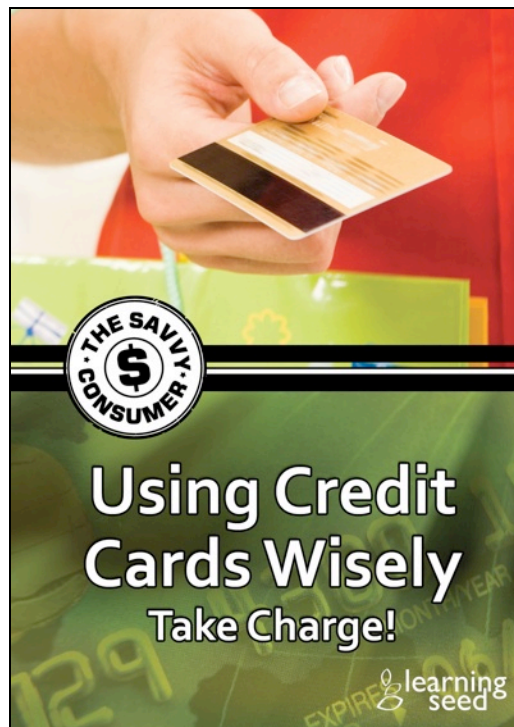


THE SAVVY CONSUMER

# Using Credit Cards Wisely

## Take Charge!



Copyright 2010 Learning Seed

Suite 301  
641 West Lake Street  
Chicago, IL 60661  
800.634.4941

[info@learningseed.com](mailto:info@learningseed.com)  
[www.learningseed.com](http://www.learningseed.com)

# THE SAVVY CONSUMER

## Using Credit Cards Wisely

Legal Niceties

The Video

Copyright 2010 Learning Seed.

This video program is protected under U.S. copyright law. No part of this video may be reproduced or transmitted by any means, electronic or mechanical, without the written permission of the Publisher, except where permitted by law.

Teaching Guide

Copyright 2010 Learning Seed.

This teaching guide is copyrighted according to the terms of the Creative Commons non-commercial license (<http://creativecommons.org/licenses/by-nc/2.5/>).

It may be reproduced, in its part or its entirety, for classroom use. No part of this guide may be reproduced for sale by any party.

You are free:

- to copy, distribute, display, and perform the work.
- to make derivative works.

Under the following conditions:

- Attribution. You must attribute the work to Learning Seed.
- Noncommercial. You may not use this work for commercial purposes.
- For any reuse or distribution, you must make clear to others the license terms of this work.
- Any of these conditions can be waived if you get permission from the copyright holder.

Credits

The Video

Executive Producer: Kari D. McCarthy  
Writer: Elizabeth Winkowski, Akela Stanfield  
Producer: Tracy Ullman  
Video Editor: Joanna Beer  
Assistant Producer: Jennifer A. Smith  
Narrator: Kate Burns

This Teaching Guide

Compilation: Denise Dean  
Copy Editor: Akela Stanfield

Learning Seed Catalog and ISBN Numbers

DVD LS-1256-10-DVD ISBN 1-55740-580-8

Questions or Comments?

We'd love to hear from you, whether you'd like a catalog, want to share your thoughts on one our titles, or have a question.

Please contact us at:

Learning Seed  
Suite 301, 641 W. Lake Street  
Chicago, IL 60661  
800.634.4941  
[info@learningseed.com](mailto:info@learningseed.com)

Closed Captioning

This program is closed-captioned.

# Summary

This program examines how credit cards work and the different types of cards available, and how to use credit to their advantage. Students will also learn how to decipher complex monthly statements, and how to use credit wisely.

The film includes tips on how to pick the right credit card based upon the cardholder's needs. Students will also explore ways to protect their privacy and personal information.

