Program in the Humanities and Human Values
NC Civic Education Consortium

Personal Financial Literacy: Using Credit Wisely

Overview
In this lesson students will learn what credit is, the various forms it can take, and how credit choices are relevant to their own lives. They will also learn about potential advantages and disadvantages of using credit for purchases. This activity will culminate with students creating credit card commercials and exploring ways to be savvy shoppers. For additional lessons on Personal Financial Literacy, see *An Introduction to Financial Literacy*, *Saving & Investing*, and *Checking*, available in the Consortium's Database of K-12 Resources.

Grade
10

NC Essential Standards for Civics & Economics (to be implemented in the 2012-2013 school year)
- CE.PFL.1.4- Summarize how debt management and creditworthiness impact an individual's ability to become responsible consumers and borrowers
- CE.PFL.2.1- Explain how consumer protection laws and government regulation contribute to the empowerment of the individual

Key Terms
- Credit
- Principal
- Interest
- Annual percentage rate (APR)
- Annual fee
- Credit limit
- Finance charge
- Origination fee
- Loan term
- Grace period
- Debt
- Identity theft
- Credit report/Credit history/Credit score

Materials
- Post It Notes
- Borrow cards, attached
- "Credit and Teens: What do you think" questions, attached
- List of factors tied to the cost of using credit, attached
- Credit card application examples
- Credit Card Commercial Cards, attached
- US Household Credit Card Debt Chart, attached
    - Source: http://www.mybudget360.com/wp-content/uploads/2010/12/total-revolving-credit.png
- "Credit CARD Act of 2009" handout, attached

Duration
One-two block periods

Procedure

Warm-Up: Applying for a Credit Card

1. As a warm-up, describe the following scenario for students to ponder:

Tiffany had been at college for one week and she loved every minute of it…the classes, the new people, the parties…everything was new and exciting to her. Walking through campus one day, there were tons of people gathered in front of the Student Union. A guy carrying a clipboard walked up and asked Tiffany if she'd be interested in earning free movie tickets and a t-shirt by filling out an application for a credit card. Tiffany had never had a credit card, and the thought of being able to purchase some new shoes and outfits before rushing the sorority she wanted to join was very appealing to her. She explained that she didn't have a job, but the guy said that didn't matter. All she'd need to do is come up with her monthly minimum payment, which was generally only around $10-$15 for most people. It sounded like a dream come true to Tiffany. She was sure she could afford such a small amount of money each month, so without asking any more questions or even reading the form, she signed up. She walked away with her t-shirt, went to the movies for free that very night with some friends, and received her first credit card in the mail around 3 weeks later. Tiffany was shocked when she realized the limit on her credit card was $3,000! Her mind soared over all the things she could get with that much money. With only 5 days before rush, she headed to the mall for a shopping spree. Tiffany couldn't believe her luck.

Discuss:

- Do any of you relate with Tiffany? Have you ever really wanted something that you don't have? Explain.
- How did Tiffany choose to get what she wanted (her new shoes and clothes)?
- Evaluate Tiffany's decision. Was this a smart move on her part? Why or why not?
- What mistakes did Tiffany make? What consequences might result from these mistakes?
- Is this scenario realistic? *(Yes! Discuss how students will most likely be confronted with signing up for a credit card somewhere, whether at college orientation, at the mall, through the mail, etc. and point out how many times it's so easy to "sign on the dotted line" that people don't pay attention to what they are signing up for. Thus, it is important to be aware that this will happen, and to know how to make responsible, informed decisions when choosing a credit card and also making responsible purchase choices.)*

What is Credit?

2. Next, ask students for the definition of **credit** in their own words. After you have given several students an opportunity to answer, give them the following definition and explanation:
   - **Credit** means someone is willing to loan money—called **principal**—in exchange for your promise to repay it, usually with interest. **Interest** is the amount you pay to use someone else's money. The higher the interest rate, the higher the total amount you pay to buy something on credit.
   - Have students think about Tiffany's situation again. Ask them to discuss what potential benefits Tiffany (or anyone) could experience from using credit. Facilitate the understanding that people use credit because it allows them to purchase something now that they could not otherwise

afford if they had to pay in cash up front. In other words, you get the item now, but pay for it over time, usually with interest.

