



“House of Cards” Credit Card Project

Brief Project Overview:

This project takes a student-centered approach in which students examine credit and how it may affect them and their future. It includes topics such as shopping for and establishing credit, the pitfalls of using credit and the cost of using credit. While this lesson is intended to educate the consumer, and thus all students, there are many career opportunities related to the field of consumer finances. Perhaps this will get the students thinking about a future in a financial career. All necessary worksheets and files are available with this project and can be accessed by clicking on the blue underlined titles.

Appropriate Subjects and Grade Levels

For 10 – 12th grade high school students in the following classes:

- Economics
- Consumer Education courses;
- Math
- Business
- Language Arts

Length of Project

One 55-minute class period for each of the three lessons; the follow-up lesson to Lesson 2 (Understanding Credit Card Terms) requires student work outside of classroom and one additional 55-minute period

- [Lesson 1: How Credit Card Interest Works](#)
- [Lesson 2: The Credit Card Trap](#)
- [Lesson 3: Credit Card Danger and Abuse](#)

NOTE: The length of this project is an estimated minimum time need for completion that may easily be expanded upon. The length of time will naturally increase as the project is expanded upon by the teacher as it is adapted to meet classroom and curriculum goals.

Recommended Background Materials

- The book *Credit Card Debt: It Can Cost You Your Life*, by Susan V. Powell (Available through Amazon.com); author’s web site www.dontdodebt.com
- *Credit Card Abuse/Gambling Addiction* MTV video – available through Library Video Company
- Financial Fitness for Life: Bringing Home the Gold: 9-12 Teacher's Package, published by National Council on Economic Education
- No Brainers on Personal Finance 1 (2002) video
- The Standard Deviants - Learn Personal Finance (2002) video
- *Financial Literacy: On the Money!* Video – available through Library Video Company



Outcomes/Products, Assessments and Standards Matrix

“House of Cards” Credit Card Project

Learning Outcome/Products	Assessment	Level of Bloom's Taxonomy	Standards Addressed
<p><u>Lesson 1: How Credit Card Interest Works</u></p> <ul style="list-style-type: none"> Experiment with an Excel spreadsheet model that demonstrates the effects of interest on payments. Calculate actual costs, interest paid, and time necessary to pay off credit purchases. Use the results of the model to make observations and draw conclusions about the difference in total interest cost that results from varying the monthly payment Formulate a rule for personal use of credit cards based upon observations and conclusions. 	<p>Use the provided <u>Credit Cards & Compound Interest</u> Excel spreadsheet file to calculate, record and compare actual costs of purchasing goods over time, and complete the <u>Credit Card Amortization</u> worksheet of short response questions.</p> <p>Mastery will be determined by accuracy of information and ability to identify and summarize the effects of credit card use on one's life. 70% of questions on short response handout must be answered correctly and completely.</p>	<p>Information Knowledge Comprehension</p>	<p>Business Core 1.1 Business Communications 1.1.2 Effectiveness 1.1.4 Methods of Communication 1.1.5 Nonverbal Communication 1.1.6 Oral Communication 1.3 Career Preparation, Job Acquisition & Retention 1.3.4 Interest Assessment 1.4 Economic & Financial Concepts 1.4.10 Money Management 1.6 Information Technologies 1.6.1 Applications 1.6.2 Computer Operations 1.6.7 Problem Solving 2.2 Financial Analysis 2.2.4 Financial Responsibility</p> <p>Economics 12.1.1 Scarcity & Need for Choices 12.5.3 Interest Rates & Relative Significance</p>
<p><u>Lesson 2: Credit Card Terms</u></p> <p>Read and interpret the terms and conditions of a credit card offer.</p>	<ul style="list-style-type: none"> Using the provided student handout, <u>The Credit Card Trap</u>, write short answers to questions about the meaning of the terms and conditions of a credit card offer. Responses should be concise, offer definitions of terms in student's own words, and consider the terms and conditions of the credit card offer and how they affect cost for the user. Answer sheet provided. Mastery 	<p>Comprehension</p>	<p>Language Arts 9/10 Reading Comprehension 1.1, 2.3 Writing 1.1, 1.3, 1.4, 1.5, 1.7, 1.8</p> <p>Language Arts 11/12 Reading Comprehension 2.3, 2.4, 2.6 Writing Strategies 1.3, 1.6, 1.7 Written and Oral 1.1, 1.2, 1.3</p>



	<p>will be determined by ability to correctly determine the meaning of terms and conditions by responding to short answer questions. <u>The Credit Card Trap Answer Sheet</u> provided.</p> <ul style="list-style-type: none"> Write a five-paragraph essay of approximately one page (typed) that describes the benefits and risks of using a credit card. Use at least three specific examples from completed worksheet. Include a conclusion stating whether this is a good credit card offer or one that should not be accepted. <u>Evaluating Credit Card Offers</u> exercise and <u>Assessment Rubric for Writing Assignments</u> provided. 	Analysis	
<p><u>Lesson 3: Credit Card Danger and Abuse</u></p> <p>Work collaboratively in groups to identify the appropriate use of credit as a consumer and identify the warning signs of too much debt.</p>	<ul style="list-style-type: none"> Read the four handouts provided: <u>Undergraduate Student Credit Card Debt</u>, <u>Get “Debt-ucated”</u>, <u>Balance Transfer Deals</u>, <u>How to Avoid the Credit Card Trap</u>. As a group, reach consensus and write down statistics that show evidence of the seriousness of the debt problem. Write a group plan for avoiding credit card debt. Use the materials provided in Lesson 3 and the written essay from Lesson 2 as the basis for comments. Include specific examples of how to achieve this goal. Cite specific examples of warning signs of credit card debt from the handouts. Present your comments and plan to the class in an oral presentation. 	<p>Comprehension</p> <p>Application</p> <p>Synthesis</p> <p>Evaluation</p>	<p>Language Arts 9/10 Written and Oral 1.2 Language Arts 9/10, 11/12 Reading 2.0 Written and Oral 1.1 Economics 12.5.3 Interest Rates & Relative Significance</p>



How Credit Card Interest Works

“House of Cards” Credit Card Project – Lesson #1

Teacher Materials Provided

- Outcomes/Products Assessments and Standards Matrix – identifies lesson outcomes, standards addressed, and ways to measure learning; includes a brief description of corresponding student activities
- How Credit Card Interest Works Lesson Plan
- Credit Cards & Compound Interest – Excel spreadsheet with two tabbed sheets, modeling how credit card interest works
- Credit Card Amortization Worksheet Answer Guide – answers to student worksheet
- Calculating Monthly Interest Using Average Daily Balance – use as an overhead to explain the computations on the second tabbed sheet of the Excel spreadsheet