## Key Elements

After viewing this film, student will be able to:

- ❖ Identify and use credit and related finance terms
- ❖ Understand the differences between variable and fixed interest rates
- ❖ Determine the differences among credit, charge, debit and store cards
- ❖ Know when and why a cosigner or a “secured” card may be required
- ❖ Understand how to read a Disclosure Box to easily compare cards
- ❖ Evaluate the benefits/drawbacks of special rates, cash advances, balance transfers and other credit card offers
- ❖ Cite the three activities needed to master the world of credit cards
- ❖ Know where to find the websites for the big three credit bureaus
- ❖ Locate governmental information about disputing erroneous charges
- ❖ Keep safe credit card and personal data

# Calculating APR and Compound Interest Worksheet

## Student Handout

Calculate how much interest you'll be charged each month to buy the \$100 sneakers mentioned in the video:

Assume you borrowed \$100 on a credit card with an 18% APR.

First, calculate the monthly period interest rate:

Divide the APR by the number of months in a year

So for a card with an 18% APR, the monthly periodic interest rate is \_\_\_\_\_%

$\$100 \times$  \_\_\_\_\_ percent = \$\_\_\_\_\_

After one month, you owe the original \$100 – the principal - plus \$\_\_\_\_\_ in interest.

But wait...there's more!

In the second month, you don't pay interest on the principal only:

You pay interest on the WHOLE balance.

You pay interest on the \$\_\_\_\_\_ – not just the original \$100.

That's compound interest. Think of it as paying interest on your interest.

Many credit cards offer a special promotion where you don't have to make any payments for the first few months, or even the first year.

Sounds like a great deal...but after that year you've accumulated – or “accrued” –

\$\_\_\_\_\_ in interest for those \$100 shoes.

Why pay \$\_\_\_\_\_ for shoes that were on sale for \$100?

# Calculating APR and Compound Interest Worksheet

## Teacher's Answer Key

Calculate how much interest you'll be charged each month to buy those \$100 sneakers mentioned in the video:

Assume you borrowed \$100 on a credit card with an 18% APR.

First, calculate the monthly period interest rate:

Divide the APR by the number of months in a year

**18 divided by 12 months equals 1.5**

So for a card with an 18% APR, the monthly periodic interest rate is **1.5%**

$\$100 \times \underline{1.5} \text{ percent} = \underline{\$101.50}$

After one month, you owe the original \$100 – the principal - plus **\$1.50** in interest.

But wait...there's more!

In the second month, you don't pay interest on the principal only:

You pay interest on the **WHOLE** balance.

You pay interest on the **\$101.50** – not just the original \$100.

That's compound interest. Think of it as paying interest on your interest.

Many credit cards offer a special promotion where you don't have to make any payments for the first few months, or even the first year.

Sounds like a great deal...but after that year you've accumulated – or “accrued” –

**\$18** in interest for those \$100 shoes.

Why pay **\$118** for shoes that were on sale for \$100?

## Teacher's Aid - Unit Resource Guide

### Credit C.A.R.D Act of 2009

#### Materials/Resources

##### Online Resources:

“How the New Credit Card Bill will Affect Young Spenders:  
Necessary Protection or Undue Burden”

<http://www.usnews.com/money/personal-finance/articles/2009/06/02/how-the-new-credit-card-bill-will-affect-young-spenders.html>

##### Offline Resources:

- Credit Card Accountability Responsibility and Disclosure Act of 2009 (The Credit C.A.R.D. Act signed into law May 22, 2009)
- Highlights from the Credit Card Accountability, Responsibility, and Disclosure Act of 2009

**Recommended Grade Level:** 8-12      **Video Companion:** Using Credit Cards Wisely

**Suggested Prerequisite Video:** Understanding Credit Basics

#### Guide Summary

The new **Credit C.A.R.D Act of 2009** contains new protections for college students and young adults, including a requirement that parents must cosign on loans for young borrowers, restricts the issuance of credit cards to students under 21, requires that card issuers, universities disclose agreements with respect to the marketing or distribution of credit cards to students, and more.

