

Paying with Plastic: An Introduction to Credit Cards

AIM

To foster awareness of the link between responsible credit card use and the ability to achieve financial goals.

OBJECTIVES

At the end of this lesson, students will be able to:

- Describe the purpose of credit cards.
- Determine which credit card is best for them.
- Read and understand a cardholder agreement.
- Read and understand a credit card statement.

TARGET GROUP

High-level beginning (levels 2 and 3) adult ESL students who are literate in their first languages. The context is a noncredit community English class in which learner goals include vocational and life skills. The lessons can also be adapted for eighth- through 12th-grade students.

(For the purpose of this lesson, the target levels range from 1 through 8, with the following guidelines: 1 = beginning, 5 = intermediate, 8 = advanced.)

LENGTH

Two 80-minute lessons

OVERVIEW

In this unit, students will be introduced to the benefits and drawbacks of using credit cards in the United States. They will explore the concept of borrowing as necessary for establishing a credit history, which in turn facilitates home ownership and other financial goals. The lessons draw upon students' prior experience with credit and debt and enable them to explore notions of interest and annual percentage rates while assessing their own wants, values and needs regarding spending—and saving—money.

Students will also develop listening, reading, speaking, writing and numeracy skills.

DAY ONE

1. Warm-Up

Build schema by asking students about their experience with using credit cards. Tailor the questions below to individuals. (Example: "Nidal, in Iraq, how do people pay for a new appliance, like a washing machine?"")

- Do you have a credit card now?
- Did you have one in your native country?
- In your native country, how did you pay for expensive purchases? with cash? check? some other form of payment?
- Have you tried to get a credit card in the United States?

2. Reading

Direct students to the website at <http://www.thebeehive.org/money/spend-it/get-credit-or-debit-card/credit-card> and ask them to read the first page, about credit cards.

As a comprehension check, encourage students to work in groups of four and answer the following questions. Ask one student in each group to record the group's answers.

- What are three good reasons to have a credit card?
- What are three bad things about having a credit card?
- If you don't pay off the balance (all the money owed) at the end of the month, you pay more money. What is the word for that additional money?
- What does the website mean by *credit history*?
- In your native country if you use credit cards, do you pay extra money to use them?

Invite the students who recorded the answers to report back to the class their group's answer to one of the five questions.

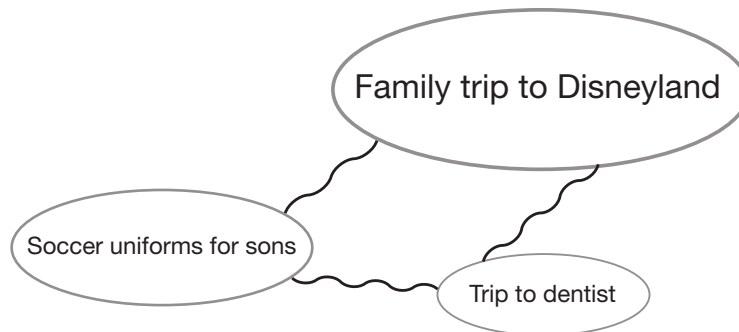
MATERIALS

- **Websites**
<http://www.thebeehive.org/money/spend-it/get-credit-or-debit-card/credit-card>
<http://www.thirteen.org/finance/games/itcostswhat.html>
- **Blog posting**
http://blog.usa.gov/roller/govgab/entry/late_credit_card_payment_lament

3. Brainstorm Activity

Elicit a definition of *debt* (*money owed*). Introduce the vocabulary word “spending.” As a class activity, draw a mind map with examples of things people spend money on.

Spending Mind Map (Sample)



After the class has brainstormed to create the mind map, suggest students work in pairs to discuss these questions:

- Either here or in your native country, do you know someone who has gotten into debt for the kinds of items shown in the mind map?
- How did they get into debt? by paying with a credit card? by paying some other way?
- Did they buy things they didn't need?

Practice grammar using the present tense: “She has debts.”
 “She is in debt.”

4. Credit Card Spending Chart

Distribute copies of this chart and ask students to fill it in with things they would buy, indicating which items they would put on a credit card and which items they would not. Draw their attention to the **want** versus the **need** columns. (*examples in italics*)

	Things I want/ my family wants	Put on a credit card? If yes, why?	Things I need / my family needs	Put on a credit card? If yes, why?
Expensive (big) purchases	<i>designer handbag</i> <i>television</i>		<i>car</i> <i>clothes for kids</i>	
Inexpensive (small) purchases			<i>groceries</i> <i>gas for car</i>	

5. Vocabulary

Ask students to visit <http://www.thirteen.org/finance/games/itcostswhat.html> and find these words and phrases, then discuss as a class what they mean.

