Financial Wellness Curriculum

The Financial Wellness Curriculum provides students with information and financial tips for reducing personal debt and developing smart money management skills. The goal is to help students avoid defaulting on their student loan(s) and other obligations and, ultimately, plan for a lifetime of financial well-being.

The Financial Wellness Curriculum consists of several presentations that can be used individually or combined to cover a larger selection of topics. Ultimately, these presentations can be customized to meet the needs of your students, from freshmen to seniors.

Financial Wellness Curriculum Presentation Topics

1. Introduction to Financial Management
2. Understanding Financial Aid
3. The Budgeting Process
4. Time Management
5. Good Credit: Get It
6. Consolidation
Financial Wellness Curriculum: Good Credit: Get It
Presenter’s Guide

This Financial Wellness Curriculum presentation called “Good Credit: Get It” is designed for students in any year of college. This presentation outlines the relevant information students need to understand regarding credit, credit cards, credit reports, and identity theft. It is intended to stimulate audience participation and interaction.

Objective

- Teach students the basics about credit and credit cards and prepare them to make good financial decisions when it comes using borrowed money.

Using the Presenter’s Guide

In this Presenter’s Guide, you’ll find notes to accompany each topic, sample questions, activities to engage the audience, and information about online resources. Take advantage of the slide transitions as you move through the PowerPoint.

This presentation will take approximately 45 minutes.

Materials Needed

- Flip chart or black board
- Internet access
- An LCD projector
Title Page (Slide 1)

➢ Read the following aloud:

  o Oftentimes, credit allows us to have the things we need and can be a valuable tool.
  o For most students, a college education would not be possible without a student loan. Student loans are an excellent example of a type of good credit.
  o Knowing the difference between good and bad credit is the beginning of making good financial choices.

Activity
Ask students to raise their hands if they have a credit card. Have a volunteer make note of the percentage of the class that raised their hands.

Now ask them to keep their hands raised if they have two, three, four, or more cards. Have the volunteer note these percentages as well.

Explain that the presentation today will help them understand the benefits of having good credit, as well as the consequences that comes with the misuse of credit.

Slide Transition: Having a credit card or using credit doesn’t have to be a bad thing.
Let’s look at our objectives for today.

Objectives (Slide 2)

➢ Review the topics that will be covered in this presentation.

Slide Transition: Let’s start by defining what credit is.

What Is Credit? (Slide 3)

➢ Review slide.

➢ Read the following aloud:

  o First and foremost, credit is not your money.
  o Webster’s defines credit as “something entrusted to another, a loan.”
  o Credit and credit cards are borrowed money and must be paid back with interest.

➢ Discuss the following terms:

  o **Annual percentage rate (APR)**—The rate of interest charged for using the bank or credit card company’s money. This rate is applied to the outstanding balance each month.
    ▪ A fixed APR does not change, but rather stays the same for a specified period of time, unless you fail to make payments.
    ▪ A variable APR changes and can be adjusted, sometimes as frequently as monthly.
An introductory rate is a temporary, lower APR that usually lasts for about 6 months before converting to the normal fixed or variable rate.

Default or penalty rate is the interest rate charged if you are late with payment[s].

- **Grace period**---The time allowed to pay credit card purchases without being billed a finance charge and/or late fee. It is usually 10--28 days. Keep in mind, this applies only if the balance is paid in full each month.

- **Minimum monthly payment**---The lowest amount you are required to pay each month. Paying just the minimum amount does very little to reduce the amount owed because credit card companies calculate the monthly payments to cover the monthly interest and just a small fraction of your principal.

- **Annual fees**---Some cards charge holders annual membership or participation fees. You must pay this fee whether you use your credit card or not. Annual fees typically range between $20 and $100.

- **Finance charge**---The dollar amount you pay to use credit, in addition to the interest costs. This may include cash-advance fees and other charges. These are charged against your card when you borrow cash from the lender. You generally pay higher interest on cash advances than on purchases. Check your latest bill to find out how much you are being charged to use their cash.

**Activity**

Have the students give some examples of other types of credit they have and list them on the board/flip chart.

Some types of credit are:

- Credit cards
- Store credit cards
- Car loans
- Student loans
- Personal loans
- Mortgages

Explain that each type of credit has its own unique repayment terms and finance charges.

**Slide Transition:** Now that you understand what credit is and you have identified some additional types of credit, let’s look at when you should use it.