3. In order to gauge student perceptions about credit use among teens, distribute/present the "Credit and Teens: What do you think?" questions. Give students 2 minutes to write down their answers. Discuss actual answers and ask whether students are surprised by them.

4. Explain that credit cards are only one form of credit. Some people (especially teens) borrow from relatives or friends and might not be expected to pay any interest. However, when borrowing from an institution, such as a bank or other lending agency, interest is almost always a stipulation for borrowing. Ask students to think of some other types of credit besides credit cards. These include **installment loans** (loans that have terms and monthly installments), **students loans** (loans which usually have an interest rate that does not start until after graduation; interest rates are usually lower with students loans that installment loans), **mortgage loans** (loans specifically used to buy a home; may provide tax incentives), etc.

5. At this point, facilitate a discussion about students' experience with credit (if any). How have they have used credit—did they get a loan from someone? If so, what were the conditions? Were they able to repay the loan? When do they think it is appropriate to use credit? When is it not appropriate? (Discuss the difference in **wants** and **needs.** Teachers may choose to again refer back to the warm-up and prompt students to discuss the shoes and clothing Tiffany purchased in terms of want and need.)

Interest Rates

6. Explain that while use of credit has advantages, it also can come at a price. The biggest part of that price is usually the **interest rate**. Advertisers like to focus on the monthly payment—"Buy it now for only $99 a month" or in Tiffany's case, only a "$15 monthly minimum payment"—but they do not tell you how much you will really pay for the item in the long run. Discuss:
   - Let's assume that Tiffany spent $375 on new clothing and shoes. How many months will it take her to pay off $375 if she makes the minimum payment of $15 each month? *(Allow students to first make the misconception that they divide $375 by $15, coming up with the answer of 25 months. Stress to them the fact that 25 months is over two years, and this doesn't take into account all the other items she will need, want, and purchase during all that time.)*
   - Are we missing anything here? Are we sure that it is only going to take Tiffany 25 months? *(Facilitate the understanding that credit cards do not involve only paying the amount Tiffany originally spent on the clothing. Focus students again on the concept of an interest rate.)*
   - When Tiffany signed up for her credit card, or when she received it in the mail, did she ever check to see what the APR was on the card? Let's assume the APR was 21%. How will this affect the amount that Tiffany has to pay off, as well as the amount of time it will take her? *(Allow students to offer their thoughts, then show the attached chart "Tiffany's Payment Plan" that notes how the high interest rate, compounded with Tiffany's low monthly payments, will affect the final amount she pays and the time it takes to pay the balance off. Teachers may also want to point out that Tiffany also did not check to see if there was an annual fee on the credit card, which some cards also have.)*
   - According to the chart, how many months did it take Tiffany to pay off her purchase? How much did her $375 in clothing end up costing her due to the high percentage rate?

- Do you think Tiffany realized this is what her new clothes and shoes would cost her? *(Again, remind students this doesn't even include any new expenses throughout those months.)* Given these negative factors, why do you think people still sign up for credit cards?
- What advice would you give Tiffany at any point in her scenario?
- What is a likely mistake Tiffany could make at this point? *(Many people open additional credit cards as their first one maxes out.)* What consequences could Tiffany face if she opens additional credit cards? What consequences would Tiffany possibly face if she misses a monthly payment, or is unable to make the payment for consecutive months? *(Discuss late payment fees and mention the concept of a credit report.)*

Be a Savvy Shopper

7. Tell students that savvy shoppers know to read the "fine print" of a credit card or loan application, and compare several options before making a final choice. If Tiffany were a savvy shopper, she would have recognized that 21% is way too high for an APR. Paying attention to these details can make a big difference in the total cost of an item. Stress to students that they need to be wary of deals that seem "too good to be true."

   Focus students on the fact that the key credit feature to compare credit offers is the annual percentage rate (APR), which tells you the cost of the loan per year as a percentage of the borrowed amount. The law requires all companies to calculate APR the same way, so it is the best way to compare credit offers. However, sometimes a low introductory interest rate is advertised in a credit offer, but after several months it increases. For this reason it is important to understand the terms of a loan, including the fine print.