- digital music player (*this is like an iPod / MP3*)
- when all was said and done (*after they finished [their shopping]*)
- wacky (*crazy*)
- puzzle (*mystery*)
- smarts (*knowledge*)

Have them click on “case files” and play the game It Costs what?! based on the scenarios of credit card use. Direct them to the crash course link if they first want to read more about how credit cards work, and invite them to use the glossary link as needed for vocabulary support.

Homework

To review what they learned about credit cards today, suggest students free write on the subject of credit cards.

DAY TWO

1. Warm-Up

Begin by asking students to read to themselves the blog posting by “Jim,” a real-life American experiencing a common problem with credit cards.

Introduce these vocabulary words and terms:

- misplaced (*lost*)
- ticked (*angry*)
- had half a mind (*thought about for a minute*)
- cut me a little slack (*be forgiving toward me*)
- hold on to (*keep*)

Ever have a problem with a credit card? I just did. When I got my most recent statement, it showed that the previous month's payment was late—by one day! Unfortunately, I misplaced the bill in the mess I call a desk and got my payment in the mail a little late. Even though it was my fault my payment was late, I was still a bit ticked that the company charged me a late fee and had half a mind to cancel the card. Geez, I've paid off my balance in full and on time for nearly 20 years. Couldn't they cut me just a little slack!?

After I was done being mad at myself for being late, I realized that canceling the card wouldn't be good for my credit history in the long run. The longer you hold on to your credit cards and make payments on time, the better. The point being, you want to develop a history of showing that you pay your bills on time. This shows lenders that you are a responsible borrower and a good credit risk. Which means you can get better interest rates on credit cards and loans.

Source: http://blog.usa.gov/roller/govgab/entry/late_credit_card_payment_lament

2. Comprehension

In pairs, have students respond to these questions:

- What problem is Jim describing?
- Are you surprised by what the credit card company did?

3. Survey

Conduct a survey of the class. Ask students:

- Based on this story, how many people would rather not have a credit card at all?
- Also based on Jim's situation, how many think it is important to have a credit card?

4. Review

Distribute copies of this Credit Card Vocabulary Exercise. Have students review Day One's Beehive.org introduction to definitions by suggesting that they pair up and work through the exercise, matching the words with the definitions.

Credit Card Vocabulary Exercise

Adapted from www.bogglesworldesl.com

variable ____	(a) stays the same over time
fixed ____	(b) the cost of borrowing money
annual fee ____	(c) a profile or report of a person's debt and repayment habits
APR ____	(d) a document that describes the rules that apply to the use of a credit card
credit rating ____	(e) money that you owe on a credit card
credit history ____	(f) the maximum you can borrow
credit limit ____	(g) abbreviation for "annual percentage rate"; basically the cost of credit, or how much you must pay to get a loan, on a yearly basis
annual ____	(h) be able to pay
balance ____	(i) a yearly amount some credit card companies charge customers for use of their credit cards
afford ____	(j) changes over time
interest ____	(k) to not pay back a loan
default ____	(l) a score (number) assigned to a person's credit history and past ability to pay back debts
cardholder agreement ____	(m) yearly

5. Comparing Situations

Ask students to break into groups and return to the game It Costs What?! (<http://www.thirteen.org/finance/games/itcostswhat.html>). Does Jim's situation look like any of the It Costs What?! case files? Name the people in the game who had the same problem as Jim.

6. Vocabulary

Ask students to look back at the Credit Card Vocabulary Exercise and find the term "cardholder agreement."

Ask students to circle these terms.

- terms and conditions
- double your money back
- secured Platinum credit card
- collateral savings account
- grace period

Now ask students to research the meaning of each term, using a dictionary if needed.

7. Q&A Comprehension Exercise

Have students write yes-no and "w-h" questions they would ask the bank about the above agreement. (*Examples: Do I need to open another bank account to get this card? How much money do I put in that account?*) In pairs, have one student play the consumer, asking questions about terms and conditions and fees and disclosures, while the other student plays the banker, scanning the agreement for answers to the questions.

