

## ACTIVITY 1

**CREDIT MISSTEPS**

*Note to teacher: Prepare for this activity by making copies of the visual and cutting each case into separate cards. Each group of students should get a set of six cards.*

Patrice has had a credit card for three years. She took out a student loan four years ago, and she applied for and received a car loan last year. The balance on her student loan is \$5,000, and her balance on the car loan is \$6,000. She pays her credit card off each month. She has never been late on a payment on either of her loans or on her credit card.

Jerold has had two credit cards for three years. He also has a couple of student loans totaling \$5,000, all of which he received last year. He applied for four credit cards last year, but was turned down. He was hoping to get at least one of those cards because his balances are up there – totaling \$5,000 on the two cards. But his \$10,000 in debt is only around 45 percent of his limit, and he's never missed a payment, so he's feeling pretty good about his money management skills.

Celia applied for and received her first credit card one year ago as she was entering college. She regularly carries a \$2,000 balance on that card, which is 50 percent of her \$4,000 credit limit. She's never missed a payment; she's never even been late.

Jason is a junior in college. He got one credit card a year ago and opened a new credit card account four months ago, which was the one successful credit card application of the five credit cards he applied for last year. He carries a \$2,500 balance on the older card, which is 100 percent of his credit limit on that card. Although he promised himself that he would only use the second card for emergencies, he now has a \$2,500 balance on that card too. He also has a student loan for \$5,000. He's never missed a payment and has no past-due accounts.

Reeta has only applied for and received one credit card. The card has a \$5,000 limit, and Reeta has a \$5,000 balance. She missed a payment 18 months ago and was 30 days delinquent before she got the money together to make the minimum payment. She is making the monthly payments on time now.

Leo has only applied for one credit card, which was granted. He carries a \$5,000 balance, which is his credit limit on the card. He missed a payment two months ago, and has been as many as 60 days delinquent in the past. However, at this time, he's caught up on making the minimum payment.

## ACTIVITY 2

### ASSESSMENT

*Instructions: Read each situation below and name the FICO score component where the subjects may lose points. Provide each with advice as to how they might adjust their behavior to get their credit back on track.*

Chloe travels a lot for her work. The mail piles up and the stacks can be pretty overwhelming, so she ignores them until the spirit moves her. She has plenty of money to pay the bills, but finds it hard to get around to opening the mail.

Sophia can't stand having anyone over to visit unless her home is perfect. If she is having company, you can bet everything will be dusted and washed, and candles will scent the air. Last month, Sophia's new boyfriend called and asked to stop by – he was only 15 minutes away! With so little time to get things in place, Sophia grabbed a box and ran around throwing everything that was out of place into the box. She put the box into the closet, and her apartment was immaculate. One month later, she discovered the forgotten box and the overdue credit card bill it contained.

Rhoda likes to pay her credit card off each month. Last month, her balance was higher than she expected. It was due on the 15th, and she gets paid on the 15th, so she decided to pay the balance through her online banking account. She arranged to make the payment on the 15th, but for some reason, the payment wasn't applied until the 16th.

Ethan carried really high balances on his credit card, relative to his income. He had four credit cards: the Copper card had a balance of \$5,284 with an interest rate of 17 percent; the Platinum Silver card had a balance of \$7,639 with an interest rate of 15 percent; the Golden Platinum card had a balance of \$10,290 with an interest rate of 21 percent; and the Palladium Plus card had a balance of \$2,340 with an interest rate of 16 percent. Each card had a \$10,000 credit limit. So Ethan did the smart thing and made minimum payments on all cards except for the Golden Platinum. It had the highest interest rate, so he made large payments for months and finally paid it off. He was so thrilled with his accomplishment that he celebrated by calling to cancel the card.

Leesa saw so many people get into serious trouble with credit cards (including her own parents) that she decided that she would maintain a "cash only" lifestyle. She buys only those things that she can pay for with the cash she had on hand and, therefore, has never been in trouble with credit. She is also a prudent saver, so she has managed to save enough money to rent an apartment. The landlord told her he will be checking her credit report.

Sharona graduated from college in her hometown of Chicago and landed a great job in St. Louis. She had to furnish her apartment, get a car, and buy a workplace wardrobe. With her Platinum Perfect card in hand, she got to shopping. However, with each purchase, she was informed of how much more she would save if she just applied for the store credit card. So, she did. She ended up applying for 7 or 8 cards and got them all with rather low limits of \$500 to \$1,000. Then she went to buy a car and her loan application was turned down.