8. Distribute/present the attached list of other factors to consider when applying for a credit card or loan. Discuss the details of each with students.

- **Optional Activity:** Distribute a variety of credit card applications. You can use the following links to access applications in PDF form:
  - http://www.mastercard.com/ca/wce/PDF/EN_MC_Formulaire.pdf
  - http://www.aa.com/content/images/travelInformation/EN_AAMailInAppInternet.pdf
  - https://www.alaskausa.org/downloads/VisaCreditCard.pdf

  Ask students locate important credit information. They should be able to answer the following questions:
  - What is the introductory APR?
  - Does the APR increase over time? If so, when and by how much?
  - Is there an annual fee?
  - Is there a minimum monthly payment? If so, what is it?
  - What is the credit limit with the particular card?
  - What extra fees and penalties may be charged?
  - What is the grace period?
  - What does reading the fine print reveal?

Credit: The Good and the Bad

9. As you've already discussed with students, credit can be a good or a bad thing. As such, it is important to know about the rewards and risks of using credit. Ask students to think about some of the pros and cons of using credit. On the board or overhead, draw a T-chart (teachers may also choose to instruct students to do the same on notebook paper). Head one column "Rewards" and the other "Risks." Ask students to fill in the table on their notebook paper, or to help you fill in the table as a class. Use the following table (which includes explanations of specific rewards and risks) as a guide if necessary:

Rewards	Risks
• Convenience: It's often easier and safer to have a credit card or get a loan rather than carry around a large amount of cash. And it's much more convenient to use a credit card for travel expenses and buying items on the internet. • Protection: Buying items with a credit card can make it easier to get a refund if there's a problem with an item you purchased. Also, some cards offer buyer protection. • Emergencies: With a credit card, you always have a way to pay for emergency expenses. If your car breaks down on a Sunday morning, you're going to get back on the road much faster if you charge the repairs than if you try to find a nearby bank from which to get money. • Opportunity to built credit: Using credit responsibly is simply the best way to build your credit history. It makes it easier to get more credit when you need it later (like for a car or home loan). • Quicker gratification: Credit allows you to buy and use an expensive item, such as a car or house, while you're paying for it instead of postponing your purchase until you have enough saved. For most people, it's the only way they can afford to own car or house. • Special offers: Sometimes you can take advantage of special offers, such as reduced interest rate for a limited time, or even deals to buy now and make no payment until next year. These offers decrease the short-term costs of using credit. (But always know when and	• Interest: Interest automatically makes the item you purchase more expensive than if you had just paid for it with cash. (Unless you pay off the debt before interest begins accruing). • Overspending: People often use credit to live beyond their means—buying items they simply cannot afford. As time goes in and the amount they owe grows, it gets harder and harder to ay down the balance. • Debt: The amounts you borrow add up to what is called your **debt**, or the entire amount of money you owe to your lenders. These lenders have legal claims against your future income should you be unable to repay your debt. And if you take on too much debt, it can completely derail your financial plan—and you future. • Identity theft: **Identity theft** occurs when someone uses your personal information without your permission to commit fraud and other crimes. Each time you give out your credit card or social security number, you risk someone stealing that information to run up debts in your name.

what happens when the deals expire.) • Bonuses: Some types of credit also offer bonus points such as frequent-flyer miles or cash rebates for every dollar you spend. But credit card holders often pay for these perks through higher interest rates or annual fees. Savvy credit users carefully read the card's terms and weigh the value of the bonus features against potentially higher costs	

Source: National Endowment for Financial Education High School Financial Planning Program

Credit Reports

10. Explain to students that there is a record that tracks their success in managing money responsibly. Stress to students that an individual's credit history follows them for their entire life. It is important to realize that current financial habits can carry over and affect your ability to get credit as an adult.