With the issuance of this new act students should be taught how their rights change for the better or worse when using credit cards as a young adult. This guide will assist you in presenting this new and important information to your students, with fun and informative lessons and exercises.

# Teacher Lesson Plan - Discussion Activity

## Credit C.A.R.D Act of 2009

**Activity Length: 45 minutes**

- 1) Ask students to read the U.S. News and World Report article of June 2, 2009 by Matthew Bandyk at home:**

“How the New Credit Card Bill will Affect Young Spenders: Necessary Protection or Undue Burden”

<http://www.usnews.com/money/personal-finance/articles/2009/06/02/how-the-new-credit-card-bill-will-affect-young-spenders.html>

This article brings up some of the pros and cons of the Act in regard to its affect on young people.

- 2) Provide the Credit C.A.R.D. Act Student Handout in class.**

Within the act, focus on Title III. Protection of Young Consumers

- 3) Break the class into groups, asking each group to respond to one of these questions. Students should cite the information provided in the online article and the Handout to support their positions:**

- ❖ Do you believe the Act will help protect students from making bad financial choices and ruining their credit before they are really in the marketplace?
- ❖ Should students have to wait until they are 21 to have a credit card, regardless of their level of credit savvy?
- ❖ Should parents be required to cosign for student’s credit cards and loans?
- ❖ Should parents be responsible if students default on their payments?
- ❖ Is it fair to require students to get a job to provide assurance that they have “sufficient” income to repay their debts?

- 4) After 15 minutes, student should be prepared to have their team representative report to the class.**

## Teacher Lesson Plan - Journal Activity

### Credit C.A.R.D Act of 2009

**1) Place this question on the board for students to journal about:**

How will the newly enacted credit card reforms benefit American credit card holders?

**2) Ask students to pick one of the sub-topics below to expand their entry.**

- Select one of the long-term reform principles or critical elements that interest you from the Credit C.A.R.D. Act highlights.

(Pass this handout to students who pick or are assigned this question)

- Find the detailed references to the principle/element you selected in the excerpts from the Act that appear in the Student Handout – **The Credit C.A.R.D. Act of 2009**.
- Considering what you have seen in the video, journal about how you believe the new legislation will help American credit card holders. Cite specific items from the Act and the film.



# **Credit Card Accountability, Responsibility, and Disclosure Act of 2009**

**(The Credit C.A.R.D. Act signed into law May 22, 2009)**

## **Student Handout**

### **Section 3 -**

States that this Act shall become effective nine months after its date of enactment. [Feb. 2010]

### **Title I - Consumer Protection**

Amends the Truth in Lending Act to require advance notice of any increase in the annual percentage rate of interest (APR) pertaining to a credit card account under an open end consumer credit plan. Requires such advance notice to include a statement of the obligor's right to cancel the account before the effective date of the increase.

### **Section 102 -**

Imposes a freeze on interest rate terms and fees on canceled cards.

### **Section 103 -**

Sets limits on fees and interest charges, including a prohibition against penalties for on-time payments. Authorizes a consumer to elect by timely notice to prohibit a creditor from completing any over-the-limit credit card transaction that will result in a fee, or constitute a default, under an open end consumer credit plan agreement which allows the creditor to impose an over-the-limit fee for any extension of credit beyond the amount of credit authorized. Allows an over-the-limit fee only when an extension of credit obtained by the obligor causes the account credit limit to be exceeded. Prohibits such a fee when the credit limit is exceeded only because of a fee or interest charge. Allows imposition of an over-the-limit fee only once during a billing cycle. Prohibits its imposition in a subsequent billing cycle with respect to such excess credit, unless the obligor has obtained an additional extension of credit in excess of the credit limit during that subsequent cycle. Prohibits a separate fee to allow the obligor to repay an extension of credit or finance charge, whether such repayment is made by mail, electronic transfer, telephone authorization, or other means. Requires fees for cardholder agreement violations and currency exchanges to be reasonable.

