

Avoiding and Fixing Credit Problems

Notes:

Learner Outcomes

Outcome #1: Participants will be able to list two ways to avoid credit problems.

Outcome #2: Participants will be able to name a consequence of not using credit well.

Outcome #3: Participants will be able to describe what bankruptcy is.

Target Audience

Parents

Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It Web site), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Three copies of the Script #3-BO-PT (downloaded for free from the Bank It Web site)
6. Evaluation #3-BO-PT for each participant
7. Bank It Notes #3-BO-PT for each participant
8. Optional: PowerPoint Presentation PDF #3-BO-PT
9. Optional: Handout #3-BO-PT for each participant
10. Optional: Handout Answer Guide #3-BO-PT

Timing

1 hour

Want more background and training tips?

See the free, downloadable Bank It Leader's Guide at www.bankit.com.

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Notes:

1. Welcome and Overview (5 minutes)

Arrive early. Highly consider using the optional PowerPoint Presentation PDF and the optional Handout. Both will greatly enhance your sessions. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room. Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Bank It Notes #3-BO-PT and either a pen or pencil. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for parents and teens that make it easier to understand, talk about, and manage your money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.

Today we will focus on avoiding and fixing credit problems, and we plan on meeting three goals. One: By the end of this session, you will be able to list two ways to avoid credit problems. Two: You will be able to name a consequence of not using credit well. Three: You will be able to describe what bankruptcy is.

Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation. (If this session is not the first session you're presenting to this group, consider briefly discussing the optional challenge that you may have given participants at the end of your previous session.)

2. Activity: Role-Play a Script (15 minutes)

Ask for two volunteers who are comfortable reading aloud. Give each a copy of the Credit Script. You (or another adult leader) will read the leader part of the script. As a group of three, read the script aloud to the group. When you finish, have the group applaud the volunteers.

Then ask questions such as these: *What do you do to avoid credit problems?* (Answers: Pay bills on time—or early. Pay the entire bill—or as much as you can each month. Make a plan to pay off your bill if you can't pay it all off.)

Ask: *Why is it tempting to use credit poorly?* (Answers: A credit card feels different than cash. It is easy to get caught up in spending and not think about how you will pay for it later.)

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Say: *Besides keeping our receipts from credit card use and monitoring our credit card monthly statement, we can also learn about our credit score and get a copy of our credit report. There is another whole session about credit scores and credit report, which explains how to get these.*

We won't go into that now, but I just want you to know that you can keep track of your credit purchases by keeping your receipts, monitoring your credit card statement, knowing your credit score, and getting a copy of your credit report. (If you wish, write those four items on a flip chart to make it easier for people to remember them.)

On another piece of flip chart paper write "Ways to Avoid Credit Problems." Ask: *How can we avoid credit problems?* Write participants' ideas. If they have trouble, suggest ideas, such as: Not overspending. Buying only what you *need*. Keeping track of your credit spending. Learning your credit score. Using credit well by intending to pay it off as quickly as possible.

3. Present: Keeping Your Credit in Good Shape (15 minutes)

Say: *We all want to have good credit, a high credit score, and a good credit report. But how do we do this?* (On a flip chart write "Steps to a higher credit score.")

Say: *Here are six major ways to get a higher credit score and to keep your credit in good shape. 1. Pay your bills on time (or early). 2. Pay down your debts (what you owe). 3. Have a mix of different kinds of credit. It's better to have a credit card and a loan rather than only credit cards.*

4. Use your credit card regularly, but charge only what you can pay on time. 5. Have a checking and/or savings account at a bank or credit union. 6. Avoid bankruptcy, if possible. These six ideas are great ways to improve your credit, but what do you do if you have credit problems?

On a flip chart, write these ideas: *1. Slow down or stop your credit card use. Put away your credit cards until you've paid them off. Don't cut them up. Don't close your account. Work to pay off your account.*

2. Create a plan. Figure out how to cut back on your spending. Decide how to pay back what you owe (without borrowing money). Most companies will work with you if you contact them about creating a payback plan.

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3. Hire a professional if you need it. Watch out for scam artists. See a banker or another legitimate financial expert for help. It's very important to take charge of your credit. If you don't work to get yourself out of credit problems, there will be consequences.

