



AVOIDING THE CREDIT CARD MONSTER

LECTURE / DISCUSSION NOTES

I. INTRODUCTION / OVERVIEW

After showing the video to your class, ask your students for a general review of the video, what they thought of the material presented, the students pictured, the situations described, and if there was anything that they did not understand. You should also ask:

1. If any of them have credit cards
2. If any of them have friends close to their age who have credit cards
3. Whether or not they know someone who's gotten into trouble with credit card debt (if so, ask what the situation was)

You should have one or two students speak up which will make the discussion feel more relevant and "real" to your students. If no students offer any personal examples, you may want to use one from your experiences, or those of your friends or acquaintances.

Keep in mind that although we want to educate and inform students, we don't want to give them the impression that credit cards and the companies that issue them are all out to do bad things. There are definite benefits to having credit cards.

II. CREDIT CARD SOLICITATIONS

Now that you hopefully have gotten your students into an open discussion and they feel the topic is relevant to them, ask them for some specific reactions to items presented in the video. In particular:

1. What do they think about the disparity in earnings for individuals with a 4-year degree vs a high school diploma? Did they know it was that large? Did they think it'd be larger? Remind them that these are averages and there are exceptions.

Try to guide the conversation in the direction of assumptions that are made about the income and financial status of individuals with college degrees. This will serve as a transition into discussion about your class' reaction to the statements made by students in the video concerning frequency of credit card solicitations.

1. How many of them have received the "pre-approved" or other "special" offers in the mail?
2. Should they feel "special" or important and quickly accept these offers? Why?
3. Have any of them responded and received the cards?
4. Do they think it's a "good" or a "smart" business move for the credit card companies to be targeting students at such a young age? Why or why not?
5. Do they think it's ethical for card companies to be targeting young students? Why?

This segment should be used to get students thinking about why card companies take the risk of issuing cards to students with unproven credit and why students may decide to get a card.

III. CLASS ACTIVITIES

At this point, give the students an activity to complete. Post the list of Top 10 Reasons NOT to Get a Credit Card as presented in the video:

10. Allows you to live beyond your means
9. Bankruptcy
8. Open credit reduces credit rating
7. Courtesy checks too convenient
6. Interest rate determined by risk
5. Many on-line purchases unsecured
4. When dining out, friends ask you to charge, then give you cash
3. Introductory rates suck you in
2. Applying just as bad as opening an account
1. For a free T-shirt

Have them review the list and then pick out what **they** think is the number 1 reason to NOT get a credit card. Call on students and have them share their choice and the rationale for it.

Now ask your class to list some reasons students SHOULD get a credit card. Keep track of their suggestions on the board. After you have a significant number of different responses (at least 10), have them rank the top 5, with number 1 being the best reason to get a card. You might prefer to separate your students into groups and have the groups come up with their own top 10 to be compared with other groups. Hopefully these reasons will appear on your students' list:

1. Good to have in the event of an emergency
2. Establish your own credit history
3. Offer insurance and replacement incentives for purchases
4. Safer than carrying large amounts of cash
5. Many have air miles or other reward programs
6. Leverages purchase power

The goal here is to point out that credit cards and credit card issuing companies are not necessarily bad. There are many positive uses and benefits to having credit cards and using them wisely.

IV. RULE OF 72

During the video, you might have noticed in the Einstein pop up, a reference to the Rule of 72. Briefly, the Rule of 72 is a process where one can compute when money (or debt) will double at a given interest rate. It's called the Rule of 72 because at 10%, 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.

Use this Rule in a series of examples. Use different interest rates. Also apply it to credit card balances and to savings accounts.

V. CREDIT RATINGS AND CREDIT REPORTS

At this point, we hope that you have successfully engaged your students in discussions of credit card usage and the pros and cons associated with it. We now want to move into discussion about more specific items such as credit reports and credit ratings. The topics have been mentioned in the video and perhaps your students have had questions throughout the discussion.

You've heard mention of credit ratings and credit reports. Be sure you have at least a basic understanding of what things affect your credit rating and how.