### **Section 104 -**

Prohibits a creditor from furnishing information to a consumer reporting agency concerning a newly opened credit card account until the credit card has been used or activated by the consumer. (Thus grants the consumer a right to reject a credit card before notice of the new account is given to a consumer reporting agency.)

### **Section 105 -**

Sets forth requirements for the terms of any credit card account, particularly fixed rate and prime rate, under any open end consumer credit plan.

### **Section 106 -**

Revises requirements for prompt and fair crediting of card payments.

### **Section 107 -**

Increases from 14 to 21 days the length of the billing period for imposition of the finance charge in credit statements.

### **Section 108 -**

Prohibits universal default except in certain circumstances. Prohibits unilateral changes to cardholder agreements until after the date on which the credit card will expire if not renewed.

### **Section 109 -**

Increases the civil penalty against any creditor who fails to comply with specified requirements in the case of an individual action relating to an open end credit plan that is not secured by real property or a dwelling. Specifies such penalty as twice the amount of any finance charge in connection with a transaction, with a minimum of \$500 and a maximum of \$5,000, or an appropriate higher amount in the case of an established pattern or practice of such failures.

### **Section 110 -**

Requires specified federal regulatory agencies to evaluate the policies and procedures used by credit card issuers for compliance with this Act. Specifies additional transaction or event information to be included in APR information the Board of Governors of the Federal Reserve System (Federal Reserve Board) must collect, publish, and disseminate to the public.

## **Title II - Enhanced Consumer Disclosures**

### **Section 201 -**

- Revises payoff and repayment timing disclosure requirements, as well as those for civil liability determinations for creditor compliance violations. Requires the creditor to provide a toll-free telephone number at which the consumer may receive information about accessing credit counseling and debt management services from agencies certified by the Secretary of the Treasury (Secretary) as meeting the criteria under this Act. Instructs the Secretary, through the Office of Financial Education (OFE), to issue guidelines for the establishment and maintenance of such a toll-free telephone number.

## **Section 202 -**

Revises requirements relating to late payment deadlines and penalties. Requires a periodic statement of account to disclose: (1) the date by which a payment must be postmarked, if paid by mail, in order to avoid the imposition of a late payment fee; and (2) any possible resulting increase in interest rates for late payments.

## **Section 203 -**

Repeals the special rule for disclosure of APR and annual fee before a credit card account renewal.

## **Title III - Protection of Young Consumers**

### **Section 301 -**

Prohibits issuance of a credit card on behalf of a consumer under age 21, unless the consumer has submitted a written application meeting specified requirements. Directs the Secretary, acting through the OFE, to make and publish a list of all courses and programs that have been certified for financial literacy or financial education purposes appropriate for young consumers.

### **Section 302 -**

Prohibits issuance to students of certain affinity cards, pursuant to any agreement between the creditor and an institution of higher education, unless certain requirements have been met.

### **Section 303 -**

Amends the Fair Credit Reporting Act to allow consumers between ages 18 and 21 to elect to be included in any list provided by a consumer reporting agency in connection with a credit or insurance transaction that is not initiated by the consumer.

### **Section 304 -**

Amends the Truth in Lending Act to require approval by such individual to increase credit lines for credit card accounts for which a parent, legal guardian, spouse, or any other individual is jointly liable until the consumer attains the age of 21.

## **Title IV - Federal Agency Coordination**

### **Section 401 -**

Amends the Federal Trade Commission Act to require all federal banking agencies and the Federal Trade Commission (FTC) to coordinate rulemaking and regulations. Requires the Comptroller General to a report to Congress on the status of regulations of the federal banking agencies and the National Credit Union Administration (NCUA) regarding unfair and deceptive acts or practices by depository institutions and federal credit unions.

## **Title V - Gift Cards**

### **Section 502 -**

Declares that, with respect to a gift certificate, store gift card, or general-use prepaid card, it is unlawful, except in specified circumstances, to: (1) impose a dormancy fee, inactivity fee, or a service fee; or (2) sell or issue such a certificate or card subject to an expiration date. Prescribes disclosure requirements for such cards.