**Needs vs. Wants (Slide 4)**

- Review slide.
- Read the following aloud:
  - Credit should never be used as a way to live beyond your means.
  - Understanding the difference between needs and wants is important when managing money. In order to afford needs (such as shelter, clothing, and food), you can’t spend all of your money on things that you want (such as entertainment).
Although food is essential to your survival, fast food, fine dining, convenience foods, and specialty foods are examples of wants that can be expensive, even if you are paying with cash.

If you have ever charged a pizza to your credit card and not paid your card in full, a $12 pizza could end up costing you $30. Is a pizza really worth $30?

**Slide Transition**: If you can eat it, drink it, wear it, or be amused by it, then you should not use credit. Let’s look at some examples of good debt vs. bad debt.

**Good Debt vs. Bad Debt (Slide 5)**

- Review slide.
- Tell students that using credit in emergency situations for essential needs is an example of a good use. Using credit to just get the things they want is creating a bad habit that will set them up for financial disaster.
- Explain that if the debt allows them to fulfill a need, or is an investment in their future earnings, then the debt is considered a good use of credit.

**Examples of good debt are:**

- **College tuition and cost**—A student loan is an investment in future earnings.
- **House**—A mortgage is an investment that historically increases in value over time.
- **Car loan**—A car may fulfill a need for transportation to school and work.

- Ask students to consider the following before they say, “Charge it.”
  - Will you remember what you charged by the time the bill comes?
  - How long will it take you to pay off the purchase?
  - Will the item you bought still hold value?
  - Is it worth the total cost, including interest? (Remember the $30 pizza?)

**Activity**
Ask for a volunteer who has a credit card with a balance greater than $500.

- Have the student identify all the purchases that are part of the balance.

Most people who carry a balance can’t identify what items the balance represents, because the purchases no longer have value (for example, meals, clothing).

This is a good conversation starter to get students thinking about how to use credit.

**Slide Transition**: Most people get sucked into a compound interest sinkhole because they pay only the minimum amount due and not as much as they should.

**Dangers of Credit Cards (Slide 6)**
Dangers of Credit Cards (Slide 7)

Test Your Credit Card IQ

- Review slide.
- Discuss the answers:

1) **False**---Having too much available credit can hurt your credit report. Lenders see you as a risk, meaning that you could borrow more than you can repay. Limit your credit cards to just one or two, and insist your lenders limit your available credit to an amount you could repay quickly.

2) **False**---Grace periods apply only to accounts that are paid in full each month. A grace period is the time you have before a credit card company starts charging you interest on your new purchases---usually a period of 20--25 days. But this “free ride” on finance charges does not work the same way on all credit cards. In fact, on most credit cards, you will be charged interest on your new purchases immediately, unless you paid off your credit card in full the previous month.

3) **False**---Transactions such as cash advances may be subject to a higher annual percentage rate than regular purchases.

4) **False**---Obtain a copy of your credit report at least once a year to review for any incorrect information. Most identity theft is discovered through your credit report.

5) **False**---Using credit cards is using someone else’s money. Debit cards are a convenient way to spend your money from your checking or savings account. You must have the funds available in your account in order to use your debit card.

6) **True**---Companies will review your credit report before offering you credit or insurance. The better your credit, the better the offer. Some employers will check your credit before they offer you a job, especially if the position requires a level of responsibility. If you can’t handle your finances, you may not be able to handle the job.

Understand Your Credit Report (Slide 8)

- Review slide.
- Read the following aloud:
There are three nationwide consumer reporting agencies: Experian, Equifax, and TransUnion. Their reports may all look different, but they all contain the same basic information.

Credit reports are divided into four sections: potentially negative items, accounts in good standing, inquiries, and personal identifying information.

Talk about potentially negative items, including:

- **Public record and collection items**—Public record information from state and county courts and collection agencies includes bankruptcies, foreclosures, lawsuits, wage attachments (or garnishments), liens, and judgments.
- **Negative credit items**—This category lists all credit accounts, including credit cards, loans, and mortgages, that have been reported as delinquent or defaulted. In addition to the date the account was opened, your credit limit or loan amount, account balance, payment history, and type of credit are reported.

**Slide Transition:** Credit reports also list accounts that have a positive impact on your credit history.

**Understand Your Credit Report (Slide 9)**

- Review slide.

- Talk about accounts in good standing, which include credit cards, loans, and mortgages that have been reported as paid as agreed. In addition to the date the account was opened, your credit limit or loan amount, account balance, payment history, and type of credit are listed here.

**Slide Transition:** Requests for your credit history are known as inquiries. Inquiries are noted on your report whenever anyone reviews your credit information. There are two types of inquiries.

**Understand Your Credit Report (Slide 10)**

- Review slide.