11. A **credit report** is a record of one's personal financial transactions, or **credit history**. Lenders look at it to see how well individuals have managed credit in the past. The credit report tells lenders any credit you currently have, loan amounts you have received, your credit card balances and limits, and whether you paid your bills on time, late, or not at all. While personal financial transactions on your credit report detail current and past borrowing, a **credit score** is a number that reflects creditworthiness. When you apply for credit, lenders want to know what risk they take in lending you money. Your credit score gives them an idea of your creditworthiness at the moment in time when they check it. Your score changes over time as your financial situation changes. (*Source: National Endowment for Financial Education High School Financial Planning Program)*

12. Show students an example of a credit report, such as the one found at www.true**credit**.com/pdf/learnCenter/Reading_Your_**Report**.pdf . Walk students through a sample report, highlighting the fact that any credit mistakes they make stay with them, thus it is important to make responsible choices if they ever want to own their own home, or even rent an apartment away from their parents/guardians!

13. Students may be curious about who looks at credit reports. Explain that virtually all lenders review the report when someone applies for a credit card or loan. When you apply to rent an apartment or buy a cell phone, someone will probably review your credit report. ***Students may also be surprised to learn that employers often look at your credit report during the hiring process, because it represents a certain level of responsibility.** Ensure students understand that building a good credit history can smooth the way in many areas of life.

14. Discuss the fact that there are many ways to develop good credit. Ask students if they can think of some. Stress that building good credit requires discipline:
    - Always pay bills on time. (This is the single best way you can show creditors that you'll be responsible with their money.)

- If you have a savings account, it's good to make additional regular deposits, no matter how small. Lenders like to see a consistent savings pattern.
- Be choosy about your credit card and loans. Apply only for the ones you really need, and keep them for a long time.
- Surprisingly, it's better for your credit score to maintain a low balance on one card and pay it off each month than to have no balance at all.

15. Also discuss what things hurt credit history and scores:
    - Making late payments. Even one late payment will negatively affect your score.
    - Writing checks you do not have enough money in your account to cover.
    - Having a lot of credit cards and loans.
    - Changing credit cards frequently

Credit CARD Act of 2009

16. Project the attached "US Household Credit Card Debt" chart. Once students have had a minute or two to quietly view the chart, pose the following questions to the class:
    - What does this chart measure?
    - What is the most surprising thing about this chart?
    - Why do you think credit card debt began to rise significantly in the 1970s?
    - What decade saw the fastest growth of credit card debt? Why do you think this occurred?
        - *1990s*
        - *Answers will vary, but may include lower requirements for credit cards, bad economy in which people use credit cards to pay for essential items, better economy in which people are confident to borrow money which they feel they can repay in the future, etc.*
    - What began happening in 2009-2010? Why do you think this occurred?
    - Do you think it's a good thing or a bad thing for households to be racking up this much debt? Explain your answer.

17. After discussing the credit card debt chart, inform students that in 2009 President Obama signed the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act) into law. According to OpenCongress.com, the purpose of this law is:
    - Broadly, this bill seeks to establish transparency between all actors participating in the consumer credit market. More specifically, it seeks to restrict unfair interest rate hikes, fees and penalties. It also bans credit card companies from knowingly issuing cards to people under the age of 18. Furthermore, it calls for the broad dissemination of information by creditors to the public regarding changes and developments in credit card accounts, methods of contact, and credit counseling services, and by the Federal Reserve Board to Congress and the public, alike, regarding the general health of the consumer credit market.

18. After reading the summary of the law, discuss the following questions with students:
    - Do you think this law was a response to exploding credit card debt in the US? Why or why not?
    - Do you believe it is a good thing that credit cards companies have to be more transparent with their customers? Why or why not?

19. Divide students into pairs and distribute the attached "Credit CARD Act" to each pair. Have students read about the changes enacted by the law. Write the following questions on the board and instruct students to discuss the questions with their partners:
    - Which of these changes do you think is the most important? Why?
    - Do you think any of these changes are unnecessary? Which ones? Why?
    - Do you think that additional changes should have been made? If so, what do you think credit card companies should be required to do?

