

 FAMILY ECONOMICS & FINANCIAL EDUCATION	UNDERSTANDING A CREDIT CARD GRADE LEVEL 10-12 <i>“TAKE CHARGE OF YOUR FINANCES”</i>	 TAKE CHARGE AMERICA Institute For Consumer Financial Education and Research
--	--	--

Materials provided by: Marjorie Chinadle, Family and Consumer Sciences Educator North Star High School, Rudyard, Montana; Joanna Krogstad, Family and Consumer Sciences Educator, Manhattan High School, Manhattan, Montana; Lindy Hockenbary

Time to complete: 100 minutes

NATIONAL CONTENT STANDARDS

Family and Consumer Science Standards: 1.2.4, 2.1.1, 2.1.2, 2.3.1, 2.3.3, 2.4.3, 2.5.1, 2.5.3, 2.5.4, 2.6.1, 2.6.2, 3.2.5, 3.2.7, 3.3.2, 3.3.3, 3.5.2, 3.5.3, 3.5.6

National Council on Economic Education Teaching Standards: 6

National Standards for Business Education

- Career Development:
- Economics: I.1, I.2, I.3, II.1, IV.1, IV.2, VI.1, VI.4
- Personal Finance: VII.1, VII.2, VII.3-4

OBJECTIVES

Upon completion of this lesson, participants will be able to:

- Define credit card terminology.
- Assess the advantages and disadvantages of using a credit card.
- Interpret the impact credit has on an individual's credit history and credit score.
- Analyze a credit card offer.
- Explain the credit card application and approval process.
- Analyze a credit card statement.
- Understand the protections and rights available to credit card holders.
- Review safety tips when using credit cards.

INTRODUCTION

*Twenty-one year old Jenny felt rich when she received her first credit card during her junior year of college. She charged \$2,500, her credit limit, the first month. Every month after that, she was careful about paying on time, but only sent in the minimum monthly payment, \$50.00. With an interest rate of 19.8%, even though she never charged another item, it will take her **8 years and 9 months** to pay off her account. When her account has a zero balance, she will have paid a total of \$5,325.18. Therefore, she will have paid \$2,825.18 in interest.*

Credit is derived from the Latin word “credo” meaning “I believe.” **Credit** is when goods, services, or money is received in exchange for a promise to pay a definite sum of money at a future date. The lender “trusts” the borrower to repay the money. A **lender** is the person or organization who has the resources to provide the individual with a loan. A **borrower** is the person or organization that is receiving the money from the lender. When the privilege of borrowing has been extended, the borrower is usually expected to pay interest in addition to the amount borrowed. **Interest** is the price of money. When referring to credit, interest is the charge for borrowing money.

Types of Credit:

There are two types of installment credit: open-end (revolving) credit and closed-end credit.