- Talk about types of inquiries:
  - **Requests viewed by others**—These are inquiries from a transaction that you initiated, such as applications for credit, housing, or loans. Every time you fill out an application to get a free t-shirt, it gets reported. Creditors may view these items when evaluating your creditworthiness.
  - **Requests viewed only by you**—These are inquiries that resulted from transactions allowed under the Fair Credit Reporting Act (FCRA). These inquiries are shown only to you and do not have an effect on your credit score. They include:
    - Pre-approved credit offers
    - Employment
    - Account monitoring by existing creditors
Your requests for a report

Slide Transition: The last section of a credit report is your personal information.

Understand Your Credit Report (Slide 11)

- Review slide.
- Talk about identifying information, such as name, address, Social Security number, phone numbers, employer, job title, driver’s license number, spouse’s name, and maiden name or alias.

Slide Transition: Now that we’ve looked at a credit report, let’s review what steps you need to take if there is a mistake on your report.

Understand Your Credit Report (Slide 12)
Fixing Errors on Your Credit Report

- Review slide.
- Instruct students:
  - Your letter should clearly identify each item in your credit report that you dispute.
    - State the facts and explain why you believe the information should be removed or corrected.
    - Enclose any documentation supporting your request, such as receipts and correspondence.
    - Send your letter by certified mail, “return receipt requested.”
    - Keep copies of your dispute letter and all enclosures.
  - Because the nationwide consumer reporting agencies are only responsible for reporting data---they cannot correct or change data---they will go back to the original source of the data to investigate your claim.
  - The nationwide consumer reporting agency will then update your credit file based on the investigation, and they will notify you of the update.
    - If an investigation doesn’t resolve your dispute with the original source of the data, you can ask that a statement of the dispute be included in your file and in future reports.

Slide Transition: Now let’s see how all of this information is used to calculate your credit score.

Understand Your Credit Report (Slide 13)
What makes up your credit score?

- Review slide.
Explain that a credit score is a number that tells a lender how likely an individual is to repay a loan or make credit payments on time.

- Credit scores generally range from 300--850.
- The higher your number, the better your chance of having a credit or loan request approved.
- Credit scores evaluate many factors, but the following five categories are the most important:

1. **Your payment history comprises 35% of the score.** The main reason lenders look at your score is to find out how timely you pay your bills. Your score is greatly affected by how many bills have been paid late, how many were sent out for collection, any bankruptcies, etc. On-time payments boost your score.

2. **Outstanding debt comprises 30% of the score ---for example, how much you owe on a car or home loan and how many credit cards you have at their credit limits.**
   - The more cards you have at their limits, the lower your score will be. Aim for balances under 35% of your available credit limit.

3. **The length of time you’ve had credit comprises 15% of the score.** The longer you’ve had established credit, the better it is for your overall credit score. More information about your payment history gives a more accurate prediction of your future actions. Think twice about closing an established card.

4. **The number of inquiries on your report comprises 10% of the score.** If you’ve applied for a lot of credit cards or loans, you will have a lot of inquiries on your credit report.
   - These are bad for your score because they indicate that you may be in some kind of financial trouble or may be taking on a lot of debt. Apply for new credit in moderation.

5. **The types of credit you currently have comprise 10% of the score.** The type of loans you have makes a difference. A good credit profile has a balanced mix of credit accounts and loans.

**Slide Transition: Now let’s look at how your credit score affects you.**

**Understand Your Credit Report (Slide 14)**

**Effects of Your Credit Score**

- Review slide.

- Talk about the following:

  - Your credit score is the single most important factor in determining whether you’ll get approved for a credit card, insurance, a mortgage, and a car loan. If you do get approved, your credit score will determine what your interest rate will be.
  - **Eligibility for future credit---**If your score is below 550, you will probably be denied on any credit application.
  - **Insurance---**Believe it or not, insurance companies will look at your credit report to see if you are a credit risk. If your score is under 680, you will probably not get the lowest premium available.
Employment---Employers will look at your credit report to see how responsible you are. If you cannot responsibly handle your finances, are you responsible enough to work for their company?

Housing---Not only does your credit score affect your eligibility for a mortgage, but also for an apartment rental. Landlords will check your credit report. If you can’t pay your bills, how are you going to afford your rent?

Interest rates on future loans---A credit score below 680 is not going to get you the 0% financing for that new car. Look at the chart on this slide; what a difference the interest rate makes.

Slide Transition: Now we’ll review some tips on how to improve your credit score.