Commercial

20. As a closing activity, divide students into groups of 4 and explain that they will be responsible for writing and performing a 1-2 minute long credit card commercial as a group. Hand out one of the attached credit card commercial assignments to each group. Explain that some of the cards they will be advertising are actually good deals, while others are debt-traps. Either way, it is up to the group to come up with a creative way to "sell" their card. Every group member should be involved in the commercial in some way and groups must mention all of the facts provided about the card in their commercial (however, they can do this in whatever "tricky" way they choose.) The role of the audience will be to watch each commercial carefully, assuming the role of savvy shoppers. At the end of each commercial, the audience will comment on whether the card is a good deal or not and why. Teachers should also note any propaganda techniques students use to sell their cards in each commercial, highlighting the tricks marketers often use to take attention away from negative factors.

Additional Activities

- Have students come up with 3-5 interview questions to ask an adult regarding their experience with credit. Questions should focus on steps taken to get approved for credit (if any) and lessons learned from their experience, whether positive or negative. Once students have completed interviews, give them an opportunity to share "real life lessons" with the class.

"Credit and Teens: What do you think?"

1. Nearly ____% of teens owe money to either a person or company, with an average debt of $____.
1.
2. About ____% of teens ages 16-18 already have more than $1,000 in debt.
2.
3. ____% of teens say they understand how credit and interest fees work.
3.
4. ____% of teens say they know how to establish good credit.

Answer Key:

1. 33%; $230
2. 26%
3. 30%
4. 36%

Source: "Teens and Money," Charles Schwab Foundation, April 2006.

Tiffany's Payment Plan

Original Purchase	$ 375.00		Repayment	$ 522.48
APR	21%		Interest	$ 147.48

MONTH	Balance	Payment	Interest	Remaining
YEAR ONE: 1	$ 375.00	$ 15.00	$ 6.56	$ 366.56
2	$ 366.56	$ 15.00	$ 6.41	$ 357.98
3	$ 357.98	$ 15.00	$ 6.26	$ 349.24
4	$ 349.24	$ 15.00	$ 6.11	$ 340.35
5	$ 340.35	$ 15.00	$ 5.96	$ 331.31
6	$ 331.31	$ 15.00	$ 5.80	$ 322.11
7	$ 322.11	$ 15.00	$ 5.64	$ 312.74
8	$ 312.74	$ 15.00	$ 5.47	$ 303.22
9	$ 303.22	$ 15.00	$ 5.31	$ 293.52
10	$ 293.52	$ 15.00	$ 5.14	$ 283.66
11	$ 283.66	$ 15.00	$ 4.96	$ 273.62
12	$ 273.62	$ 15.00	$ 4.79	$ 263.41
YEAR TWO:1	$ 263.41	$ 15.00	$ 4.61	$ 253.02
2	$ 253.02	$ 15.00	$ 4.43	$ 242.45
3	$ 242.45	$ 15.00	$ 4.24	$ 231.69
4	$ 231.69	$ 15.00	$ 4.05	$ 220.75
5	$ 220.75	$ 15.00	$ 3.86	$ 209.61
6	$ 209.61	$ 15.00	$ 3.67	$ 198.28
7	$ 198.28	$ 15.00	$ 3.47	$ 186.75
8	$ 186.75	$ 15.00	$ 3.27	$ 175.02
9	$ 175.02	$ 15.00	$ 3.06	$ 163.08
10	$ 163.08	$ 15.00	$ 2.85	$ 150.93
11	$ 150.93	$ 15.00	$ 2.64	$ 138.58
12	$ 138.58	$ 15.00	$ 2.43	$ 126.00
YEAR THREE:1	$ 126.00	$ 12.27	$ 2.21	$ 115.94
2	$ 115.94	$ 0.21	$ 2.03	$ 117.75
3	$ 117.75	$ 15.00	$ 2.06	$ 104.82
4	$ 104.82	$ 15.00	$ 1.83	$ 91.65
5	$ 91.65	$ 15.00	$ 1.60	$ 78.25
6	$ 78.25	$ 15.00	$ 1.37	$ 64.62
7	$ 64.62	$ 15.00	$ 1.13	$ 50.75
8	$ 50.75	$ 15.00	$ 0.89	$ 36.64
9	$ 36.64	$ 15.00	$ 0.64	$ 22.28
10	$ 22.28	$ 15.00	$ 0.39	$ 7.67
11	$ 7.67	$ 15.00	$ 0.13	$ -
12	$ -	$ 15.00	$ -	$ -

