

# FINANCIAL LITERACY WORKSHOP 2

Credit and Debt

1 Facilitator Needed

Estimated Time: 1 hr 50 min

## Things to Prepare BEFORE THE WORKSHOP

ITEM	APPENDIX #	PAGE # USED
Flip Chart 2-1	A-2-1	2-3
Flip Chart 2-2	A-2-1	2-5
Flip Chart 2-3	A-2-2	2-5
Flip Chart 2-4	A-2-3	2-6
Flip Chart 2-5	A-2-3	2-8
Handout 2-1 <i>Credit &amp; Debt</i>	A-2-5	All
Evaluation Form	Trainer's Section	2-10

Activity	Page	Time	Materials
<b>Introduction</b> <ul style="list-style-type: none"> <li>Introduction of facilitator, participants, icebreaker</li> <li>Review Workshop Objectives</li> </ul>	2-3	15 min	<input type="checkbox"/> Flip Chart 2-1 Objectives
<b>Learning Activity 1: Establishing Credit</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>	2-3	5 min <b>20 min</b>	
<b>Learning Activity 1: Establishing Credit</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>	2-4	15 min <b>15 min</b>	<input type="checkbox"/> Blank Flip Chart/Markers <input type="checkbox"/> Handout 2-1 Credit & Debt
<b>Learning Activity 2: Financial Trouble</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>	2-5	15 min <b>15 min</b>	<input type="checkbox"/> Handout 2-1 Credit & Debt <input type="checkbox"/> Flip Chart 2-2 Warning Signs of Financial Trouble <input type="checkbox"/> Flip Chart 2-3 Potential Impact of Financial Trouble on Debtors and Families
<b>Break</b>	2-5	<b>15 min</b>	
<b>Learning Activity 3: Improving Poor Credit</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>	2-6	15 min <b>15 min</b>	<input type="checkbox"/> Handout 2-1 Credit & Debt <input type="checkbox"/> Flip Chart 2-4 Steps for Improving Poor Credit

<b>Learning Activity 4: Managing Credit Card Credit Debt</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>	2-8	15 min <b>15 min</b>	<input type="checkbox"/> Handout 2-1 Credit & Debt <input type="checkbox"/> Flip Chart 2-5 Guidelines for Managing Credit Card Debt
<b>Wrap-up</b> <ul style="list-style-type: none"> <li>Workshop Evaluation</li> </ul>	2-10	10 min <b>10 min</b>	<input type="checkbox"/> Evaluation Form

# Introduction

Time: 20 min

Materials: Flip Chart 2-1

Reminder: The Trainer's role is always to *educate*, not to provide *advice*.

- **Introduction of Facilitator and Participants**

- Welcome the participants and introduce yourself to the group.
- Ask the participants to introduce themselves and conduct one Icebreaker selected by the facilitator from the Icebreaker list.
- Tell the group that this session will focus on Credit and Debt.

- **Workshop Objectives**

- Refer to Flip Chart 2-1: Objectives and review it with participants.
- Hang the Flip Chart so that it is visible to the entire group.

# Learning Activity 1: Establishing Credit

Time: 15 min

Materials: Handout 2-1, Blank Flip Chart page, Markers

- **Group Discussion**

- DISTRIBUTE HANDOUT 2-1 Credit and Debt.
- Ask the group to look over the section of “Definitions”
- Ask for a volunteer to read the definition of “credit”.
- Tell the group that the rest of the definitions are there for their reference, but for now we will be focusing on credit.
- Then ask the group for suggestions as to how they think someone with no credit could begin to establish it.
- Write key word responses on the blank Flip Chart page (See Figure 2-1: Establishing Credit for possible answers.)
  - Expected Responses:
    - Open a bank account** (*checking or savings*)
    - Apply for a national credit card** (*if you have a job and maintained your current home address for one year*)
    - Pay bills on time and have payment history available** (*from utility or cable companies readily available for prospective creditors as proof that you pay your debts on time*)
    - Find a relative or friend to co-sign a credit application.** (*It is important that you and the co-signor know that the debt will be listed on their credit report. Satisfactorily paying the co-signed debt will help you obtain your own future credit.*)
- Be sure that the group has covered each item on the list. Add missing responses to the list. Write down what is in **bold** on the flip chart and say what is in *italics*.