What can happen if you don't fix your credit problems? Write these consequences on a flip chart: 1. Repossession. This means that the item is taken away from you. This can happen with credit cards, houses, vehicles, and any item that you cannot pay for.

2. Garnished wages. This means that money is taken out of your paycheck to pay back the lender you owe.

3. Bankruptcy. This is a legal status that states that you are unable to pay off your bills and loans. This status, however, does not get you off the hook.

Often with bankruptcy, a number of consequences happen. Items get repossessed. Your wages are garnished. Your credit rating falls to a very bad grade, and it will stay that way for years. Do whatever you can to avoid bankruptcy. Because even if you declare bankruptcy, you are often still expected to pay.

Ask: Is a bad credit score high or low? (Give participants time to respond. The answer is low.)

If you plan to distribute the optional handout, use it at this time. Have the handout answer guide available.

4. Discuss (10 minutes)

Say: Take some time to talk to the people near you. Talk to about two or three people. Take turns. I want you to do two things: 1. Say your first name. 2. Say one thing you plan to do to improve your credit.

(Display the flip chart page that shows the six ways to get a higher credit score and a better credit report.) Start with the person who rented a movie most recently. Then have each person take a turn.

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5. Review and Evaluate (10 minutes)

Review what was accomplished during this session. Ask: *What are ways to avoid credit problems?* (Answers: Pay bills on time—or early. Pay the entire bill—or as much as you can each month. Make a plan to pay off your bill if you can't pay it all at once.)

Ask: *How can you improve your credit score?* (Answers: 1. Pay your bills on time [or early]. 2. Pay down your debts. 3. Have a mix of different kinds of credit. 4. Use your credit card regularly, but charge only what you can pay on time. 5. Have a checking and/or savings account at a bank or credit union. 6. Avoid bankruptcy.)

Ask: *How can you correct a credit problem?* (Answers: Slow down or stop your credit card use. Create a plan. Work with a professional if you need to.)

Ask: *What is a consequence of not using credit well?* (Answers: Repossession, garnished wages, and bankruptcy.)

Ask: *What is bankruptcy?* (Answer: It is the legal status that states that you are unable to pay off your bills and loans. However, you often still need to pay. It wrecks your credit report and your credit score.)

Ask: *How can you keep track of your credit use?* (Answers: Know your credit score. Check your credit report. Monitor your monthly credit statements. Keep your credit card receipts. Don't spend more than you earn.)

At the end of the review, distribute Evaluation #3-BO-PT to each participant. Give participants time to fill out the evaluation. Collect all the evaluations after participants finish so you can find out the measurable outcomes for the session.

6. Close (5 minutes)

Say: *Close your eyes. Think about a time when you have had money problems. You are not alone. Everyone—at some time—struggles with money and credit. Everyone makes mistakes. This doesn't mean that you are on the wrong path. You can be on the right path, starting right now.*

You can make positive money and positive credit choices. You can improve your credit score. You can use credit even better. As we sit in silence for a short moment, I want you to think about one positive step that you will take to use credit and money better. (Pause. Give participants time for silent reflection.)

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After a few moments, say: *You can use credit well. You can use money well. Now open your eyes. Thanks for all of your hard work today. Thank you for coming.* Challenge participants to talk to family members about this topic, which is listed under the Talk About It section of their Bank It Notes.

Optional Activities

1. Distribute Handout #3-BO-PT: Comparing Credit Cards. Encourage participants to complete the handout. Use **Handout Answer Guide #3-BO-PT: Answer Guide: Comparing Credit Cards** for suggested answers that you can refer to while debriefing the activity with participants.

2. Show the PowerPoint Presentation PDF #3-BO-PT. Use the presentation to accompany the one-hour session.

3. Give Participants a Challenge. Encourage participants to use the next week to talk with their family about making their credit better. Encourage them to include their teenager in the discussion to show teenagers how families can talk and make positive money decisions.

Questions? Looking for more ideas? Visit www.bankit.com for answers and more resources.

For More Information

- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 3 in the area of Credit and Debt.
- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 1 in the area of Financial Responsibility and Decision Making.
- *An Asset Builder's Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).