Factors tied to the cost of using credit:

Annual Fee: Usually charged by credit card companies, the annual fee is a yearly charge you pay for the privilege of using credit

Credit Limit: The credit limit is the maximum amount of credit a lender will extend to a customer. It is based on a variety of factors including income, savings, past credit

Finance Charge: Usually seen on credit card statements, a finance charge represents the actual dollar cost of using credit to maintain a balance.

Origination Fee: Usually associated with home loans, the origination fee is a charge for setting up the loan.

Loan Term: Usually applied to installment, student, and mortgage loans, the loan term is the length of time you have to pay off the loan. The longer the loan term, the lower your monthly payment. However, the cost of using the credit increases because you are paying interest over time a longer period of time.

Grace Period: The grace period is the length of time you have before you start accruing interest. If you plan to pay off your balance each month, make sure to get a credit card with a grace period of 25 or more days so you can avoid paying interest on your purchases.

Billing Cycles and Billing Statements: At the end of each billing cycle, a billing statement will be mailed to you. Billing cycles typically range from 29 days to 31 days, but can be shorter or longer depending on your credit card.

Your statement will include the balance at the beginning of the billing cycle (what was carried over from the previous month). It will detail credit card charges and payments as well as credits and fees in the current billing cycle. Fees and charges are added to the balance from your previous billing cycle, while payments and credits are subtracted to come up with your current balance.

Source: National Endowment for Financial Education High School Financial Planning Program & credit.about.com

Credit CARD Act of 2009

This bill seeks to establish transparency between all actors participating in the consumer credit market. More specifically, it seeks to restrict unfair interest rate hikes, fees and penalties. It also bans credit card companies from knowingly issuing cards to people under the age of 18. Furthermore, it calls for the broad dissemination of information by creditors to the public regarding changes and developments in credit card accounts, methods of contact, and credit counseling services, and by the Federal Reserve Board to Congress and the public regarding the general health of the consumer credit market. More specific changes are as follows:

What your credit card company has to tell you:

- When they plan to increase your rate or other fees. Your credit card company must send you a notice 45 days before they can
  - increase your interest rate;
  - change certain fees (such as annual fees, cash advance fees, and late fees) that apply to your account; or
  - make other significant changes to the terms of your card.

  If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, your credit card company may close your account and increase your monthly payment, subject to certain limitations.

  For example, they can require you to pay the balance off in five years, or they can double the percentage of your balance used to calculate your minimum payment (which will result in faster repayment than under the terms of your account).

  The company does not have to send you a 45-day advance notice if
  - you have a variable interest rate tied to an index; if the index goes up, the company does not have to provide notice before your rate goes up;
  - your introductory rate expires and reverts to the previously disclosed "go-to" rate;
  - your rate increases because you are in a workout agreement and you haven't made your payments as agreed.

- How long it will take to pay off your balance. Your monthly credit card bill will include information on how long it will take you to pay off your balance if you only make minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. For example, suppose you owe $3,000 and your interest rate is 14.4%--your bill might look like this:

New Balance	$3,000
Minimum payment due	$90.00
Payment due date	4/20/12

Late Payment Warning: If we do not receive you minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%. **Minimum Payment Warning:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay…	You will pay off the balance shown on this statement in about….	And you will end up paying an estimated total of…
Only the minimum payment	11 years	$4,745
$103	3 years	$3,712 (savings = $1,033)

New rules regarding rates, fees, and limits

- No interest rate increases for the first year. Your credit card company cannot increase your rate for the first 12 months after you open an account. There are some exceptions:
    - If your card has a variable interest rate tied to an index; your rate can go up whenever the index goes up.
    - If there is an introductory rate, it must be in place for at least 6 months; after that your rate can revert to the "go-to" rate the company disclosed when you got the card.
    - If you are more than 60 days late in paying your bill, your rate can go up.
    - If you are in a workout agreement and you don't make your payments as agreed, your rate can go up.

