

Know Your Credit

Introduction

Credit is a tool used by millions of Americans to accomplish their short- and long-term goals. Bankrate reported that in 2021, three out of four U.S. adults had at least one credit card and the average American had at least three credit cards. U.S. consumers used their credit cards for more than a quarter of the purchases. The average credit card balance of U.S. household's in 2022 was \$5,910.

Many people don't understand the difference between a credit report and a credit score or the importance of obtaining and monitoring their credit report. Some don't understand the costs associated with using credit. This lesson provides information and tools to help consumers manage credit wisely.

Lesson Objectives

As a result of participating in this lesson, learners will:

- understand the difference between their credit report and their credit score;
- know how to obtain their credit report and understand the importance of doing so periodically;
- formulate a plan to improve management of their credit;
- become familiar with the main provisions of the CARD Act;
- learn how to review credit card offers so they can choose the best credit card for them; and
- understand the costs involved with using credit.

Intended Audiences

Anyone who uses credit.

Before the Lesson

- Review the *Know Your Credit* fact sheet (MF3081) and leader's guide (MF3082).
- Obtain copies of the fact sheet for each participant.



- Become familiar with references and resources for this lesson.
- Discuss the lesson with a banker or financial or credit professional in your community to gain perspective on the educational needs of people in your community regarding credit. Invite the professional to partner with you to present the lesson in an unbiased manner.
- Provide clipboards or other hard surfaces for note taking.
- Arrange chairs in a circle or semi-circle to encourage discussion and information sharing.

Presenting the Lesson

Share “ground rules” of the session with learners, adapted from *Making Your Money Work*, Purdue University Extension, Trainer's Guide (CFS-679G).

1. Respect views of others.
2. Listen to each other.
3. Share feelings/thoughts.

4. Be open to new ideas.
5. Suspend judgment.

Summarize objectives. Ask learners if there are other issues they came to learn about, make a list of those issues on a whiteboard or flipchart, and address as time and knowledge allows. Offer to research issues as needed and respond to the participant after class.

Present information in the first paragraph of the leader's guide. Present the lesson, using the PowerPoint slides and/or fact sheet for content. Incorporate one or more lesson activities below, depending on time, computer access, and your learners.

Share additional resources with the class. The Federal Reserve Bank of Philadelphia Consumer Credit Explorer includes information by geographic area and debt characteristics, <https://www.philadelphiafed.org/surveys-and-data/community-development-data/consumer-credit-explorer>.

How Much Credit is too Much? from the University of Illinois Extension available at web.extension.illinois.edu/creditcardsmarts/decide_how_much_credit_is_too_much.cfm?2

Have learners complete and return evaluations to you. Enter results into PEARS.

Lesson Activities

1. Have class participants obtain a copy of their credit report.
 - a. When appropriate, have learners bring a copy of their credit report to class. Use class time to have them individually and confidentially review and analyze their own credit report. Guide learners in developing an action plan to correct incomplete or inaccurate information.
 - b. With sufficient, secure Internet access, have learners obtain and print their credit report during class. Use class time to have them individually and confidentially review and analyze their own credit report. Guide learners in developing an action plan to correct incomplete or inaccurate information.
 - c. Encourage learners to request, review, and analyze their credit report after class and to develop an action plan to correct incomplete or inaccurate information.
2. Bring samples of credit card offers or credit card contracts for learners to analyze during class. Ensure

personal identity information is removed. Identify favorable and unfavorable aspects of each offer or contract, and rank in order from best to worst.

3. Bring samples of credit card bills, ensuring personal identity information is removed.
 - a. Review information presented on the bill, including annual percentage rates, fees, transactions listed, due date, and other entries on the bill. Lead a class discussion on how this information is useful to a credit card holder.
 - b. Discuss the matrix on each bill that shows how long it would take to pay off the existing balance and the total interest cost if only required minimum payments are made, a requirement of the CARD Act.
 - c. Demonstrate the Payment Calculator on the Federal Reserve Bank of Dallas website and lead a class discussion about repaying credit card balances. If Internet access and computers are available, divide the class into teams — one team per computer — to use the calculator. <https://www.dallasfed.org/educate/calculators/open-calc>
4. Demonstrate the Credit Karma website or divide the class into teams to explore the website. Lead a class discussion about how they would use the website to monitor their credit, or have teams make a list and report to the entire class. www.creditkarma.com
5. Share entertaining and inspirational videos about money, including credit from <https://www.millionstories.com/>. For example, <https://www.millionstories.com/series/Your-World-on-Money?id=37>. Have learners discuss or write their reactions and observations.

Community Awareness Activities

1. Encourage learners to volunteer with a group of young families, such as through a local Head Start, religious group, or neighborhood organization, to teach what they've learned about managing credit.
2. When meeting with constituents regarding their health insurance choices or income tax returns, give them information about obtaining their free credit report, and encourage them to monitor their credit report regularly. To obtain a free credit report: www.annualcreditreport.com, 1-877-322-8228.

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Know Your Credit Evaluation

As a result of participating in this lesson:

- | | | |
|--|---|---|
| 1. I understand the difference between my credit report and my credit score. | T | F |
| 2. I know how to obtain my credit report periodically. | T | F |
| 3. I know how to review the information on my credit report. | T | F |
| 4. I know how to work with credit reporting agencies to correct incomplete or inaccurate information. | T | F |
| 5. Actions I plan to take to improve my credit score: _____ | | |
| 6. A provision of the CARD Act that is beneficial to me is _____. | | |
| 7. I know what to consider when I want to open a new credit card account. | T | F |
| 8. A cost of using credit I prefer to avoid is _____. | | |
| 9. Because I used credit to purchase it, I may have spent more than I planned when I purchased _____
_____. | | |

Why am I asking for your contact information? To help us improve this program, we want to know about the behaviors changed or actions taken by participants after participating in this lesson. If you are willing to provide us with follow-up information 30 to 60 days after your participation, please provide your contact information. Your participation is entirely voluntary and your information will not be used in any other way.

Name: _____ Phone: _____

Email: _____

Address: _____ City: _____

Zip: _____