Student Materials Provided

- Credit Cards & Compound Interest – Excel spreadsheet with two tabbed sheets, modeling how credit card interest works
- Credit Card Amortization Worksheet – to record payment amounts for different minimum payment percentages

Classroom Facilities Needed

- Computer access for each student (or teacher demo computer and projector)
- Excel

Student Supplies Needed

- Floppy disks

Teacher Preparation Checklist

- Review Outcomes/Products and Assessments Matrix, Lesson Plan, student materials and perhaps the recommended background materials
- Make plans to distribute electronically the Credit Cards & Compound Interest Excel file
- Make overhead transparency of Calculating Monthly Interest Using Average Daily Balance
- Copy the student handout for each student Credit Card Amortization Worksheet
- Practice using Excel file



How Credit Card Interest Works

“House of Cards” Credit Card Project – Lesson #1

Lesson Plan

Overview of Lesson #1:

Using the handouts provided and the Excel worksheets, students will investigate and discover how credit card interest is formulated.

Note to Instructor on Use of Excel:

Teaching this project does not require more than a beginner’s knowledge of Excel. The instructions for entering the data are very specific and input is limited to 2-3 cells. No knowledge of the use of formulas is required, as all formulas are already entered. More knowledgeable users may wish to include a lesson on the actual formulas used, thereby teaching to the Business Standard 2.1.12.

A. Introduction: (About 5 minutes)

Address Students:

*A car of your own, concert tickets, a new spiffy outfit, vacations, renting and furnishing your first apartment, socializing over dinner, CD’s, DVD’s and brand new TV’s, insurance for health and doctor visits, new tires, an oil change and gas for your car, new clothes for that important job interview, etc. So many things that cost money! Where do you get the money for all the things you want and need? (From *Credit Card Debt: It Can Cost You Your Life* by Susan V. Powell)*

If you listen to the banks and credit card companies, the answer is CHARGE! Yes, credit and credit cards! They are the perfect answer to have what you want, when you want it, instead of waiting and saving until you can afford it. But be warned! Truly, nothing in life is free.

This project is designed to “debt-ucate” you – to show you why you need to be a smart user of credit cards and demonstrate why you need to avoid credit card debt at all cost.

(NOTE: If you will be teaching the optional follow-up lesson, Understanding the Terms of Credit Card Offers, you will need to tell students in advance that they will be asked to locate a copy of a credit card offer recently received in the mail by their parents, relatives, neighbors, etc. This will give them an opportunity to be on the lookout for one. Typically if they have a 3-day window to find one, they should not have a problem as these offers arrive in the mail almost daily.)

B. Body: (About 30 minutes)

(NOTE: You may choose to teach only the first worksheet model, focusing on compound interest and its affects on the cost of purchases. All necessary worksheet and files are available with this project and can be accessed by clicking on the blue underlined titles. Each worksheet will require approximately 20-30 minutes.)

1. Open the Excel worksheet file titled [Credit Cards & Compound Interest](#). If you have a computer lab, have students open the file and have them work with the worksheet as you demonstrate the lesson. Alternatively, if you have access to a single workstation connected to a LCD display, you can conduct the lesson with just one computer.



2. The worksheet labeled **Compound Interest** should be the active one. If it is not, click on the worksheet tab at the bottom of the page to make it active (on top).

Address Students:

You are living on your own, have your own apartment, and decide you just really, really want a wide screen TV, complete with a digital sound system. You decide to purchase a system that costs \$3,500. Now we know exactly what the system will cost you if you pay the full balance by the due date. But not many people can do that with big items. So you decide to buy the system using a credit card, paying the balance off over a period of time. Let's walk through several scenarios that will show you what it really costs to buy the system.

You purchase the system using MasterCard, a bank issued credit card. The terms of this card are that if you do not pay the balance in full by the next due date, you will be charged interest at an annual rate of 19.90%, compounded monthly. Let's do that now.

- *By clicking on **cell C2**, that cell is made active. Type in the principal, or balance, of the amount owed, which for our lesson is \$3,500. (Type in 3500 without formatting for dollars.)*
- *Next, click on **cell D3**, and enter the percent value used to calculate the minimum payment amount. The minimum payment for most credit cards is anywhere from 1.67% to 3% of the balance. Let's start by using 2%. We will enter to this cell: **2%***
- *The table calculates the minimum payment and breaks down the amount applied to interest and the amount applied to principal. The information in the box to the right of the table shows the effects – how long it takes to pay the balance and what the total payments would be, assuming that **NO OTHER PURCHASES ARE MADE DURING THE PAYOFF PERIOD.***

*Now, let's assume that you decide to make a 3% minimum payment, rather than 2%. Let's change the value in **cell D3** to **3%** (to edit, press F2 and change the value 2% to 3%).*

- *How much does the payment go up?*
 - *How much do you save on interest?*
 - *How does the time required to pay off the debt compare to making 2% minimum payments?*
3. Pass out copies of the student handout Credit Card Amortization worksheet. Using the worksheet as a guide, students will change the principal amount in cell C2 and change the minimum payment percent value in cell D3. After each change in data on the worksheet, a new starting minimum payment amount, the number of years it will take to pay off the purchase and the total amount that will be paid for the purchase will automatically be calculated and displayed on the worksheet. By entering different values, and noting the different results, have students complete the table on this worksheet and then respond to the questions on the back of the handout.
 4. Discuss the worksheet as a class.
 5. **Excel Worksheet #2:** Have students click on the 2nd tab at the bottom of the worksheet labeled **Average Daily Balance**. Walk the students through the following scenario (you can also display the Calculating Average Daily Balance overhead):

Address Students:

This worksheet demonstrates the concept of Average Daily Balance, which is typically the balance used to calculate the monthly interest rate by credit card companies. The way this is calculated is as follows:

- *Add together the balance for each day of the month*
- *Divide the total of the balances by the number of days in the month to get the average balance*
- *Multiply this average balance by the monthly interest rate for the account.*



Expressed as a formula, it looks like this:

$$\frac{(\text{balance day 1} + \text{balance day 2} + \dots \text{balance day 30})}{\text{\# of days in the month}} * \text{Annual Interest Rate} / 12$$

To demonstrate how this works, let's enter some values in to the spreadsheet. To begin, we see that the balance on the credit card is \$2,000 (cell E2) and the minimum payment amount is 2% of that, or \$40 (cell E3). If we make no additional purchases during the month, the average daily balance and the interest accrued are displayed in the **Results of Calculations** area to the right.