### **Section 504 -**

Empowers the FTC to enforce these prohibitions.

## **Title VI - Miscellaneous Provisions**

### **Section 601 -**

Directs the Comptroller General to study and report to certain congressional committees on the extent to which interchange fees must be disclosed to consumers and merchants and how such fees are overseen by the federal banking agencies.

### **Section 602 -**

Directs the Comptroller General to establish the Credit Card Safety Rating System Commission to: (1) to determine if a rating system to allow cardholders to quickly assess the level of safety of credit card agreements would be beneficial to consumers; and (2) assess the impact on credit card transparency and consumer safety of various rating system policy options. Authorizes appropriations.

### **Section 603 -**

Amends the Federal Deposit Insurance Act (FDIA) and the Federal Credit Union Act (FCUA) to increase the borrowing authority: (1) of the Federal Deposit Insurance Corporation (FDIC) from \$30 billion to \$100 billion; and (2) of the NCUA from \$100 million to \$6 billion. Authorizes temporary further increases for the FDIC of up to \$500 billion, and for the NCUA of up to \$18 billion, through calendar 2010 if the FDIC Board of Directors or the NCUA Board, as the case may be, together with the Federal Reserve Board and the Secretary, determine that additional increases are necessary. Amends the FCUA to direct the NCUA Board to establish a National Credit Union Share Insurance Fund Restoration Plan whenever the Board determines that the equity ratio of the National Credit Union Share Insurance Fund will fall below a specified minimum amount

**Student Handout - Journal Supplement**  
**Highlights from the Credit Card Accountability,  
Responsibility, and Disclosure Act of 2009**  
**(The Credit C.A.R.D. Act)**

## **Reforms to Protect American Credit Card Holders**

### **Principles for Long-term Credit Card Reform:**

- ❖ Provides strong and reliable protections for consumers
- ❖ Mandates all forms and statements sent out by credit card companies must have plain language that is in plain sight
- ❖ Ensures people can shop for a credit card that meets their needs without fear of being taken advantage of
- ❖ Increases accountability of those who engage in deceptive practices that hurt families and consumers

### **Critical Elements of Reform in this New Law:**

- ❖ Bans unfair rate increases
- ❖ Prevents unfair fee traps
- ❖ Plain sight /plain language disclosures
- ❖ Accountability
- ❖ Protections for students and young people

## **Additional Resource**

### **White House Fact Sheet of the Reforms to Protect American Credit Card Holders in the Credit Card Accountability, Responsibility, and Disclosure Act of 2009**

Describes measures signed into law that strengthen consumer protection in the credit card market.

[http://www.whitehouse.gov/the\\_press\\_office/Fact-Sheet-Reforms-to-Protect-American-Credit-Card-Holders/](http://www.whitehouse.gov/the_press_office/Fact-Sheet-Reforms-to-Protect-American-Credit-Card-Holders/)

# Using Credit Cards Wisely

## Matching Quiz

Match the words in the first column to the best available answer in the second column.

- |       |  |                               |
|-------|--|-------------------------------|
| _____ | A monthly statement designed to show the cardholder how much is owed, when the payment is due.                             | 1) Credit                     |
| _____ | The amount the borrower owes the bank that lent her the money.   | 2) Billing Cycle              |
| _____ | The interest rate over the period of one year that is applied to credit cards and loans.                                   | 3) Credit Card Statement      |
| _____ | Money given in exchange for a promise for future payment.  | 4) Debit Card                 |
| _____ | Allows consumers to dispute charges they do not recognize, charges for products they never received, and other errors.     | 5) Federal Trade Commission   |
| _____ | This card requires cardholders to pay off their full balance each month.   | 6) Fair Credit Billing Act    |
| _____ | Lists all the key financial facts about a credit card, including APR, interest rate and interest calculation methods, etc. | 7) APR/Annual Percentage Rate |
| _____ | Established to promote consumer protection and eliminate harmful anti-competitive business practices.                      | 8) Debt                       |
| _____ | The period of time involved in interest calculation.   | 9) Charge Card                |
| _____ | When using this card, funds are directly withdrawn from the cardholder's bank account.                                     | 10) Disclosure Box            |