- Increased rates apply only to new charges. If your credit card company does raise your interest rate after the first year, the new rate will apply only to new charges you make. If you have a balance, your old interest rate will apply to that balance.

- Restrictions on over-the-limit transactions. You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. Otherwise, if a transaction would take you over your limit, it may be turned down. If you do not opt-in to over-the-limit transactions and your credit card company allows one to go through, it cannot charge you an over-the-limit fee.
    - If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle. You can revoke your opt-in at any time.

- Caps on high-fee cards. If your credit card company requires you to pay fees (such as an annual fee or application fee), those fees cannot total more than 25% of the initial credit limit. For example, if your initial credit limit is $500, the fees for the first year cannot be more than $125. This limit does not apply to penalty fees, such as penalties for late payments.

- Protections for underage consumers. If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account.
    - If you are under age 21 and have a card with a cosigner and want an increase in the credit limit, your cosigner must agree in writing to the increase.

Changes to billing and payments

- Standard payment dates and times. Your credit card company must mail or deliver your credit card bill at least 21 days before your payment is due. In addition:
    - Your due date should be the same date each month (for example, your payment is always due on the 15th or always due on the last day of the month).
    - The payment cut-off time cannot be earlier than 5 p.m. on the due date.
    - If your payment due date is on a weekend or holiday (when the company does not process payments), you will have until the following business day to pay. (For example, if the due date is Sunday the 15th, your payment will be on time if it is received by Monday the 16th before 5 p.m.).

- Payments directed to highest interest balances first. If you make more than the minimum payment on your credit card bill, your credit card company must apply the excess amount to the balance with the highest interest rate. There is an exception:
    - If you made a purchase under a deferred interest plan (for example, "no interest if paid in full by March 2012"), the credit card company may let you choose to apply extra amounts to the deferred interest balance before other balances. Otherwise, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest-rate balance first.

- No two-cycle (double-cycle) billing. Credit card companies can only impose interest charges on balances in the current billing cycle. Source: http://www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm

Credit Card Commercials:

Be as creative as you like in your commercial, but you must include the following information in some way: -Low introductory APR: 0% for first 12 months -APR increases to 9.75% after first year -No annual fee -Rewards: $100 cash back for every $5000 spent -Minimum monthly payment: 5% -Grace period: 25 days -Excellent credit score necessary - Include one new requirement from the CARD Act	Be as creative as you like in your commercial, but you must include the following information in some way: -Apply now, get a $40 credit bonus -APR: 21% -Annual Fee: $50 -Rewards: Free T-shirt of your choice -Minimum monthly payment 15% -Grace period: 5 days -No credit, no problem - Include one new requirement from the CARD Act	Be as creative as you like in your commercial, but you must include the following information in some way: -Low introductory APR of 5% for first 6 months -APR increases to 15% after 6 months -No annual fee -Rewards: Full 2% cash back option -Minimum monthly payment: 10% -Grace period: 15 days -Good Credit Score necessary - Include one new requirement from the CARD Act
Be as creative as you like in your commercial, but you must include the following information in some way: -APR: 15% -Origination/Processing fee: $200 -No annual fee -Rewards: $50 gift card for every $5,000 spent Minimum monthly payment: none Grace period: 10 days -No credit, no problem - Include one new requirement from the CARD Act	Be as creative as you like in your commercial, but you must include the following information in some way: -Low introductory APR: 5% for first 9 months -APR increases to 14% after 9 months -Annual Fee: $15 -Rewards: Free plane ticket anywhere in the continental US after $10,000; international ticket after $25,000 Minimum monthly payment: $5% Grace period: 20 days -Must have fair credit - Include one new requirement from the CARD Act	Be as creative as you like in your commercial, but you must include the following information in some way: -Low introductory APR: 0% for first 12 months -APR increases to 28% after first year -Annual Fee: $150 Rewards: By applying for the card, you'll receive a free beach ball Minimum monthly payment: 10% Grace period: 3 days -No Credit, no problem - Include one new requirement from the CARD Act