CLASS HANDOUT HANDOUT 7

# Credit Cards & Credit Scores

Read the statement, understand the cost, and build a credit history without treating the card like free money.

BY THE END, YOU SHOULD BE ABLE TO

- Find the statement balance, minimum payment, due date, APR, and warning box.
- Explain why paying only the minimum is expensive.
- Name the habits that strengthen or damage a credit report.
- Build a simple autopay and review routine.

THE RULE

A credit card is a payment tool attached to a loan. If the statement balance is not paid by the due date, the loan side becomes expensive.

## 1. Read the statement before making a payment

Five numbers control most decisions. Circle them before looking at rewards points or available credit.

| FIELD | WHAT IT MEANS | WHAT TO DO |
|---|---|---|
| **Statement balance** | Charges, fees, interest, and credits in the billing cycle that just closed. | Pay this by the due date when possible to avoid carrying the statement balance forward. |
| **Minimum payment** | The smallest required payment that keeps the account from becoming delinquent. | Treat it as the floor, not the plan. Paying only this usually extends repayment and increases interest. |
| **Current balance** | The statement balance plus newer posted activity after the cycle closed. | Do not confuse it with the amount required on the last statement. |
| **APR** | The annualized price of borrowing, including applicable terms and fees. | Know which APR applies to purchases, transfers, and cash advances. |
| **Due date** | The deadline for at least the minimum payment to reach the issuer. | Schedule payment early enough to avoid processing surprises. |

# 2. Minimum payment math

A sample balance shows why the minimum-payment warning deserves attention.

| EXAMPLE | Balance: $1,800 \| APR: 24.99% \| No new purchases \| Payment: $75 each month. Approximate payoff: 34 months. Approximate interest: $721. |
| --- | --- |

That is not a promise about a real account; issuers use their own minimum formulas and daily-balance methods. The lesson is the direction: a larger payment reduces both time and interest, while new purchases can reverse the progress.

### Workshop questions

1. What changes if the monthly payment rises to $150? What stays the same?

2. Why can a card show a current balance larger than the statement balance without requiring the larger number by the old due date?

# 3. Credit report first, score second

A score summarizes information in a credit report. The report is the record worth checking for accuracy.

| | |
|---|---|
| PAYMENT HISTORY | Pay every required bill on time. A missed payment can trigger fees and damage credit history. |
| REVOLVING BALANCES | Keep balances manageable relative to limits. A high reported balance can signal greater risk even when the account is current. |
| APPLICATION PACE | Open credit because it serves a purpose, not because a checkout screen offered a discount. |
| ACCOUNT AGE | Older well-managed accounts can add history. Do not close an account automatically without checking fees, fraud risk, and the effect on available credit. |
| REPORT ACCURACY | Review reports for accounts, addresses, balances, and late payments that do not belong to you. |

**MONTHLY ROUTINE**

Autopay at least the required amount as a safety net. Review the statement. Pay the statement balance when possible. Check for fraud. Keep confirmation records.

# 4. Scenario lab

1. A student has a $900 statement balance, a $35 minimum, and enough savings to pay $900 without touching rent or emergency money. What payment best matches the goal of avoiding carried interest?

2. A card offers 20% off today, but opening it would be the student's fourth application this semester. What questions should come before the discount?

3. A credit report lists a late payment on an account the student does not recognize. What should happen before applying for a car loan?

4. A friend says checking your own credit report always lowers your score. How would you respond?

# Answer key & teaching notes

1. Pay the statement balance by the due date if doing so does not compromise essential bills or the emergency plan. The minimum is a contractual floor, not the cost-minimizing target.

2. Ask whether the account serves a continuing purpose, whether it has fees, whether another application is wise, and whether the discount is encouraging spending that was not planned.

3. Review the full report, contact the reporting company and bureau through the official dispute process, document the issue, and avoid making a major application using information believed to be wrong.

4. Reviewing your own report is different from a lender checking it for an application. Consumers should use official sources and verify the type of inquiry involved.

## SOURCES AND NEXT STEPS

**CFPB - Know Before You Owe: Credit Cards:** consumerfinance.gov/data-research/credit-card-data/know-you-owe-credit-cards/

**CFPB - Sample credit-card statement and repayment disclosures:** consumerfinance.gov/rules-policy/regulations/1026/7/

**Official credit reports:** AnnualCreditReport.com