Let's see what happens if we decide to buy more things. In column C (Additional Purchases), select several different days and enter an amount of purchase – remember, just enter the amount, no dollar signs. Look at the results of calculations now. What conclusions can you make?

The point is, once you carry a balance on a credit card, EVERY TIME YOU MAKE AN ADDITIONAL PURCHASE, EVEN THOUGH THE PAYMENT ON THAT PURCHASE IS NOT LATE, YOU WILL BE CHARGED INTEREST FROM THE MOMENT IT IS PURCHASED UNTIL IT IS PAID.

C. Closure

Address Students:

You have had the opportunity to calculate and examine how credit works and how the interest charged on an unpaid balance can really affect the final cost of something you purchase. As you now see, credit may make your life easier or it may become a nightmare. It is important that you investigate the company offering you credit or a credit card and to read the small print to avoid potential financial traps.

Additional Teacher Comments:

We have just completed a project that has provided a little exposure to the world of finance and business. Why did we do this? Because most adults work in the business environment and the most popular college major is business. This project was designed to expose you to business topics and concepts in preparation for your future. There are many advantages to further exploring finance and business now while in high school. Here are some of them:

- To find out if you like the subject before committing to a career path.
- To gain skills to get a part-time or summer job.
- To prepare for a career after high school or to put yourself through college.
- To strengthen your college applications.
- To begin earning college credits while in high school.

Here's how you may explore more about finance and business:

- Develop an educational plan with your counselor.
- Make the most of block or trimester scheduling and take business electives.
- Participate in ROP classes and/or internships.
- Take required classes in summer school to allow for more electives during the school year.
- Join business-related clubs or activities on campus.
- Investigate opportunities in your community, such as Junior Achievement, Scouting, or volunteer work.
- Attend community college night or summer classes.



Credit Card Amortization

“House of Cards” Credit Card Project– Lesson #1

Student Worksheet

Student Name: _____

- Using the provided Excel Worksheet **Credit Cards and Compound Interest**, key in the appropriate values to the cells indicated on the worksheet with the tab labeled *Compound Interest*. Begin with a principal balance of \$1,000 in cell C2; change the minimum payment percentage in cell D3. Record the results of the worksheet to the table below.
 To change the contents of cell D3, click on the cell, press the function key F2, and edit the value 1.67% (where the payment amount is 1.67% of the balance). Continue to change the value for each of the percentages indicated in the **Minimum Payment as Percentage** column below.
- Respond to the questions on the back of this worksheet.

Principal Balance	Minimum Payment as Percentage of Balance Owed	Starting Monthly Payment Amount	Number of Years to Pay in Full	Total Amount To be Repaid
\$1,000.00	1.67%			
	2.00%			
	3.00%			
\$3,500.00	1.67%			
	2.00%			
	3.00%			
\$5,000.00	1.67%			
	2.00%			
	3.00%			



Credit Card Amortization – page 2

“House of Cards” Credit Card Project – Lesson #1

Using your results in calculating various payments for a purchase of \$1,000, answer the following:

3. What is the **difference** in monthly payments when paying 1.67% versus 3% of the monthly balance?

4. What is the **difference** in the number of years to pay the balance off?

5. What is the **difference** in the total amount of interest paid?

6. Based on what you have learned, create a credit card rule for your own life to minimize or limit your interest costs.

7. What conclusions have you drawn from this exercise?



Credit Card Amortization

“House of Cards” Credit Card Project – Lesson #1

Answer Sheet

- Using the provided Excel Worksheet **Credit Cards and Compound Interest**, key in the appropriate values to the cells indicated on the worksheet with the tab labeled *Compound Interest*. Begin with a principal balance of \$1,000 in cell C2; change the minimum payment percentage in cell D3. Record the results of the worksheet to the table below.

To change the contents of cell D3, click on the cell, press the function key F2, and edit the value 1.67% (where the payment amount is 1.67% of the balance). Continue to change the value for each of the percentages indicated in the **Minimum Payment as Percentage** column below.

- Respond to the questions on the back of this worksheet.

Principal Balance	Minimum Payment as Percentage of Balance Owed	Starting Monthly Payment Amount	Number of Years to Pay in Full	Total Amount To be Repaid
\$1,000.00	1.67%	\$16.70	26 years	\$4,784.22
	2.00%	\$20.00	14 years	\$2,686.51
	3.00%	\$30.00	8 years	\$1,770.14
\$3,500.00	1.67%	\$58.45	82.67 years	\$38,906.31
	2.00%	\$70.00	39 years	\$14,685.96
	3.00%	\$105.00	15.33 years	\$7,067.22
\$5,000.00	1.67%	\$83.50	82.67 years	\$55,580.44
	2.00%	\$100.00	46.17 years	\$21,894.61
	3.00%	\$150.00	17.42 years	\$10,243.72



Credit Card Amortization – page 2

“House of Cards” Credit Card Project – Lesson #1

Using your results in calculating various payments for a purchase of \$1,000, answer the following:

1. What is the **difference** in monthly payments when paying 1.67% versus 3% of the monthly balance?

$$\mathbf{\$30 - \$16.70 = \$13.30 \text{ per month}}$$

2. What is the **difference** in the number of years to pay the balance off?

$$\mathbf{26 - 8 = 18 \text{ years longer to pay off}}$$

3. What is the **difference** in the total amount of interest paid?

$$\mathbf{\$4784.22 - 1,770.14 = \$3,014.08}$$

4. Based on what you have learned, create a credit card rule for your own life to minimize or limit your interest costs.

Possible answers:

Pay off as much as you can each month.

Only buy what you can afford to pay off each month.

Pay on time to avoid additional interest charges.