## Learning Activity 2: Financial Trouble

Time: 15 min

Materials: Handout 2-1, Flip Chart 2-2, Flip Chart 2-3

- **Group Discussion**

- Distribute Handout 2-1. Refer to Flip Chart 2-2-Financial Trouble Warning Signs and read the list out loud. (The group can follow along on the handout.)
- Tell the group:
  - That the majority of American households use credit to some extent.
  - That credit allows households that cannot pay cash to purchase needed or wanted items by making regularly scheduled payments.
  - That credit is not a bad thing, if one uses it wisely. However, it is important to recognize warning signs of financial trouble so you can do something about it before the problem gets worse.
- Next, explain that financial trouble can lead to a variety of other problems. (Refer to Flip Chart 2-3-Potential Impact of Financial Trouble on Debtors and Families )
- Tell the group that other problems arise from financial stress.
- Read each item on the flip chart out loud.
- Ask participants for their comments.

-----15 min BREAK-----

## Learning Activity 3: Improving Poor Credit

Time: 15 min

Materials: Handout 2-1, Flip Chart 2-4

- **Group Discussion**

- Refer to Flip Chart 2-4-Steps for Improving Poor Credit
- Tell the group:
  - The first step to improving poor credit is to know what information is in their credit report.
  - There are three agencies that track consumer credit: Equifax, Experian and Trans Union Corporation.
  - Information on how to contact them is on Handout 2-1: Credit and Debt. You may have to pay a fee to obtain a copy of your credit report. (Some states have laws that enable you to obtain one or two free copies a year.)
  - Reading the credit report may be a little difficult. If you need help, you might contact a nonprofit credit counseling service or visit a bank or credit union. Be aware of companies that ask for fees up front and claim they can repair your credit immediately.
  - If your credit needs improvement, you may consider taking the following steps. Remember, improving poor credit often takes time and effort, but it can be done.
- Refer to Flip Chart 2-4-Steps for Improving Poor Credit (The group can refer to Handout 2-1) and read:
  - *Revise your monthly budget, reduce non-essential expenses and see how much you have available for debt payments after you cover your housing, food and other essential expenses.*

- *Contact each creditor to let them know you are having a problem making the payments. Ask them to work with you on an acceptable repayment plan until your financial situation improves. Be aware of companies that ask for fees up front and claim they can repair your credit immediately.*
  
- *Contact a nonprofit credit counseling agency. They may be able to arrange a debt management plan whereby you pay your debts through the agency. They arrange a repayment plan and charge you a small monthly service fee. (Turning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. Be cautious. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company's location.)*
  
- *Whether you arrange a repayment plan or work with a nonprofit credit counseling agency, pay monthly debts as agreed.*
  
- *If all else fails, you may wish to consult with an attorney to discuss filing bankruptcy. Bankruptcy offers debtors relief from the serious impact of debt-related stress. But remember, this is an extreme measure that will seriously affect your credit for up to ten years.*

## Learning Activity 4: Managing Credit Card Debt

Time: 15 min

Materials: Handout 2-1, Flip Chart 2-5

- **Group Discussion**

- Refer to Flip Chart 2-5-Guideline for Managing Credit Card Debt
- Tell the group:
  - No one should get into credit card debt if they are already experiencing difficulties paying their monthly living expenses.
  - To set aside some money each month for savings.
  - If you think you can handle credit wisely, remember these principles:
- Refer to Flip Chart 2-5-Guideline for Managing Credit Card Debt (The group can refer to Handout 2-1) and tell the group that if they think they can handle credit wisely, then to remember the following principles:
  - Only apply for one nationally accepted bank card (like Visa or Mastercard). Compare interest rates and annual fees. Find out what the interest rate will be after the introductory period (first few months).
  - Use the card when absolutely necessary, for example if you need medical care or emergency road service. Limit other uses and charge only the amount you can pay off in full at the end of the month. If you carry a balance, do not use the card again until you pay it off.
  - Leave your credit card home when you go shopping, especially if you are just going to “look” or “window shop”. Buying “unplanned” items is a good way to get into “unplanned” debt.

