



# Financial Literacy Course

East High School  
Module 4

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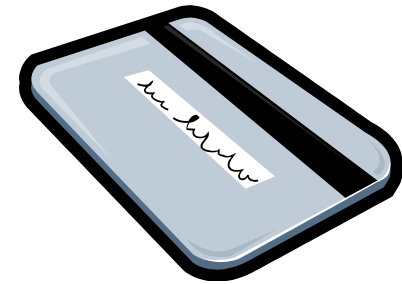
# What will you learn about?

- Payment Types
- Credit Card Terms
- Managing Debt

# Key terms

- **Interest (paid not made)** – You pay interest when you don't pay your credit card bill in full, or when you take out another kind of loan. Basically, you're paying a fee to use money that's not yours.
- **Payment Types** - What you use to buy something. Examples include cash, checks, debit cards, and credit cards.
- **Credit Cards** – Payment type that does not automatically draw money from your account.

# Payment Types



- **Checks** - basically writing a note indicating money can come out of your checking acct
- **Money Orders** – Buy individual orders, and once you've put up the cash for the money order, you can use it to pay for things.
- **Debit Cards** – Once used, money is debited directly from your account
- **ATM Cards** – Only make purchases in person and must use pin.

# Payment Types



- **Credit Cards** - Provides a short-term loan. Unsecured, which means the credit card company makes its loans based on the trust that the borrower will pay the amount back.
- **Merchant Credit Card** – You sign up for at a store. Pay for purchases only at that store.
- **Charge Card** – Works like a credit card but balance must be paid in full at the end of the month
- **Cash Advance** – Loans of cash from your credit card. Usually, no grace period. Interest rate higher than normal.

# Payment Types

- **Payday loans** – Meant to get you buy until your next payday
  - High fees and lenders can charge more than one hundred percent interest – even as high as nine hundred percent
  - Often most expensive source of money

# Credit Card Terms



- Credit card companies manage risk of losing money with rules and restrictions.
- **Credit Limit** – The total amount the company is willing to loan you without charging fees and penalties.
- **Annual Percentage Rate (APR)** – The interest rate charged on the balance.
  - Avg APR is 14% and can go a lot higher
  - If you don't pay in full at the end of the billing cycle, you will pay interest.

# Credit Card Terms

- **Annual Fees/Finance Charges** – Fixed amounts on top of interest that you might pay for just having the card, or doing certain things, like transferring a balance from one card to another or increasing your credit limit.
- **Grace Period** – Amount of time you have to pay back a balance before it starts accumulating interest (Isn't long, usually less than a month).
- **Minimum Payment** – If you don't pay at least the min each month, you'll end up paying late fees.



# Managing Debt

## **If you are already in debt....**

- Stop spending with credit
- Pay at least the minimum, on time.
  - If still not working, ask your credit card company to lower your interest rate. If they wont, consider transferring your balance to a credit card with a lower rate (check fees first)
- Possibly debt consolidation or debt counseling

