Payment Due	\$31.00
Payment Due Date	Oct. 22

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APR may be increased up to the Penalty Rate of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance: For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	11 years	\$1,448.00
\$53	3 years	\$377.00 <i>(savings of \$1,071)</i>

If you would like information about credit counseling services, call 1-866-300-5238.

Activity Detail:

09/01	Online Payment		-\$250.00
09/01	Auto rental	U-Drive-It	\$200.00
09/01	Recurring charge	EZ Pass	\$50.00
	Sub Total:		\$250.00
09/30	Interest charged		\$18.65

Finance Charge Information:

	Annual Percentage Rate	Periodic Finance Charge	Days in Billing Cycle	Balance Subject to Finance Charge	Finance Charge
Purchases:	15.02%	0.0412%	30	\$1,500.00	\$18.65
Cash Advances:	24.52%	0.0672%	30	\$00.00	\$00.00
				Total Finance Charge:	\$18.65



PAYMENT COUPON: Please detach and return with payment in the envelope provided.

Account Number: 5566 7786 9934 5242

New balance: \$1,518.65

Minimum amount due: \$31.00

Payment due date: Oct 22

Amount enclosed:

TO: YOUR BANK
PO Box 676767
Financeville, NY 11967

Notes:

Source for minimum payment calculations: <http://www.federalreserve.gov/creditcardcalculator/>

*Source for finance charge calculation:
<http://www.debtsolution-strategies.com/intcalc.php>*

Answer Key for Case Studies

Case study 1: How could Joel's credit be affected by his mother's missed payments, and how might this derail his plans after graduation?

Not all creditors report on authorized users. If Joel's mother's creditor does not, then Joel is very lucky. If, however, this creditor does report, then Joel's credit history will suffer the same damage as his mother's.

A derogatory, or negative item, on Joel's credit report could make it difficult for him to achieve some of his post-graduation goals: He may have trouble getting an apartment, starting new cellular service, buying renters insurance, or doing business with anyone that bases their decisions on credit history.

He also may be turned down for a job he wants, since some employers check an applicant's credit report.

If possible, Joel can help his mother by paying the past-due amount on the credit card and continue making the monthly minimum required payments, to get the account back on track.

Joel should pull his free credit reports (at annualcreditreport.com) and check if negative information about the account has been added to his credit report. If so, he can attempt to dispute the negative entry on his own credit report but he should be aware that this might not work. If the credit bureau will not remove the negative information from Joel's account (which it is not required to do) he can add a 100 word statement to his credit reports to explain that he was an authorized user on his mother's account and his credit was damaged when she fell behind in her payments.

If he is still dealing with his damaged credit after graduation, Joel should be candid with prospective employers, landlords and others about why his credit report is showing the delinquency.

Joel could have been covered in an emergency by carrying a prepaid card or a charge card. Both these options would require a good savings plan, however, since Joel would need the cash to purchase a prepaid card or to pay off the entire balance when the charge card bill arrived.

Case study 2: Is Valerie legally responsible for her father's credit card debt? How will her father's debt be paid?

If Valerie had been a joint owner of the account (a co-applicant), she would be liable for the debt. However, she was an authorized user so she is not responsible for paying her father's credit card bill, even if some of the charges were hers.

Valerie's father's bills should be paid out of his estate—the assets he left when he died. This will reduce the amount (if any) that Valerie and other heirs will inherit. If the assets are not sufficient to cover her father's debts, then those creditors will bear the losses—but Valerie cannot be forced to pay the credit card balance. Card issuers can't legally force someone else to pay a remaining debt that was held solely in the name of the deceased.

Still, some creditors do try to collect unpaid debt from authorized users. The leverage they have is the authorized user's credit report: By reporting the account in default, an authorized user may be motivated to pay up to salvage his or her credit rating. Valerie should write to the card issuer and state that she was only an authorized user and, therefore, not responsible for paying the debt. If bill collectors attempt to collect the debt, Valerie should use the same strategy and tell the debt collectors that it is not her debt.

Valerie should have learned that living beyond your means has consequences. In this case, her credit was damaged (if only temporarily) and money that she might have inherited and used for something like a down payment on a home must go to paying for things that no longer have any real value, such as vacations and furniture. Just because you have a high credit limit doesn't mean you should use it.



Training Evaluation

Circle the response that best reflects your reaction to the following statements. When complete, return the evaluation form to your instructor.

1. I have a better understanding of how early discussions about using credit can help youth avoid credit problems in adulthood.

Strongly agree Agree Disagree Strongly disagree

2. I have a better understanding of how a damaged credit record can affect whether I can get housing, a job, insurance, or credit.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of how paying more than the minimum payment on a credit card can save me and my family money.

Strongly agree Agree Disagree Strongly disagree

4. I can use the information provided today to make improvements in my family's financial life.

Strongly agree Agree Disagree Strongly disagree

5. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

6. The materials I was given are easy to read and understand.

Strongly agree Agree Disagree Strongly disagree

7. I would like to attend another class like this.

Strongly agree Agree Disagree Strongly disagree

8. Please write your ideas about how we could improve future trainings:

If you have additional comments, please use the back of this page.

Thank you for attending the training!