

<b>Lesson Topic</b>	<b>Credit Cards, Friend or Foe?</b>
<b>Concept Category</b>	Credit
<b>Applicable Classes</b>	Business Law Economics Introduction to Business Personal Finance
<b>Estimated Time Needed</b>	2-3 hours
<b>Intended Student Level</b>	Secondary
<b>NBEA Standards</b>	<i>Economics and Personal Finance: Using Credit VII, P 66</i> <ul style="list-style-type: none"> <li>Analyze factors that affect the choice of credit, the cost of credit, and the legal aspects of using credit</li> <li>Describe the risks and responsibilities associated with using credit</li> <li>Describe the opportunity cost of credit</li> <li>Identify methods of establishing and maintaining a good credit rating</li> <li>Determine advantages/disadvantages of credit</li> <li>Select an appropriate form of credit for a particular buying decision</li> <li>Compare and contrast the various aspects of credit cards</li> <li>Recognize the signals of credit problems</li> </ul>
<b>NE Frameworks Essential Learnings</b>	<i>BE 12.5 Economics and Personal Finance</i> <ul style="list-style-type: none"> <li>Credit Management – analyze and discuss factors that affect the choice of credit, cost of credit and legal aspects of credit</li> </ul>
<b>Links to Nebraska Standards</b>	R12.1.2 – Locate, evaluate, and use primary and secondary resources for research. R12.3.1 – Participate in student directed discussions by eliciting questions and responses.
<b>Purpose/Description</b>	This lesson provides the students with an introduction to credit cards as consumer debt. Specifically, the lesson encourages students to: <ul style="list-style-type: none"> <li>Discuss the advantages/disadvantages of credit cards</li> <li>Identify terms and vocabulary related to credit</li> <li>Read, understand, and demonstrate competency in how to complete a credit card application</li> <li>Demonstrate knowledge of credit through a student-led round table discussion related to decision-making on whether to accept or reject a credit card offer</li> </ul>
<b>Teaching Strategy</b>	Interactive classroom discussion, supplemented by group work and student presentations  K-W-L (What the students already know about credit, want to know, and at completion of unit, what new knowledge they learned)
<b>Materials</b>	<ul style="list-style-type: none"> <li>“Cost of interest” sample chart provided by teacher (attached)</li> <li>Credit card application offer(s) – Use suggested websites</li> <li>Computer with access to Internet</li> </ul> <p>Optional: “Master Your Future” – Free educational video and teacher resources from Mastercard available by ordering online from Video Professionals Worldwide at <a href="http://www.vpw.com">www.vpw.com</a></p>

<p><b>Student Guidelines</b></p>	<p><i>Introduction:</i> Students, you were previously asked to bring credit card offers that were mailed to your parents' home. Remove any personal information from these offers.</p> <p>Our personal home mail is deluged with credit card offers. With all of these offers, how do we know which ones are acceptable? Which offers are a 'disaster' waiting to happen? Select one of the offers you have collected to use as the basis for your student presentation.</p> <p><i>Step 1:</i> Use the information contained in the offer, as well as the Internet, to investigate the terms and conditions of this proposed card offer. Helpful websites may include:  <a href="http://home.americanexpress.com/home/mt_personal.shtml">http://home.americanexpress.com/home/mt_personal.shtml</a>  <a href="http://www.bankrate.com">www.bankrate.com</a>  <a href="http://www.capitalone.com">www.capitalone.com</a>  <a href="http://www.credit-card-applications-center.com/4/index.php">www.credit-card-applications-center.com/4/index.php</a>  <a href="http://www.mastercard.com">www.mastercard.com</a>  <a href="http://www.visa.com">www.visa.com</a></p> <p><i>Step 2:</i> Now think of an item you would like to purchase with your new credit card! Using the Internet, newspaper, or other appropriate source, research what the item will cost to purchase.</p> <p><i>Step 3:</i> Determine the credit card interest rate applicable to purchase</p> <p><i>Step 4:</i> Determine your minimum payment using the guidelines set forth in the credit card application</p> <p><i>Step 5:</i> Pay the minimum payment, or a fixed payment under \$50</p> <p><i>Step 6:</i> Go to <a href="http://www.bankrate.com">www.bankrate.com</a> website. Under "Calculators," there is a tool for creating an amortization schedule. Enter your information to determine how long it will take you to pay for your purchase!</p> <p><i>Step 7:</i> Participate in a roundtable discussion on why or why not this offer would or wouldn't be good for you. Include supportive evidence and information regarding your purchase and payback plan.</p>
<p><b>Classroom Activities, Procedures, Teaching Suggestions:</b></p>	<p>I. Credit Cards: Friend or Foe? Read the fine print!</p> <p>A. Vocabulary</p> <ul style="list-style-type: none"> <li>• Assign each student a different credit vocabulary term</li> <li>• Record word on 4x6 card, its definition on another 4x6 card</li> <li>• Go around the room—have each student explain the meaning of their term and how it relates to a credit card</li> <li>• Post words on 'credit vocabulary' bulletin board (terms on the left, definitions on the right)</li> </ul> <p>B. Advantages of Credit Cards</p> <ul style="list-style-type: none"> <li>• Helps build credit</li> <li>• Convenient</li> </ul>