8. Discussion

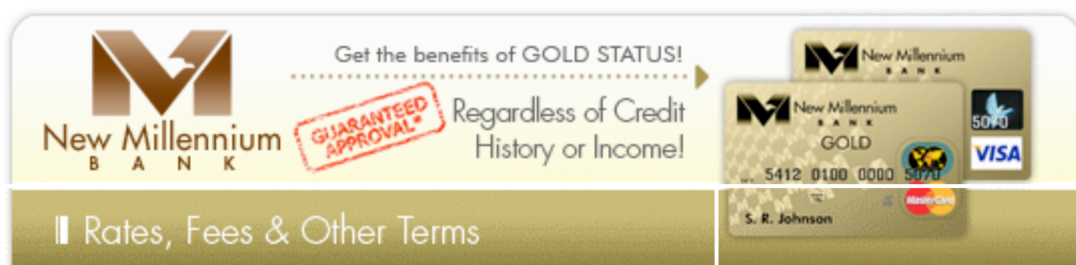
Invite the student pairs to report back to the class. Write sample questions and answers on the board for the class to discuss.

Homework

Ask students to research the terms of two credit cards and be ready to briefly present which card they would choose and why.

DEVELOPED BY **WENDY BELDEN**,
ESL INSTRUCTOR AT THE ENGLISH CENTER IN OAKLAND

APPENDIX 1



TERMS AND CONDITIONS

NO CREDIT CHECK REQUIRED We verify only your age, social security number and residence. We verify this information through a third-party source. We do not consider your credit history in connection with your application.

DOUBLE YOUR MONEY BACK GUARANTEE You will be approved if you meet the Guaranteed Approval Requirements below. In addition, to show our confidence in this offer, we will pay you double the processing fee back per the Double Money Back Conditions below in the unlikely event of your not being approved for this offer.

BUILD YOUR CREDIT relationship with your New Millennium Bank secured Platinum credit card account. You'll enjoy these valuable benefits when you make your payments on time: a solid credit history on your account and the ability to request credit line increases at any time with additional deposit.

CREDIT LIMIT Your credit cards will have a credit limit of \$300.00 to \$5,000.00.

You determine your credit limit by the amount you deposit in your collateral savings account with New Millennium Bank. Your credit limit will be equal to the balance in your collateral savings account. Minimum deposit is \$300, maximum deposit is \$5,000.00 per card. You will be sent your confirmation and savings account materials after we receive your acceptance form and processing fee.

GUARANTEED APPROVAL REQUIREMENTS Your credit history will NOT be checked. Your approval will be based on verifying the information you supply to us regarding your age (at least 18, 19 in NE), social security number and residence. Your approval is also based on your agreement to open an FDIC insured savings account (minimum \$300 — maximum \$5,000 per card) with New Millennium Bank, Member FDIC. This is your money, but you pledge it to secure repayment of all credit extended through this program. If you do not open an account meeting these requirements within 60 days, this offer of credit may be withdrawn.

Fees and Disclosures

- Annual Percentage Rate 19.5% APR:: Annual Fee \$59 / yr.
- Balance Computation Method Average Daily Balance (including new purchases)
- Grace Period for Purchases :: None
- Minimum Finance Charge \$0.50

SURVEY: KQED would love to hear from you.

Send results to MEINHORN@KQED.ORG

Just tell us which lesson/activity you used and tally the total number of correct responses pre and post lessons/activities.

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Pre- and Post-Assessment Questionnaire

DIRECTIONS: CIRCLE THE CORRECT ANSWER

- 1) A credit card lets you:
 - a) buy things now, with an agreement to pay for them later
 - b) buy things and pay for them now
 - c) buy things that you can't afford
- 2) Your credit card *balance* is:
 - a) The amount of money you can spend with a credit card
 - b) The amount of money you can borrow with a credit card
 - c) The amount of money you owe on your credit card bill
- 3) Your *credit history* is:
 - a) The history of your credit card company.
 - b) The history of credit in the United States.
 - c) A report of your debts and how often you pay off your debts
- 4) Your credit card *interest* is:
 - a) More money you owe if you don't pay your bill on time
 - b) A hobby you can pay for with your credit card
 - c) Cash you can borrow with your credit card
- 5) To *default* with your credit card means:
 - a) To *not* pay back your credit card loan
 - b) To buy something expensive with your credit card
 - c) That it's not your fault if you can't pay your credit card bill on time.