# Using Credit Cards Wisely

## Matching Quiz *Answer Key*

- |           |  |                               |
|-----------|--|-------------------------------|
| <u>3</u>  | A monthly statement designed to show the cardholder how much is owed, when the payment is due.                             | 1) Credit                     |
| <u>8</u>  | The amount the borrower owes the bank that lent her the money.   | 2) Billing Cycle              |
| <u>7</u>  | The interest rate over the period of one year that is applied to credit cards and loans.                                   | 3) Credit Card Statement      |
| <u>1</u>  | Money given in exchange for a promise for future payment.  | 4) Debit Card                 |
| <u>6</u>  | Allows consumers to dispute charges they do not recognize, charges for products they never received, and other errors.     | 5) Federal Trade Commission   |
| <u>9</u>  | This card requires cardholders to pay off their full balance each month.   | 6) Fair Credit Billing Act    |
| <u>10</u> | Lists all the key financial facts about a credit card, including APR, interest rate and interest calculation methods, etc. | 7) APR/Annual Percentage Rate |
| <u>5</u>  | Established to promote consumer protection and eliminate harmful anti-competitive business practices.                      | 8) Debt                       |
| <u>2</u>  | The period of time involved in interest calculation.   | 9) Charge Card                |
| <u>4</u>  | When using this card, funds are directly withdrawn from the cardholder's bank account.                                     | 10) Disclosure Box            |

# Using Credit Cards Wisely

## Fill-In-The-Blank

Select the correct term from the list below and write it in the blank space. Some terms may be used more than once, while others not at all.

1. With a car loan or a school loan, you get all the money at once, but with a credit card's \_\_\_\_\_, you get a pool of money you can draw from a little bit at a time.
2. The original amount you borrow is called the \_\_\_\_\_.
3. The \_\_\_\_\_ is the period of the time in which a borrower can pay off the full balance of their credit account without incurring additional finance charges.
4. The \_\_\_\_\_ is the least amount payable to the bank during a billing cycle so as to avoid being charged additional fees or experiencing damage to the borrower's credit worthiness.
5. A "security deposit" is sent to a lender by a person who has not previously had credit to obtain a \_\_\_\_\_, and thereby begin to establish a good credit history.
6. \_\_\_\_\_ are used to pay for purchases only in the chain of stores whose name is on the card.
7. A \_\_\_\_\_ allows you to move a balance from one credit card to another—usually to get a lower interest rate.
8. \_\_\_\_\_ occurs when an individual's personal or confidential information is illegally obtained or when a person pretends to be someone else to steal that person's money or benefits.
9. While a \_\_\_\_\_ is a kind of loan that allows you to get cash from your credit line without making a specific purchase, the fees and high APR may be very expensive, and there's no grace period to avoid interest.
10. \_\_\_\_\_ look at many elements of your life as a borrower, and use the information about your life as a borrower to rate your history and determine your credit score.

grace period	minimum payment	cash advance	principal
credit bureaus	revolving credit	identity theft	balance transfer
store cards	interest	secured card	creditor