Understand Your Credit Report (Slide 15)
Improve Your Credit Score

- Review slide.
- Advise students on the following:
  - Make sure you make all payments on or before the due date. The first time that you are late on a payment, it will show up on your credit report.
  - Establish a long-term account with a reputable credit company. If you prove that you are a reliable borrower, your credit scores will be much healthier. You can even get your interest rate lowered for being such a great customer! If you are considering closing an account, consider the impact that closing an established account may have. It could make your credit history appear much shorter and could end up harming your score.
  - Don’t take on more debt than you can handle. Restrict your credit card use to only one or two credit cards. Your credit card debt should not exceed more than 20% of your income.
  - Don’t get caught up in credit repair scams. Only good payment habits and limiting future borrowing will improve your credit rating.

Slide Transition: If you are already swimming in credit card debt, these steps may help you get back on track.

Credit Card Debt (Slide 16)

- Review slide.
- Discuss:
  - **Track your spending**---Write down every penny you spend for a month. Keep a paper in your wallet and record your expenses at the end of each day.
    - By tracking your spending, you will find ways to cut back, which will prevent you from overspending. For example, that daily trip to the coffeehouse for a $4 café mocha could be replaced with a cup from home. That could save you over $1,000 per year!
- **Stop using your credit cards**——Carry only the credit card with the lowest interest rate and use it only for emergencies. This will eliminate the ability to buy things on impulse.
- **Stop the offers for new cards**——Call the number listed to remove yourself from the mailing lists——then you won’t be tempted to apply for a new card.
- **Consolidate your debt**——Transfer balances from high interest rate cards to a new card with a lower interest rate. By consolidating to a new card with a lower interest rate, you can get a more affordable payment and have just one payment with one due date.
  - Just be careful you don’t fall into a false sense of financial security by spending more just because your minimum payment is less. Continue to send a budgeted amount each month to pay off your debt.
- **Use automatic bill pay**——Avoid late charges and a low credit score by setting up Direct Debit or automatic bill pay for all of your monthly bills.
- **Create a budget**——Put your plan in writing.
  - When creating your budget, list the minimum monthly payments for ALL of your credit cards and total them. Now commit an extra amount to the total to eliminate your credit card debt.
  - Take the card with the highest interest rate and apply the extra amount you budgeted to that account until it is paid in full. Once that is paid, take the amount you were paying there each month and apply it to the card with the next highest interest rate and so on until all of your credit cards are paid in full.

**Slide Transition:** Let’s see how paying more than the minimum monthly payment really saves you money.

### Credit Card Debt (Slide 17)

- Review slide.
- Tell students that by creating and sticking to a budgeted amount for credit cards, borrowers can get out of debt faster and save a lot of money.

**Slide Transition:** YouCanDealWithIt.com has a calculator you can use to see how much you can save by paying more than the minimum monthly amount.

### Debt Repayment Calculator (Slide 18)

- Review slide.

**Activity**

**Option A**——If everyone has access to the internet, refer students to the Debt Repayment Calculator on YouCanDealWithIt.com. Ask students to add $10, $20, and $25 to the minimum payment to see how much they will save by paying a budgeted amount instead of just the minimum.

**Option B**——If only you have internet access, access the calculator and ask students to give examples of balance, interest rate, and minimum monthly payment amount.
Note: The calculator requires a minimum payment of 2%. Lesser amounts will not be accepted.

Slide Transition: Now that you have the tools to help repair your credit, take steps to make sure that no one else ruins it for you.

Identity Theft (Slides 19 and 20)

➢ Review slides.

➢ Read the following aloud:

  o The Federal Trade Commission recently conducted research on identity theft and found that nearly one-third of those reporting theft are under age 30. The majority of these are college students. This can be attributed to their dormitory-style living conditions and sharing of personal information.
  o With the increased use of the internet for financial transactions, you should be aware of phishing scams. Phishing is the attempt to gain sensitive information (passwords, credit details, etc.) by masquerading as a legitimate business via electronic communications.

Slide Transition: What should you do if you think your identity has been stolen?

Identity Theft (Slide 21)

Report Identity Theft

➢ Review slide.

Slide Transition: Most cases of identity theft are discovered when people review their credit report. Do you know how to get a free copy?

Free Credit Report (Slide 22)

➢ Review slide.

➢ Tell students:

  o There are three nationwide consumer reporting agencies in the United States: Experian, TransUnion, and Equifax.
  o Thanks to a federal law, you are entitled to one free credit report from each of the main credit reporting agencies per year.
  o You can order all three credit reports at once, or at different times throughout the year.

Slide Transition: Recap.

Objectives (Slide 23)
- Review slide.
- Ask for questions.