5. What conclusions have you drawn from this exercise?



Calculating Monthly Interest Using Average Daily Balance

“House of Cards” Credit Card Project – Lesson #1 Overhead

The *Average Daily Balance* is the balance used to calculate the monthly interest rate by credit card companies. The way this is calculated is as follows:

1. Add together the balance for each day of the month
2. Divide the total of the balances by the number of days in the month to get the average balance
3. Multiply this average balance by the monthly interest rate for the account

Expressed as a formula, it looks like this:

(balance day 1 + balance day 2 + ...balance day 30)

----- * **Annual Interest Rate / 12**
of days in the month



Credit Card Terms

“House of Cards” Credit Card Project – Lesson #2

Teacher Materials Provided

- Credit Card Terms Lesson Plan
- Outcomes/Products, Assessments and Standards Matrix – identifies lesson outcomes, standards addressed, and ways to measure learning; includes a brief description of corresponding student activities
- The Credit Card Trap Answer Sheet – answers to student worksheet
- Assessment Rubric for Writing Assignments – clarifies essay assignment and provides grading criteria

Student Materials Provided

- The Credit Card Trap - handout to read and answer questions
- Assessment Rubric for Writing Assignments - clarifies essay assignment
- Optional: Evaluating Credit Card Offers handout - exercise instructions for students

Special Resources Needed

- Selection of sample Credit Card Offers

Teacher Preparation Checklist

- Review Outcomes/Products and Assessments Matrix, Lesson Plan, student materials and perhaps the recommended background materials
- Copy the student materials:
 - The Credit Card Trap
 - Assessment Rubric for Writing Assignments
- Optional: If you are teaching the optional follow-up lesson to Lesson Two, (Understanding the Terms of Credit Card Offers):
 - In advance, tell students to locate a copy of a credit card offer recently received by their parents, relatives, neighbors, etc. This will give them an opportunity to be on the lookout for one. Typically if they have a three-day window to find one, they should not have a problem as these offers arrive in the mail almost daily.
 - Copy the student handout:
 - Evaluating Credit Card Offers handout



Credit Card Terms

“House of Cards” Credit Card Project – Lesson #2

Lesson Plan

Overview of Lesson #2:

Students will explore different aspects of credit card use and discover some tools to help them use credit wisely.

A. Introduction: (About 5 minutes)

Begin by describing a scenario that describes what students might expect to encounter once they “get out into the real world.”

Address Students:

How many of you have a credit card? What do you use it for? If you don't yet have one, the statistics show that you will have one by the end of your freshman year in college (or your first year in the work world, whichever you are planning to move on to). About 83% of undergraduate students have at least one credit card. The average balance is \$2,327, and 21% of those students carry a balance between \$3,000 and \$7,000. We are a credit society, and if you haven't already joined it, you very likely will soon.

There are a lot of reasons to use credit cards, and certainly in the United States there are lots of great things to buy. Credit cards are convenient, don't require you to carry lots of cash, and by paying “on-time” they allow us to buy and use big-ticket items long before we could afford to pay cash for them. But the flip side of all that convenience is that personal bankruptcy has skyrocketed over the past years, and very often the first step down this road is credit card debt.

Today, we are going to explore some different aspects of credit card use using the credit card application that you brought today or the ones I have provided you. By the end of the class, I hope that you will have discovered some tools that will help you use credit wisely.

B. Body:

1. Either have students bring to class a copy of a credit card offer received in the mail, or provide a copy of one. Each group/student will also need a copy of The Credit Card Trap handout.
2. Students will work in groups of 3-4 maximum. Each group needs to assign a recorder for their group.
3. All students begin by reading the terms and conditions on the credit card offer. As they read, have them underline or highlight words they are unfamiliar with. Set a time of 15 minutes for the first read through.
4. Lead a class discussion on the words on the handout identified by students, being sure that all group members have a working vocabulary. Alternatively, a glossary can be prepared and given to students ahead of time.
5. Then ask them to read it again as a group – one person reads aloud to the group, and they discuss what is meant by the various terms. Have them answer the questions on the handout – you can either have everyone fill out their own worksheet, or have one group member be the recorder.



6. Each group must summarize in writing the key points of the offer. The handout is designed to assist them in this process.
7. As a group, decide upon the comparative merits of this credit card offer.

C. Closure:

Address Students:

Credit and credit cards can be wonderful or they can be a trap to a circle of huge indebtedness...a merry-go-round of debt that is hard to resolve. It is very important that you read the small print on a credit card application. What are some of the things that a credit card application will tell you? (Discuss) What have you learned today to help you use credit better and wiser? (Discuss)

Additional Teacher Comments:

We have just completed a project that has provided a little exposure to the world of finance and business. Why did we do this? Because most adults work in the business environment and the most popular college major is business. This project was designed to expose you to business topics and concepts in preparation for your future. There are many advantages to further exploring finance and business now while in high school. Here are some of them:

- *To find out if you like the subject before committing to a career path.*
- *To gain skills to get a part-time or summer job.*
- *To prepare for a career after high school or to put yourself through college.*
- *To strengthen your college applications.*
- *To begin earning college credits while in high school.*

Here's how you may explore more about finance and business:

- *Develop an educational plan with your counselor.*
- *Make the most of block or trimester scheduling and take business electives.*
- *Participate in ROP classes and/or internships.*
- *Take required classes in summer school to allow for more electives during the school year.*
- *Join business-related clubs or activities on campus.*
- *Investigate opportunities in your community, such as Junior Achievement, Scouting, or volunteer work.*
- *Attend community college night or summer classes.*

D. Optional Follow-up Activity to Lesson Two:

1. Give students a copy of the optional handout Evaluating Credit Card Offers. Go over the instructions with them in class, explaining that they will need a copy of a credit card offer received through the mail by their parents, friends, neighbors, etc. Emphasize that it is very important that the personal information – names and addresses, etc. – be blacked out before bringing the offer to school.
2. They are to answer the questions from the handout used in the previous lesson for this credit card offer. This is preparatory to writing the essay and may be done either in class or as homework.
3. Students are to write a five-paragraph essay of approximately one page (typed) that describes the benefits and risks of using a credit card. Use at least three specific examples from completed worksheet. Include a conclusion stating whether this is a good credit card offer or one you that should not be accepted. The essay is a homework assignment.



The Credit Card Trap

“House of Cards” Credit Card Project – Lesson #2

Student Handout

Read the Small Print!

“In choosing a few credit cards, I tended to go with companies familiar to me, believing that name recognition amounted to honesty and decency. I relied solely on what I was told when I signed up for the credit card, the information printed in big bold letters all over the front of an offer. Lack of time and a belief that a company would be as loyal to me as I to them, I neglected to pay attention to the fine print. I remember thinking that my trust in a company was all I needed in managing my money. I’m a pretty smart guy, but I was completely wrong.

“The bottom line is that your trust or loyalty means very little. Companies look out for their bottom line and that means making money. They make money from the fees and interest rates detailed in the fine print.”

Used with permission from *Credit Card Debt: It Can Cost you Your Life* by Susan Powell, Susan V. Powell, 2003.

Available on Amazon.com

For author’s web site, visit www.dontdodebt.com.

Directions: Use a separate piece of binder paper to record your responses and notes to the following questions. Be sure that the names of all members of the group are on the header. Date the paper, and title it with the same title as this handout.

