



UNITED TRIBES
TECHNICAL COLLEGE
LAND GRANT EXTENSION

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UTTC Lifeskills Lessons – Money Matter\$

Lesson 7: Credit Cards and Interest Rates

LS0007

FACT\$:

- Revolving Credit is credit that allows you to borrow money at any time up to a set limit. This is what is now called a “credit card”.
- As you pay back the borrowed money on revolving credit (your credit card), it becomes available again to borrow.
- The lender allows you to pay back the money in a lump sum of over an extended period of time.
- If you pay back the debt in small amounts over time, you are charged a fee each month on the amount that you owe. This is called INTEREST.
- If you feel you need revolving credit and use of a credit card, get smart about how to use it- Pay off the monthly amount owed, and don't get caught in the “just pay the minimum” trap. Credit card company gets rich off of your interest.



RESOURCES

1. Building Native Communities... Financial Skills for Families
2. Financial Education Southwestern Indian Polytechnic Institute (SIPI)
3. www.bettermoneyhabits
4. www.squawkfox

Wise Fox Words of Wisdom

1. **Don't apply for a credit card without reading the terms.**
Choosing a credit card involves more than liking the design of the card or the popularity of the company. You have to evaluate the credit card based on the fees, interest rates, and rewards.
2. **Don't use your credit card to make everyday purchases.**
Items like food, clothing, and gas shouldn't be purchased with a credit card. For ordinary purchases, leave your credit card in your wallet and use cash or debit card.
3. **Don't get into the habit of making only minimum monthly payments.**
To pay your debts off quicker and cheaper, you should pay as much as you can on your balance each month.
4. **Don't use your credit card to buy things you can't afford.**
If you can't afford a purchase today, chances are you won't be able to afford it tomorrow, or even next month. Stay within 30% of your credit limit.
5. **Don't close out a credit card without knowing how your credit will be impacted.**
There are times when closing a credit card can hurt your credit score.
6. **Don't let the creditor be in control. Admit you won't be able to make your monthly payment.**
Call and ask that late fees be waived.
7. **Don't be bashful, ask.**
Negotiate a lower interest rate. Interest rates are not set. Tell your creditor about rates you are offered from others.
8. **Don't be surprised.**
Review your credit card statement thoroughly each month. Dispute errors with your credit card issuer within 60 days and report unauthorized charges immediately.

Two Things to Keep in Mind!

1. Interest is charged from the date of purchase, not from the beginning of the next month. There is no grace period.
2. The CARD Act of 2009 stipulated that credit card statements include a section that clearly outlines how long it will take you to pay off your card if you only pay the minimum balance.

How to Calculate Credit Card Interest Charges

The first step is to determine the **average daily balance**. For example, let's say that in a **30-day period** you have a \$1,000 balance carried over from the previous month.

You don't use your credit card at all during this month, but on the 11th day, you make a payment of \$300. So, the balance for days 1-10 is **\$1,000**, and the balance for days 11-30 is \$700.

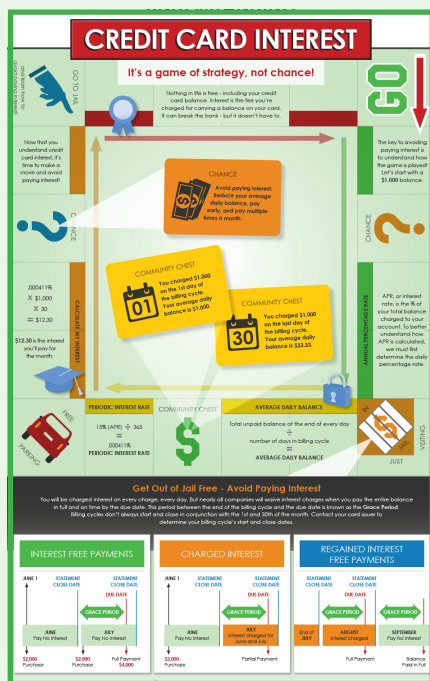
Add up the total daily balance for the month, and then divide that number by the number of days in the period to get your average daily balance:

$$(10 \times 1,000) + (20 \times 700) = 24,000$$

$$24,000 / 30 = 800$$

The second step is to calculate your **periodic interest rate**. If your APR is **14%**, divide that by **365**: $0.14 / 365 = 0.00038$.

Your periodic (or daily) interest rate comes out to 0.038%. Next, multiply your periodic interest rate by your average daily balance, multiply that number by the number of days in the period: $800 \times 0.00038 = 0.304$; $0.304 \times 30 = 9.12$. Thus, your interest charge now is **\$9.12**.



