



UNITED TRIBES  
TECHNICAL COLLEGE  
LAND GRANT EXTENSION

# UTTC LAND GRANT EXTENSION

## *UTTC Lifeskills Lessons – Money Matter\$*

### Lesson 7: Credit Cards and Interest Rates

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#### 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](http://www.bettermoneyhabits)
4. [www.squawkfox](http://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.



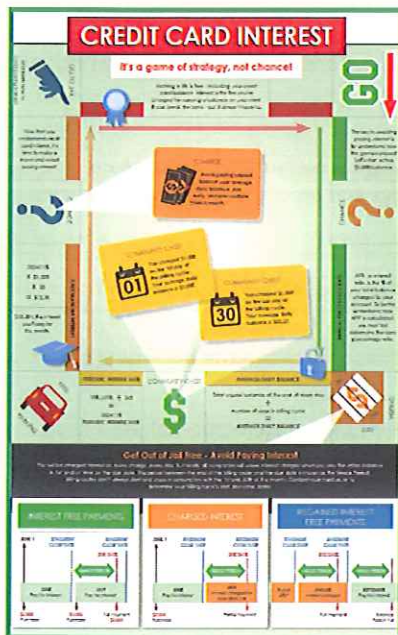
## How to Calculate Credit Card Interest Charges

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!**