1. What claims or conditions does the credit card company offer in order to attract your business? (These will usually be in “bold print”.)
2. What does APR stand for? How is it calculated on the credit card offer you are analyzing?
3. What is the APR for this card?
4. Is there anything in the text to encourage you to buy more? (For example, offering a percentage cash back on all purchases)
5. What are the terms and conditions you must meet before being given a credit card from this company?
6. What personal information does the company say it has the right to access in order to decide whether to give you a card or not?
7. What does this statement mean: “We (the credit card company) will allocate your payments to balances with lower APR rates before balances with higher APR rates.”?
8. What does the “Balance Transfer” option mean? What is the advantage to you to use the Balance Transfer offer? What cost, if any, is involved? Using the terms of the offer you are analyzing, calculate the balance transfer fee on a balance of \$7,500. Does this seem a reasonable amount to pay?



The Credit Card Trap – page 2

“House of Cards” Credit Card Project – Lesson #2

9. Explain the difference between the APR offered for this card and the default rate. What event will trigger switching from using the APR to the default rate when calculating interest on a balance?
10. Define “prime rate”. How is it determined? How do the credit card companies use the prime rate?
11. What does “grace period” refer to? What is the grace period for this credit card offer?
12. How is the interest payment calculated each month?
13. What is the introductory APR for this card? What event would cause this rate to change? If this were to happen, what would the new APR be?
14. What does the card charge in fees for a cash advance?
15. Once you have answered all of the questions above, write a 1-2 paragraph assessment of the credit card offer. Indicate whether, as a group, you consider the card to be a good offer or not. Indicate the positive and negative aspects of using this card.



The Credit Card Trap

“House of Cards” Credit Card Project – Lesson #2

Answer Sheet

Read the Small Print!

“In choosing a few credit cards, I tended to go with companies familiar to me, believing that name recognition amounted to honesty and decency. I relied solely on what I was told when I signed up for the credit card, the information printed in big bold letters all over the front of an offer. Lack of time and a belief that a company would be as loyal to me as I to them, I neglected to pay attention to the fine print. I remember thinking that my trust in a company was all I needed in managing my money. I’m a pretty smart guy, but I was completely wrong. “The bottom line is that your trust or loyalty means very little. Companies look out for their bottom line and that means making money. They make money from the fees and interest rates detailed in the fine print. “

- From Credit Card Debt: It Can Cost you Your Life by Susan V. Powell

Directions: Use a separate piece of binder paper to record your responses and notes to the following questions. Be sure that the names of all members of the group are on the header. Date the paper, and title it with the same title as this handout.

1. What claims or conditions does the credit card company offer in order to attract your business? (These will usually be in “bold print”.)

Answers may include: Cash back offers; 0% financing for stated period; free mileage; low introductory interest rate; no annual fee; free additional cards; online benefits.

2. What does APR stand for? How is it calculated on the credit card offer you are analyzing?

Annual percentage rate. It is calculated based on the average daily balance.

3. What is the APR for this card?

Answers will vary.

4. Is there anything in the text to encourage you to buy more? (For example, offering a percentage cash back on all purchases)

Answers will vary, but may include cash back incentives or free mileage.

5. What are the terms and conditions you must meet before being given a credit card from this company?

Must be 18 years old; legal resident of the U.S.; other conditions may apply.



The Credit Card Trap – page 2

“House of Cards” Credit Card Project – Lesson #2

6. What personal information does the company say it has the right to access in order to decide whether to give you a card or not?

Answers may include: Authorization to obtain consumer report from consumer reporting agencies; information from your employer, bank, and credit bureaus to determine eligibility.

7. What does this statement mean: “We (the credit card company) will allocate your payments to balances with lower APR rates before balances with higher APR rates.”?

If you transfer a credit card balance to a new card, and the APR for those prior purchases is higher than the new purchases (or vice-versa), any payments will pay off the purchases that are charged with the lower interest rate. This means your balance will always be accumulating interest at the highest possible rate. Good for the bank, not good for you.

8. What does the “Balance Transfer” option mean? What is the advantage to you to use the Balance Transfer offer? What cost, if any, is involved? Using the terms of the offer you are analyzing, calculate the balance transfer fee on a balance of \$7,500. Does this seem a reasonable amount to pay?

You can take an existing balance on a card with a high interest rate and transfer the entire balance to a new credit card with a lower interest rate. If you pay the balance off as soon as possible, and avoid buying new things until it is paid off, the advantage is that you will save in interest fees.

Sometimes a percentage of the balance will be assessed at the time of the transfer, often 3%. You should calculate what that charge will be and compare it to the interest savings to see if you will really save money.

3% of \$7,500.00 is \$225. That is an annual rate of 36%. You would need to make significant payments (5% of the balance) to take advantage of this offer.

9. Explain the difference between the APR offered for this card and the default rate. What event will trigger switching from using the APR to the default rate when calculating interest on a balance?

The default rate is the rate that automatically kicks in when you miss a payment. It is typically around 24%!



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10. Define “prime rate”. How is it determined? How do the credit card companies use the prime rate?

The prime rate is the highest rate of interest, and is the rate at which banks borrow from the government. It is listed in the money rates section of The Wall Street Journal on the last business day of the month. The APR increases or decreases when the prime rate changes.

11. What does “grace period” refer to? What is the grace period for this credit card offer?

The grace period is the length of time you have to pay off new purchases without accruing interest charges, usually around 25 days.

12. How is the interest payment calculated each month?

The balance from each day of the month is added together and divided by the total number of days in the month. This balance is multiplied by the interest rate currently applied to your account.

13. What does the card charge in fees for a cash advance?

Answers will vary, but typically will be 3% with a minimum of \$5.00.

14. Once you have answered all of the questions above, write a 1-2 paragraph assessment of the credit card offer. Indicate whether, as a group, you consider the card to be a good offer or not. Indicate the positive and negative aspects of using this card.



Evaluating Credit Card Offers

“House of Cards” Credit Card Project – Lesson #2

Follow-up Assignment

NOTE TO STUDENTS: Please review the handout “Assessment Rubric for Writing Assignments” prior to beginning the assignment.

1. Bring in a credit card offer received in the mail at home, from your neighbors or from a relative. **Be absolutely certain that you first white out all personal information on the offer**, such as names and addresses, etc.
2. Use the handout titled The Credit Card Trap (same one used in the previous lesson) to help you assess the pros and cons of this offer. Answer all questions as thoroughly and carefully as possible. Use this information as the basis for your essay.
3. Write a five-paragraph essay of approximately one page (typed) that describes the benefits and risks of using this card. Use at least three specific examples from your worksheet. You should include a conclusion stating whether you determine this to be a good credit card offer or one you would not accept.