	<p>C. Disadvantages of Credit Cards</p> <ul style="list-style-type: none"> <li>• Cost of interest</li> <li>• Credit card mentality ‘Buy now, pay later’</li> </ul> <p>II. Credit Card Offers</p> <p>Credit card applications (Sears, Penneys, Mastercard, Visa, American Express, etc.)</p>
<b>Assessment</b>	<ul style="list-style-type: none"> <li>• 50% Tests/quizzes on ad(dis)vantages, terminology, vocabulary</li> <li>• 30% “Purchasing on Credit” activity <ul style="list-style-type: none"> <li>a) Selects appropriate item to purchase on credit</li> <li>b) Identifies credit card interest rate applicable to purchase</li> <li>c) Correctly determines minimum down payment required</li> <li>d) Uses bankrate.com schedule for term of loan</li> <li>e) Correctly calculates cost of credit principal + interest</li> </ul> </li> <li>• 20% Roundtable discussion on credit <ul style="list-style-type: none"> <li>a) Presents adequate summary of their credit purchase</li> <li>b) Presents logical discussion of pros/cons of this purchase</li> </ul> </li> </ul>
<b>Author</b>	<p>Shara Johnson  Logan View High School  Hooper, NE</p>

### Cost of Interest

This is a sample “Cost of Interest” amortization chart. Use it to determine what it will cost you to purchase your desired item with credit! *(Note: Chart goes only to 60 month/5 year loan term).*

<b>Payment Schedule</b>				
<b>Month</b>	<b>Minimum Payment</b>	<b>Interest Paid</b>	<b>Principal Paid</b>	<b>Remaining Balance</b>
1	\$15.00	\$9.00	\$6.00	\$594.00
2	\$14.85	\$8.91	\$5.94	\$588.06
3	\$14.70	\$8.82	\$5.88	\$582.18
4	\$14.55	\$8.73	\$5.82	\$576.36
5	\$14.41	\$8.65	\$5.76	\$570.59
6	\$14.26	\$8.56	\$5.71	\$564.89
7	\$14.12	\$8.47	\$5.65	\$559.24
8	\$13.98	\$8.39	\$5.59	\$553.65
9	\$13.84	\$8.30	\$5.54	\$548.11
10	\$13.70	\$8.22	\$5.48	\$542.63
11	\$13.57	\$8.14	\$5.43	\$537.20
12	\$13.43	\$8.06	\$5.37	\$531.83
13	\$13.30	\$7.98	\$5.32	\$526.51
14	\$13.16	\$7.90	\$5.27	\$521.25
15	\$13.03	\$7.82	\$5.21	\$516.04
16	\$12.90	\$7.74	\$5.16	\$510.87
17	\$12.77	\$7.66	\$5.11	\$505.77
18	\$12.64	\$7.59	\$5.06	\$500.71
19	\$12.52	\$7.51	\$5.01	\$495.70
20	\$12.39	\$7.44	\$4.96	\$490.74
21	\$12.27	\$7.36	\$4.91	\$485.84
22	\$12.15	\$7.29	\$4.86	\$480.98
23	\$12.02	\$7.21	\$4.81	\$476.17
24	\$11.90	\$7.14	\$4.76	\$471.41
25	\$11.79	\$7.07	\$4.71	\$466.69
26	\$11.67	\$7.00	\$4.67	\$462.03
27	\$11.55	\$6.93	\$4.62	\$457.41
28	\$11.44	\$6.86	\$4.57	\$452.83
29	\$11.32	\$6.79	\$4.53	\$448.30
30	\$11.21	\$6.72	\$4.48	\$443.82
31	\$11.10	\$6.66	\$4.44	\$439.38
32	\$10.98	\$6.59	\$4.39	\$434.99
33	\$10.87	\$6.52	\$4.35	\$430.64
34	\$10.77	\$6.46	\$4.31	\$426.33

35	\$10.66	\$6.39	\$4.26	\$422.07
36	\$10.55	\$6.33	\$4.22	\$417.85
37	\$10.45	\$6.27	\$4.18	\$413.67
38	\$10.34	\$6.21	\$4.14	\$409.53
39	\$10.24	\$6.14	\$4.10	\$405.44
40	\$10.14	\$6.08	\$4.05	\$401.38
41	\$10.03	\$6.02	\$4.01	\$397.37
42	\$10.00	\$5.96	\$4.04	\$393.33
43	\$10.00	\$5.90	\$4.10	\$389.23
44	\$10.00	\$5.84	\$4.16	\$385.07
45	\$10.00	\$5.78	\$4.22	\$380.84
46	\$10.00	\$5.71	\$4.29	\$376.56
47	\$10.00	\$5.65	\$4.35	\$372.21
48	\$10.00	\$5.58	\$4.42	\$367.79
49	\$10.00	\$5.52	\$4.48	\$363.31
50	\$10.00	\$5.45	\$4.55	\$358.75
51	\$10.00	\$5.38	\$4.62	\$354.14
52	\$10.00	\$5.31	\$4.69	\$349.45
53	\$10.00	\$5.24	\$4.76	\$344.69
54	\$10.00	\$5.17	\$4.83	\$339.86
55	\$10.00	\$5.10	\$4.90	\$334.96
56	\$10.00	\$5.02	\$4.98	\$329.98
57	\$10.00	\$4.95	\$5.05	\$324.93
58	\$10.00	\$4.87	\$5.13	\$319.81
59	\$10.00	\$4.80	\$5.20	\$314.60
60	\$10.00	\$4.72	\$5.28	\$309.32