# Using Credit Cards Wisely

## Fill-in-the-Blank *Answer Key*

1. With a car loan or a school loan, you get all the money at once, but with a credit card's **revolving credit**, you get a pool of money you can draw from a little bit at a time.
2. The original amount you borrow is called the **principal**.
3. The **grace period** is the period of the time in which a borrower can pay off the full balance of their credit account without incurring additional finance charges.
4. The **minimum payment** is the least amount payable to the bank during a billing cycle so as to avoid being charged additional fees or experiencing damage to the borrower's credit worthiness.
5. A "security deposit" is sent to a lender by a person who has not previously had credit to obtain a **secured card**, and thereby begin to establish a good credit history.
6. **Store cards** are used to pay for purchases only in the chain of stores whose name is on the card.
7. A **balance transfer** allows you to move a balance from one credit card to another—usually to get a lower interest rate.
8. **Identity theft** occurs when an individual's personal or confidential information is illegally obtained or when a person pretends to be someone else to steal that person's money or benefits.
9. While a **cash advance** is a kind of loan that allows you to get cash from your credit line without making a specific purchase, the fees and high APR may be very expensive, and there's no grace period to avoid interest.
10. **Credit bureaus** look at many elements of your life as a borrower, and use the information about your life as a borrower to rate your history and determine your credit score.

# Glossary

**APR** – Annual Percentage Rate – The interest rate over the period of one year that is applied to credit cards and loans.

**Balance Transfer** – Allows the cardholder to move a balance from one credit card to another, usually for the purpose of obtaining a lower interest rate.

**Bank Card** – See Debit Card.

**Billing Cycle** – The period of time involved in interest calculation.

**Borrower** – The individual who uses a bank’s money.

**Cash Advance** – A type of loan generally available from charge cards and credit cards that permits cardholders to withdraw cash from an ATM or bank. Fees and higher card interest rates are generally associated with cash advances, and there is normally no grace period to avoid interest.

**Charge Card** – Requires cardholders to pay off their full balance each month.

**Check Card** – See Debit Card.

**Compound Interest** – Once interest charges are added to the principal, the additional interest becomes part of the balance, and cardholders will therefore end up paying interest on their interest.

**Cosigner** – Borrowers under the age of 21 often require someone with a good credit history to also sign the loan application and to agree to pay the debt if the main borrower fails to do so.

**Credit** – Money given in exchange for a promise for future payment.

**Credit Bureau** – Company that acquires information and then reports credit histories and ratings of both businesses and individual.

**Credit Card** – Permits a cardholder to use a bank’s money to conveniently pay for purchases such that no cash is required at the time of the transaction.

**Credit Line** – Also called a “line of credit.” Credit extended by the bank to a cardholder from which the borrower draws and then pays back as part of his revolving credit.

**Credit Limit** – The maximum amount of credit extended to a cardholder.

**Credit Score** – A numerical rating provided by a credit bureau that assesses the ability of a borrower to repay a loan.

**Credit Card Statement** – A monthly statement designed to show the cardholder how much is owed, when the payment is due, what the interest rate is, and what items were purchased since the last statement was issued.

**Creditor** – The bank that issues the credit card.

**Debit Cards** – Also called a bank card or a check card. When using a debit card, funds are directly withdrawn from the cardholder's bank account.

**Debt** – The amount the borrower owes the bank that lent them the money.

**Disclosure Box** – Lists all the key financial facts about a credit card, including APR, interest rate and interest calculation methods, the grace period, late payment fees, and balance transfer and cash advance information. The box appears on the monthly credit card statement. Also Schumer Box.

**Due Date** – The date by which the bank must receive at least the minimum payment.

**Fair Credit Billing Act** – Allows consumers to dispute charges they do not recognize, charges for products they never received, and other errors.

**Federal Trade Commission (FTC)** – Independent U.S. agency established in 1914 to promote consumer protection and eliminate harmful anti-competitive business practices. <http://www.ftc.gov>

**Finance Charges** – Interest and fees charge for credit.

**Fixed Rate APRs** – Interest rates that do not change frequently.

**Grace Period** – The amount of time a borrower has to pay off the full balance of their credit account without incurring additional finance charges.

**Identity Theft** – When an individual's personal and confidential information is illegally obtained; pretending to be someone else to steal that person's money or benefits.