For example: Suppose the card states that you can transfer the balance from another credit card that is charging you 19% interest on the unpaid balance, and this new offer will only charge you 14% if you transfer your old balance to this card. However, upon careful reading of the terms and conditions, you discover that the lower interest rate (14%) is only applied to the balance transferred over. Any **new** purchases on this card will be charged at 21% if the entire amount is not paid by the due date each month. Is this still a good deal financially?

4. Before you begin to write the draft essay, spend a moment organizing your thoughts. In bullet form, write down what you want to say in the introductory paragraph. Write down the key points you want to make, based upon your analysis in step 2, and then number them according to how you want to present the information. You might wish to present your arguments grouped by pro and con, or in order of importance, or end with the most important one to emphasize your point. Whatever your strategy will be, organize it first and jot down some notes to help keep you on track.
5. The essay must adhere to school site-writing standards, be double-spaced, free of errors, and your analysis must reference specific terms in support of your argument.
6. Hand in for assessment:
 - a. Completed final draft of essay; and
 - b. Completed Credit Card Trap Handout with written responses

Refer to the Assessment Rubric while editing your final draft.



Assessment Rubric for Writing Assignments “House of Cards” Credit Card Project

	6 WOW! Exceeds Expectations	5 STRONG Shows control and skill in this trait; many strengths present	4 EFFECTIVE Strengths outweigh weaknesses; small revision needed	3 DEVELOPING Strengths and need for revision about equal	2 EMERGING Need for revision outweighs strengths	1 NOT YET Bare beginning
Content	Paper is clear & focused. Topic narrow and manageable. Relevant anecdotes & details enrich the central theme.		Topic fairly broad. Support is attempted, but doesn't go far enough. Ideas reasonably clear. Reader is left with questions. Writer generally stays on the topic but does not develop a clear theme.		Paper has no clear sense of purpose or central theme. Information limited or unclear. Length not adequate. Idea is simple restatement of the topic. No attention to detail.	
Organization	Inviting introduction draws the reader in; satisfying conclusion leaves reader with a sense of closure and resolution. Sequencing is logical and effective. Good pace.		Recognizable introduction and conclusion. Sequencing shows some logic, but not consistent. Pacing fairly well controlled.		Lacks sense of direction. No real lead or conclusions. Pacing awkward.	
Voice	Tone adds interest and is appropriate for purpose and audience. Reader senses a person behind the words. Writing reflects strong commitment to the topic.		Sincere, but not fully engaged. May move the reader in places, but quickly fade away.		Writer is indifferent, distanced from the topic. Speaks in a monotone that flattens all potential highs/lows of the message. Writing is mechanical. Development of topic is limited.	
Word Choice	Words are powerful and engaging. Specific, accurate, catches the reader's eye; lively verbs add energy. Language enhances the meaning. Precision is obvious.		Language is functional, but lacks energy. Words are adequate and correct; support meaning. Attempts at colorful language show effort. Use of passive verbs, everyday nouns.		Words nonspecific and distracting giving limited meaning to the writing assignment. Language is used incorrectly. Limited vocabulary; unimaginative; lifeless; clichés; all distract reader.	
Sentence Fluency	Easy flow and rhythm. Varied sentence beginnings; vary in length & structure. Writer has cadence.		Sentences get the job done, constructed correctly, but more mechanical. Sentence beginnings are not ALL alike; some variety attempted.		Sentences choppy, incomplete, rambling or awkward. Sentences begin the same way and follow same patterns.	
Conventions	Spelling generally correct; punctuation accurate; grammar correct.		Spelling usually correct or reasonably phonetic; punctuation usually correct. Grammar /usage is generally correct.		Errors repeatedly distract the reader; frequent errors in spelling; punctuation; capitalization; grammar.	
Total Points						
Comments:						

Rated By: _____



Credit Card Danger and Abuse

“House of Cards” Credit Card Project – Lesson #3

Teacher Materials Provided

- Credit Card Dangers and Abuse Lesson Plan
- Outcomes/Products Assessments and Standards Matrix – identifies lesson outcomes, standards addressed, and ways to measure learning; includes a brief descriptions of corresponding student activities

Student Materials Provided

- Undergraduate Student Credit Card Debt
- Get “Debt-ucated”
- Balance Transfer Deals
- How to Avoid the Credit Card Trap

Classroom Facilities

- Computer access for each student (or teacher demo computer and projector)
- Excel

Student Supplies Needed

- Floppy disks

Teacher Preparation Checklist

- Review Outcomes/Products and Assessments Matrix, Lesson Plan, student materials and perhaps the recommended background materials
- Copy student materials:
 - Undergraduate Student Credit Card Debt
 - Get “Debt-ucated”
 - Balance Transfer Deals
 - How to Avoid the Credit Card Trap



Credit Card Danger and Abuse

“House of Cards” Credit Card Project – Lesson #3

Lesson Plan

Overview of Lesson #3:

Using a series of handouts, students will evaluate themselves to determine if they are a good credit risk, examine if they have too much debt; discuss how to avoid getting into debt and summarize statistics about credit card use.

A. Introduction:

Address Students:

Today you are going to take a look at you. You are going to decide if you are a good credit risk or not. You will learn, if you do establish credit or a credit card, how to avoid getting way over your head in debt and how you avoid those very expensive interest charges. We will discuss when it is appropriate to establish credit and when it is wiser to save for what you want.

B. Body:

Direct the students to read the handouts. This can be done individually or as a group. If time is limited, you may ask different groups to pick one handout to read, summarize and present to the class. Ask them to decide what information in the handout seems most important or useful to them, and present this information to the whole class.

- Undergraduate Student Credit Card Debt
 - This handout summarizes data taken from a 2002 Nellie May report on undergraduate student debt. The focus of the data and corresponding discussion should be on how widespread credit card debt is among well-educated people. This isn't something that just happens "to other people," or the poor, or the uneducated.
- Get "Debt-ucated"
 - This handout lists the warning signs of debt problems.
- Balance Transfer Deals
 - This worksheet examines a very popular offer being made now by credit card companies. Focus on having students understand that such offers do not necessarily offer solutions to people in debt. Always, the purpose of credit card companies is to make money, NOT to help people out.
- How to Avoid the Credit Card Trap
 - This handout lists ten points for successfully managing the use of credit cards.