Let's Practice Asking for a Lower Interest Rate

- 1: Get your wallet.** Grab the card you've had for a while – that shows you have a long history of credit.
- 2: Dial!** Call the customer service number located on the flip side of your card.
- 3: Speak the script below.** Prepare mentally. Don't get tongue-tied or feel silly about reading someone else's words — customer service agents read from scripts all the time.

You: Hello, my name is _____, my account number is _____.

Credit Card Agent: How can I help you?

You: I've been a good customer over the years. I just got an offer for a new credit card with a rate of 6%. I'd like to stay with you, but I'm paying 19% on my balance. Since I've consistently paid the minimum balance I want a lower interest rate with you.

Credit Card Agent: I'm sorry. This is the best we can do with this credit card. You're getting our best rate.

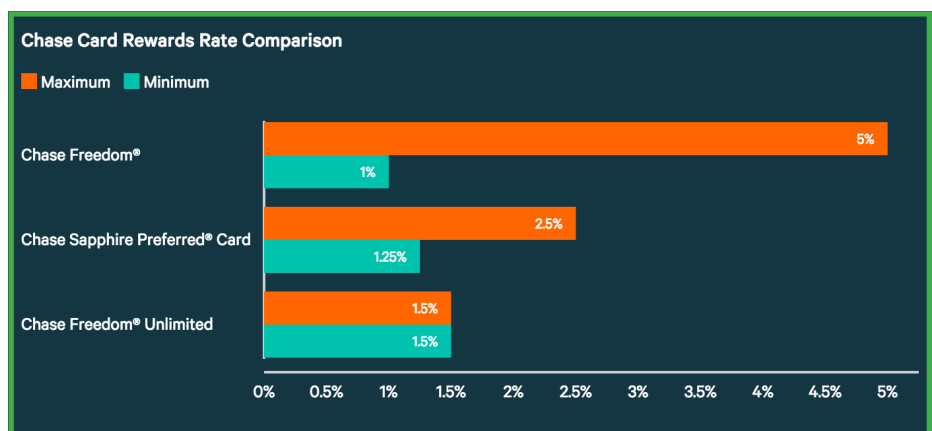
You: Please put me through to your supervisor.

Supervisor: How can I help you?

You: Repeat the previous script. Be polite. It's likely the supervisor will counter with a better rate. If so, take it.

- 4: Don't give up!** If you don't succeed at first, try again. Call back in a few days and hopefully you'll get a new customer service agent and supervisor to play with.

- 5: When you succeed, pay that sucker off as soon as it is reduced!**





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CREDIT CARDS AND INTEREST RATES

OBJECTIVES:

1. To recognize that a credit card is actually revolving access to money for a fee.
2. To discuss how to assess if a credit card is right for your current situation.
3. To understand why paying minimum balance on a credit card can be a trap.
4. To learn how to calculate and/or reduce interest rates.

PROCEDURE:

1. Write objectives on the board.
2. Distribute the Lesson 7 Talking Sheet.
3. Ask for a volunteer to open session with a prayer, announce the session will open with a minute of silence, or verbalize a short (2-3 sentences) to thank the creator for wisdom and honest use of our resources.
4. Facilitate discussion relating to credit card ownership and payment plans.
5. Facilitate discussion regarding interest rates and hear personal stories.
6. Allow participants to show or discuss current credit cards and role play how to request lowered interest rates.

RESOURCES FOR INSTRUCTION SUPPORT:

1. UTTC Extension Money Matters Lesson 7 Talking Sheet
2. Prior to the lesson, the class leader might consider preparing:
 - List of the various Credit Card companies currently available.
 - Handout on current expected interest rates.
 - List of credit counseling agencies in the local community

TIME:

50 minutes



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EVALUATION

On a scale of 1 to 5, with 1 being least confident and 5 being most confident, please circle one per question.

Not Confident

Very Confident

Please rate how confident you are in explaining to others the purpose of a credit card.

1 2 3 4 5

Please rate how confident you are in assessing your current situation relating to credit card ownership.

1 2 3 4 5

Please rate how confident you are in understanding the benefits of paying credit cards to zero balance each month.

1 2 3 4 5

Please rate how confident you are in calculating interest rates on credit cards.

1 2 3 4 5

Please rate how confident you are in asking credit card companies to reduce high interest rates.

1 2 3 4 5

New things I learned or understand better because of the lesson

Comments