- ❑ Do not loan your credit card to anyone. Relatives and friends may plan to pay for the items they charge on your card, but could lose their job or find themselves unable to make the payments. You will be responsible for the debt regardless.
  
- ❑ Many stores offer free gifts just for applying for a card. Applying for credit will show as an inquiry on your credit report and will reduce your credit score. In addition, store cards usually charge higher interest than bank cards. Since bank cards are generally accepted everywhere, store cards are not really needed.

# WRAP UP

Time 10 min

Materials Need: Evaluation Form

- **Workshop Evaluation**

- Distribute Evaluation Forms.
- Ask the group to please take a few minutes to complete the Evaluation Form.
- Let them know that their comments are important to further improve the module
- Thank them for taking the time to attend this workshop and ask them if they have any questions
- If you cannot answer a particular question, write it down along with the contact information for the person who asked the question. Contact them later with an answer.

## **FIGURE 2-1: Establishing Credit *EXAMPLE***

### **Establishing Credit**

- Open a bank account
- Apply for credit at a local store
- Have good payment information
- Apply for a “secured” credit card
- Find a relative or friend to co-sign a credit application

## **FLIP CHART 2-1: Objectives**

### **WORKSHOP OBJECTIVES**

#### LEARN ABOUT:

- Establishing Credit
- Financial Trouble
- Improving Poor Credit
- Managing Credit Card Debt

## **FLIP CHART 2-2: Warning Signs of Financial Trouble**

### **Warning Signs of Financial Trouble**

- Paying bills late
- Skipping payments
- Making only minimum payments
- Paying regular monthly bills with credit cards

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**(Second flip chart page)**

Paying one credit card with  
another credit card

Maxing out credit card limits

Receiving frequent calls from creditors

## **FLIP CHART 2-3: Potential Impact of Financial Trouble on Debtors and Families**

### **Potential Impact of Financial Trouble Of Debtors and Families**

Feeling poor self worth

Affects ability to live comfortably and happily

Stress-related health problems

Delay in seeking Medical Care

Family arguments

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**(Second flip chart page)**

Spouse/child abuse

Substance abuse

Loss of housing or vehicle

Divorce

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**(Third flip chart page)**

Employment absenteeism/tardiness

Reduced productivity at work

Increased possibility of work-related accidents

## **FLIP CHART 2-4: Steps for Improving Poor Credit**

### **Steps for Improving Poor Credit**

Network monthly budget

Reduce non-essential expenses

Contact each creditor

Arrange repayment plans, or

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**(Second flip chart page)**

Contact nonprofit consumer credit agency

Pay repayment plans as agreed

Seek legal advice on bankruptcy if necessary

Avoid for-profit credit repair companies

## **FLIP CHART 2-5: Guidelines for Managing Credit Card Debt**

### **Guideline for Managing Credit Card Debt**

One bank credit card

Compare interest & fees

Use only if absolutely  
necessary

Pay full balance each month

Stop using until paid

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**(Second flip chart page)**

When shopping, don't spend on unplanned expenses

Department store cards = higher interest

Don't loan credit cards

Don't apply to get free gifts-  
Inquiries reduce credit scores

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**(Third flip chart page)**

**Protect your credit cards to avoid identity theft by:**

Don't carry your Social Security card; leave it in a secure  
place

Not giving personal information over the phone, Internet or  
mail when using your card

Keep your purse or wallet in a safe place at work

Shredding your discarded credit charge slips

See federal Trade Commissions' website for more information.

<http://www.consumer.gov/idtheft/>