Address Students:

- *In groups of 3-4 students, reach consensus and write down major statistics that show evidence of the seriousness of the debt problem.*
- *Write a group plan for avoiding credit card debt. Use the materials provided in Lesson 3 and your written essay from Lesson 2 as the basis for your comments. Include specific examples of how to achieve this goal.*
- *Cite specific examples of warning signs of credit card debt from the handouts.*
- *Present your comments and plan to the class in an oral presentation.*



C. Closure: (About 5–30 minutes)

Address Students:

We have just finished a lesson on credit. Are you a good candidate for credit? (Discuss why or why not.) In summary, as a class discussion, let's make a list of guidelines on what it takes to be considered a good candidate for credit and credit card use. What have you learned from this lesson and how will this information help to make you a better consumer

Additional Teacher Comments:

We have just completed a project that has provided a little exposure to the world of finance and business. Why did we do this? Because most adults work in the business environment and the most popular college major is business. This project was designed to expose you to business topics and concepts in preparation for your future. There are many advantages to further exploring finance and business now while in high school. Here are some of them:

- *To find out if you like the subject before committing to a career path.*
- *To gain skills to get a part-time or summer job.*
- *To prepare for a career after high school or to put yourself through college.*
- *To strengthen your college applications.*
- *To begin earning college credits while in high school.*

Here's how you may explore more about finance and business:

- *Develop an educational plan with your counselor.*
- *Make the most of block or trimester scheduling and take business electives.*
- *Participate in ROP classes and/or internships.*
- *Take required classes in summer school to allow for more electives during the school year.*
- *Join business-related clubs or activities on campus.*
- *Investigate opportunities in your community, such as Junior Achievement, Scouting, or volunteer work.*
- *Attend community college night or summer classes.*



Student Credit Card Debt

“House of Cards” Credit Card Project – Lesson #3

Student Handout #1

Source: Nellie Mae, *2001 Credit Card Usage Analysis Summary Statistics*
http://www.nelliemae.com/library/research_9.html. April 2002
 To see the full report, visit http://www.nelliemae.com/library/ccstudy_2001.pdf

Undergraduate Student Credit Card Debt

- Students with no Credit History - 12%
- Students with a Credit History having no Credit Cards - 10%
- Student with a Credit History and had Credit Cards - 78%

Of the 78% who have credit cards:

- 32% have four or more cards
- Average number of credit cards is 3
- Average credit card debt is \$2,748 (median is \$1,236)
- 13% have credit card debt between \$3,000 - \$7,000
- 9% have credit card debt greater than \$7,000

Factors	1998	2000
Percentage who have credit cards	67%	78%
Average number of credit cards	3.5	3
Percentage who have 4 or more cards	27%	32%
Average credit card debt	\$1,879	\$2,748
Median credit card debt	\$1,222	\$1,236
Percentage with balances between \$3,000 and \$7,000	14%	13%
Percentage with balances exceeding \$7,000	10%	9%

Graduate Student Credit Card Debt

- Students with no Credit History -1%
- Students with a Credit History having no Credit Cards - 4%
- Student with a Credit History and had Credit Cards - 95%

Of the 95% who have credit cards:

- Average number of credit cards = 4
- Average credit card debt = \$4,776 (median is \$3,068)
- 20% have credit card debt between \$6,000 - \$15,000
- 6% have credit card debt greater than \$15,000

Factors	1998	2000
Percentage who have credit cards	95%	95%
Average number of credit cards	6	4
Average credit card debt	\$4,925	\$4,776
Median credit card debt	\$2,834	\$3,068
Percentage with balances between \$6,000 and \$15,000	22%	20%
Percentage with balances exceeding \$15,000	6%	6%



Student Credit Card Debt – page 2

“House of Cards” Credit Card Project – Lesson #3

Summary

Undergraduate college students are carrying credit cards in record numbers. The percentage of students holding at least one card in 2001 has risen 24% since 1998.

Although freshmen have the lowest rate of card possession among undergraduates, 54% carry a credit card. The percentage of students with at least one card increases to 92% in sophomore year.

Only 23% of freshmen, on the other hand, have a student loan. For many students entering college today, their first credit experience is with a credit card, whereas ten years ago, it was through a student loan.

The median debt level among card-carrying undergraduates – where half the population has balances lower than this amount and half have balances higher – has risen to \$1,770, up from \$1,236 in 2000. This is an indicator that more students are using their cards regularly and may not be paying off the balances each month.

The good news is that average credit card balances among students who have cards have decreased from the previous average calculated in 2000, and the percentage of students with balances greater than \$7,000 has also declined.

83% of undergraduate students have at least one credit card, a 24% increase since 1998.

Average credit card balance is \$2,327, a 15% decrease from the 2000 average.

Median credit card balance is \$1,770, a 43% increase above the median in 2000.

21% of undergraduates who have cards have high-level balances between \$3,000 and \$7,000, a 61% increase over the 2000 population.

Graduating students have an average of \$20,402 in combined education loan and credit card balances.

Less stringent underwriting criteria at major credit card companies, coupled with the direct push to students on many campuses to apply for credit cards, has led to easier access to credit cards for students who may have arrived on campus with no credit history. A recent analysis of credit card debt from students who applied for credit-based loans with Nellie Mae in calendar year 2000 showed that 78% of undergraduate students (aged 18-25) have at least one credit card. This is up from the 67% of undergraduates included in a similar study by Nellie Mae in 1998. In years past, these same students would not have been given credit cards, certainly not without a co-signer.

Using small increments of available credit responsibly is a great way to learn about the pros and cons associated with borrowing, and to establish a positive credit history. Unfortunately, without being educated on the possible pitfalls associated with amassing too much debt, some of those students may be learning lessons the hard way. The undergraduates in the 2000 Nellie Mae analysis carried an average credit card balance of \$2,748, up from an average of \$1,879 in the 1998 study. A student using a card with an 18% APR and who makes only a minimum monthly payment of between 2-3% of the balance (the average



Student Credit Card Debt – page 3

“House of Cards” Credit Card Project– Lesson #3

minimum payment required on most credit cards) will be paying off that credit card balance of \$2,748 over 15 years, paying as much interest on the loan as he or she originally borrowed.

And that assumes the student doesn't make additional charges. Some students unwittingly accumulate credit card debt, not consciously planning ahead whether they can afford to borrow that sum, and not aware of the actual finance charges they will pay over time.