1. Your credit report is similar to an academic transcript and will reflect your credit history
2. Credit rating is a number value assigned to you based on your credit history. Higher is better
3. Negative items such as delinquent accounts and overdue balances reduce your credit rating
4. Low credit ratings can affect your ability to buy a home or car, or even get a cell phone

Your students may have varying degrees of knowledge so you may want to find a sample credit report to be a useful visual aid. You should start by asking your students some of the following questions:

1. How many know what a credit rating is?
2. How many know what a credit report is?
3. Does anyone know what type of information is included in a credit report?
4. How is an academic transcript like a credit report?

VI. CHOOSING A CARD

There are numerous credit cards on the market. They are not all the same. As consumers, we should understand the differences between credit cards in order to make an informed decision in choosing a credit card. The following items should at a minimum, be some things to review and consider.

1. Look at the introductory APR (Annual Percentage Rate) and how long this rate will last
2. Compare the APRs after the introductory period ends
3. Check to see if any of the cards charge an annual fee, and if so, how much
4. Compare incentives such as frequent flier miles or other bonus programs
5. Look at 'other fees' such as over-the-limit, transfer, and late payment fees

For those students who may already have one or more credit cards, advise them of things that they should do to keep their accounts in good standing.

VII. ALWAYS, ALWAYS, ALWAYS READ THE small PRINT

The best weapon anyone can have in fighting off the credit card monster is information. The more information you have, and the more you use it, the better the chances that you will be able to make smart decisions concerning credit cards.

1. Introductory rates only last for a short time then jump significantly
2. Courtesy checks usually have an additional fee for writing the check
3. Cash advances have much higher interest rates and there's no grace period
4. Mistakes can be made, so be sure you review your statement each month for accuracy

VIII. NEGOTIATE WITH THE ISSUING COMPANY

Credit Card companies know that you have lots of options when it comes to getting and using a credit card. As they compete with one another for your business, you have the opportunity to make that competition work in your favor. A simple call to the company can result in positive benefits to you.

1. Have them lower your interest rate
2. Ask that they waive balance transfer fees
3. Have your limit increased or decreased according to your needs
4. Request that your introductory interest rate period be extended

IX. DO WHAT YOU NEED TO DO TO AVOID EXCESSIVE CARD USE

One key thing to impress upon students is that just because they may have a card, doesn't mean that they have to use it. It will be easier for some to resist the urges to use their credit cards than it will for others. For those with less will power, suggest these tips for them:

1. Don't carry your cards with you in your wallet
2. Only use your card to purchase items you will have when the bill comes in, no gas or meals
3. Don't charge more than you are able to pay off at the end of the month
4. Have your parent or guardian hold on to the card for you
5. Keep your card frozen in a block of ice in the freezer so you have to defrost it before using it

X. AVOIDING THE CREDIT CARD MONSTER

Students are moving into a phase of their lives that can be very stressful and present new and difficult challenges. For some things, credit cards may seem like an easy fix to a bad situation. That easy fix now, however, can grow into a huge problem that can take on a life of its own later. Here are some things to keep in mind so that your students don't spend the first 5 – 10 years after graduation paying for the mistakes made in college.

1. Take an honest look at your financial situation, start a budget, and stick to it
2. Use your debit card, not your credit card for everyday purchases like food and gas
3. Don't fill out credit card applications for free t-shirts or other cheap prizes
4. Pay your credit card bill off in full each month
5. When out with friends, don't pay for things with your card and have your friends give you cash
6. If you are ever unable to make the payment due date, contact your credit card company immediately to let them know the situation and work out another payment arrangement

CLOSING

These lecture/discussion notes and accompanying video have been prepared as a public service by Florida State University. We hope that you will find them informative and useful in helping to educate your students on credit cards and credit card debt.

We would appreciate the **class instructor** taking about 3 minutes to complete an online survey after the presentation of the video. This will provide us with valuable feedback on how effective this public service venture was to your students. Should you have any questions, you may e-mail Dr. Perry Crowell at pcrowell@admin.fsu.edu or contact him by mail at:

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