**Interest** – A finance charge the bank charges for borrowing money.

**Lender** – See creditor.

**Minimum Payment** – The least amount payable to the bank during a billing cycle so as to avoid being charged additional fees or experiencing damage to the borrower's credit worthiness.

**Premium Cards** – Credit cards that have high credit limits and may have attractive benefits, but that often have high annual fees.

**Principal** – The original amount borrowed.

**Revolving Credit** – The type of credit generally available on credit cards that does not have a fixed number of payments.

**Schumer Box** – See Disclosure Box. Named after Charles Schumer, the Representative from New York responsible for the legislation requiring credit card terms be disclosed.

**Secured Card** – A “security deposit” sent by a potential cardholder to the lender as a method for a person who has not previously had credit to establish a good credit history. While the person is essentially borrowing money from herself, this method can help a borrower eventually obtain credit.

**Store Card** – Used to pay for purchases only in the chain of stores whose name is on the card. Store cards often offer sales discounts, but then charge high interest rates if the cardholder carries a balance.

**Variable Rate APRs** – Rates that may change frequently.

# Additional Resources

## How the New Credit Card Bill will Affect Young Spenders by Matthew Bandyk of U.S. News & World Report: June 2, 2009

<http://www.usnews.com/money/personal-finance/articles/2009/06/02/how-the-new-credit-card-bill-will-affect-young-spenders.html>

## Consumer Protection Timeline 1900 – 2005

Click on each decade for links to detailed information discussing consumer protection related events and articles around the world, including credit card acts and reforms.

[http://www.google.com/search?q=consumer+protection+timeline&hl=en&rlz=IT4ADBR\\_enUS311US312&tbs=tl:l&tbo=u&ei=dNkuS\\_3sEsWynfgfO8sXrCA&sa=X&oi=timeline\\_result&ct=title&resnum=11&ved=0CDMQ5wIwCg](http://www.google.com/search?q=consumer+protection+timeline&hl=en&rlz=IT4ADBR_enUS311US312&tbs=tl:l&tbo=u&ei=dNkuS_3sEsWynfgfO8sXrCA&sa=X&oi=timeline_result&ct=title&resnum=11&ved=0CDMQ5wIwCg)

## FTC Virtual Mall

Students can play games, design ads, and chat with customers and store owners while learning key consumer concepts, such as how advertising affects you, the benefits of competition, the hows and whys of protecting personal information, and how to spot scams. In particular to this program, go to the **Mall Security Office** at **Security Plaza** to learn about identity theft and privacy.

<http://www.ftc.gov/YouAreHere/>

## FTC Virtual Mall for Parents & Teachers – Free Activities and Resources

Fact sheets, lesson plans, discussion and things-to-do materials that complement the “stores” on the site and that can be used to support lessons in critical thinking, language arts, writing, media literacy, business, civics, and social studies. In particular to this program, see the [PDF Fact Sheets for Privacy and Identity Theft](#) (Security Plaza).

[http://www.ftc.gov/bcp/edu/microsites/youarehere/pages/parents\\_and\\_teachers.html](http://www.ftc.gov/bcp/edu/microsites/youarehere/pages/parents_and_teachers.html)

## White House Fact Sheet of the Reforms to Protect American Credit Card Holders in the Credit Card Accountability, Responsibility, and Disclosure Act of 2009

Describes measures signed into law that strengthen consumer protection in the credit card market.

[http://www.whitehouse.gov/the\\_press\\_office/Fact-Sheet-Reforms-to-Protect-American-Credit-Card-Holders/](http://www.whitehouse.gov/the_press_office/Fact-Sheet-Reforms-to-Protect-American-Credit-Card-Holders/)

## THOMAS at the Library of Congress

This site makes federal legislative information freely available to the public. Site is searchable by the bill numbers, a word or phrase in the bill, and by the bill’s sponsor. For example, the progress of the Wall Street Reform and Consumer Protection Act of 2009 can be followed here.

<http://thomas.loc.gov/>