Graduate students have even higher debt levels than undergraduates, though graduate student credit card debt and usage levels remain similar to 1998 levels. In both studies, 95% of Nellie Mae graduate student loan applicants had at least one credit card. The average credit card balance was \$4,776 in 2000, down slightly from \$4,925 in 1998.



Get “Debt-ucated”

“House of Cards” Credit Card Project – Lesson #3

Student Handout #2

Here are some of the warning signs that you may have a credit/debt problem. If you answer yes to one or more of questions 1 through 15, you may be beginning to have serious credit problems which may require drastic steps and NOW. Time may be of the essence.

1. You don't have any savings.
2. You make minimum payments on your credit cards.
3. You use credit cards for things you used to buy with cash, such as groceries.
4. You use increasing amounts of your total income to pay off debts.
5. You have more than two or three major credit cards.
6. After you pay your credit card bill, you increase your balance by the same amount (or more) the following month.
7. You're at or near your credit limit on your credit cards.
8. You count on the float in order to pay your bills, writing a check hoping that you'll be able to cover it by the time it clears your bank.
9. You're unsure of the total amount you owe on all your debts.
10. You take out cash advances on your credit card to pay other bills.
11. You've tried to make a purchase with your credit card and been declined.
12. You've been denied credit.
13. You bounce checks.
14. You get calls from collectors.
15. You lie to your spouse or other family members about your spending or hide credit card statements from family members.



Balance Transfer Deals

“House of Cards” Credit Card Project – Lesson #3

Student Handout #3

Read credit card offers carefully!

Question: A CREDIT-CARD COMPANY has offered to let me transfer my balance from another card and pay a financing charge of zero percent until January 2005. It seems too good to be true. Is there a catch?

Answer: Lots of people with good credit histories are getting these offers, which can work out well, if you're very careful about following the rules.

That's easier said than done. Obviously, the card companies don't make any money at zero percent, so the fine print is full of booby traps. Snag one of the trip wires, and you could get stuck with a sky-high interest rate that could be very hard to escape.

Why is there such a proliferation of these deals? First, because interest rates are very low. Card companies can, in effect, borrow at extremely low rates to obtain the money they lend to card users. So it doesn't cost them very much to carry you for free for months.

Second, they hope to lure you from their competitors. After the zero percent deal ends, the card company can start making money on your new charges.

Finally, experience has proven that many people who are drawn in by zero percent deals end up paying much more, long before that too-good-to-be-true introductory offer ends.

The first thing to do when you are offered a no-interest deal is to make sure the company will really give you the terms it has described. There's a good chance the offer was sent by a marketing department that didn't have up-to-date information on your account. Even a small blemish, such as having been a few days late on a recent payment, can void the offer. If you make a big balance transfer without knowing this, you could be locking yourself in to a high finance charge.

If the offer comes from a card company with which you already have an account, be sure to pay off any previous balance before making the transfer. Look deep in the fine print and you'll probably learn that the old debt will continue to accrue finance charges at the rate you've been paying all along.

This is especially bad because any payments you make after the transfer will apply only to the zero percent portion of your debt until that is paid off. The previous debt will continue to build up charges of 15 percent, 18 percent, and 20 percent--whatever you've been paying. Because your payments won't apply to this, you'll end up paying interest on interest.

The same rule generally applies to new charges. Use the card for a purchase that is not covered by the zero percent deal and you'll starting paying the regular finance charge on that



Balance Transfer Deals – page 2

“House of Cards” Credit Card Project – Lesson #3

new debt. You won't be able to get rid of that balance, or those charges, until you've paid off the interest-free portion of your balance.

You may have old balances, or new ones that are very small so that the finance charges don't concern you very much. But be very careful to make required monthly payments on time, or else you will tumble into default and have to pay finance charges on the zero percent balance as well.

You also must be careful to pay off the zero percent balance in full before the term of that offer ends. Miss the deadline, and any unpaid portion will be subject to finance charges. **In many cases, the finance charge will be calculated not from the deadline date but from the date on which you originally made the balance transfer.** In other words, you could get stuck with 10 or 11 months of finance charges on a transfer made in February and not paid off by the deadline the following January.

Also look for transaction fees that apply to the transfer. They could be something like 3 percent of the transferred amount, up to a maximum of, say, \$50.

The basic rules for safely using one of these deals are:

- Pay off all previous balances before making the transfer.
- After the transfer, don't use the card for new charges until you have paid off the transferred amount.
- Pay off the entire balance by the deadline.
- To be safe, before making the transfer, call the toll-free number on the card to make sure you'll get the deal offered and that you have been credited for the payments you made to clear away previous balances.
- The big hazard, of course, is that the no-interest deal will give you so much peace of mind you will continue racking up debts on your other cards. Because those will accrue finance charges, you're likely to make those payments a top priority--and find yourself strapped as the payoff deadline on the zero percent deal approaches.
- Do a careful accounting of all of your debt, excluding your mortgage, but including your car payment. If it's more than 20 percent of your total income, you've got a problem. Fix it early.
- Refuse unsolicited increases to your balance by your credit card lender. This isn't a perk. It's more likely that your lender thinks you'll then carry a bigger balance, racking up more interest.
- Avoid unsolicited cards. Credit card companies bombard us with mail with unsolicited "pre-approved" cards, low "teaser" rates and special services. Toss this stuff.



How to Avoid the Credit Card Trap

“House of Cards” Credit Card Project – Lesson #3

Student Handout #4

Source: Masullo, Bob. “Staying Out of Credit Card Debt”. Sacramento Bee, Scene Section, 12/16/2002. Reprinted here with permission.

1. If you don't have money in your checking account to pay for an item, don't buy it with a credit card.
2. If you have a tendency to overspend, only use a credit card that requires balances to be paid off in full each month.
3. Watch payment due dates. These may change from time to time, and your payments may be unintentionally late, incurring late charges.
4. Always mail your payment at least seven days before it's due.
5. Keep records of all payments.
6. Go over your statement after it arrives. If there are charges that don't seem right, contact the credit card company immediately.
7. Watch statements for unexpected fees. These may be reasons to switch to another credit card company.
8. If you don't pay off your balance in full each month, pick a credit card that offers a lower interest rate, rather than one that gives you bonuses such as frequent flyer mileage.
9. Avoid promotions for credit cards that offer to transfer the balance and charge zero interest. In fine print, these usually say the rate goes up markedly after a few months. Additionally, if your payment arrives late, it will often trigger a much higher (called default) rate, and even can be applied back to the original balance you started with.
10. Avoid credit card companies that send you a check for a small amount with an offer to take their card. If you cash the check, that commits you to the credit card and its fees and high interest rates.