

AMBASSADOR GOOD CREDIT BADGE

Badge Purpose: When you've earned this badge, you'll know more about the ways to borrow money and understand the importance of establishing good credit.

Activity	Materials Needed
Give Me Some Credit! <ul style="list-style-type: none"> Understand what credit means, how a credit score works, and how to build good credit. 	<input type="checkbox"/> Phone or computer with internet access
The Cost of Credit <ul style="list-style-type: none"> Learn about credit cards, and how much money they can cost. 	<input type="checkbox"/> Phone or computer with internet access <input type="checkbox"/> Key Credit Card Terms handout (at the end of this activity plan)
Paying for College <ul style="list-style-type: none"> Explore the ins and outs of student loans with the experts. 	<input type="checkbox"/> Notebook <input type="checkbox"/> Pen
Credit Commitment <ul style="list-style-type: none"> Reflect on what you've learned and draft a statement of your commitment to building—and maintaining—good credit. 	<input type="checkbox"/> Computer or notebook <input type="checkbox"/> Pen

Activity #1: Give Me Some Credit!

Badge Connection: Step 1 – Get the scoop on credit scores

Materials Needed: Phone or computer with internet access

- When you buy something on credit, you're essentially making a promise to pay for the item later. So why should a seller believe that you're good for the money in the future? It's all based on your credit score.
- Whether you choose to borrow money for the things you want to have, or instead you choose to purchase the items when you have the full amount saved, it's important to understand what credit scores mean, and how your choices and habits can negatively or positively affect your credit score.
- A credit score is a like a grade on a report card, but it's a three-digit number. A very good credit score is above 700. If it's below 500, you will have a tough time getting loans and credit cards. Credit card companies and banks use this number to determine if you are a good risk (meaning, they are judging the likelihood of you paying them back).
- Credit scores relate to more than just credit cards, too. If you are considering student loans, a car loan, or a mortgage (loan) for your house in the future, you'll want to have a good credit score. Your credit score follows you in life, and can be very difficult to change after it's dipped into the red zone.
- Do your own research on credit scores—the Consumer Financial Protection Bureau is a good place to start (consumerfinance.gov). Find out how you can build a good credit score and learn about financial habits that can help you keep your score up (i.e. always pay your bills on time). You can also speak to a banker or



financial planner who can advise you on starting out on the right foot with credit. Share what you learn with your troop, family, or friends.

- Building Good Credit PDF: bit.ly/buildingcreditPDF
- Credit Building Tips: bit.ly/creditbuildingtips

Activity #2: The Cost of Credit

Badge Connection: Step 3 – Learn the ins and outs of credit cards

Materials Needed: Phone or a computer with internet access; Key Credit Card Terms (at the end of this activity plan)

1. You want a new cell phone, so you take out your credit card, buy the phone, and walk out of the store. Wow, that was easy! But wait, who, exactly, *paid* for that phone? The bank did. And you just borrowed money from them and promised to pay it back.
2. Credit cards seem like an easy way to get what you want fast. All you have to do is show your card, sign on the dotted line, and you're all set. But don't fall into the trap of thinking that a credit limit (the amount of money a credit card company will allow you to spend) is free money that you actually *can* spend. Most experts advise not spending more than 30% of your credit limit allowance. For example, if a bank gives you a credit card with a \$1,000 credit limit, you would be wise to keep your spending below \$300 (and only if you can afford to pay that amount in full each month!).
3. If you can't pay the entire balance when the bill is due, you'll be paying interest (extra charges) on that credit until the balance is paid in full. For example, a \$500 purchase with an interest rate of 16% and monthly payments of \$20 would actually cost \$112.24 *more* than the original price tag, and would take 31 months to pay off. Whoa! Was that \$500 item worth \$612.24? Maybe, but probably not.
4. Review the Key Credit Card Terms at the end of this activity plan to learn the lingo. Explore exactly how much an item would cost if you paid with a credit card by using an online credit card calculator:
 - bit.ly/costofcredit
5. Remember, credit goes hand in hand with debt. It's one thing to have good credit and use it wisely. It's another thing to borrow more than you can handle and get into debt that you can't afford.

Activity #3: Paying for College

Badge Connection: Step 2 – Find out how bank loans work and Step 4 – Gather real life borrowing stories

Materials Needed: Notebook; pen

1. College can be expensive, and it's common for students to use financial aid to pay for at least some of their college education. Different types of financial aid include:
 - **Grants:** money you don't have to re-pay, typically need-based
 - **Scholarships:** money you don't have to re-pay, typically merit-based
 - **Work-study programs:** money earned by working at the college or university
 - **Loans:** borrowed money that needs to be paid back later, with interest
2. If you are taking out loans to pay for some or all of college, it's important to understand the terms of the loans. You'll need to know how much interest you'll be paying on the loans, when you'll be required to start repaying the loans, if there is a deferment option (like a pause button on the loan for planned times when you may not be able to make payments), and whether a co-signer will be required for the loan (like your parents). Every dollar you borrow in a student loan needs to be repaid later—with interest—so it's important to only borrow what you need.
3. For this step, meet with an expert to learn the ins and outs of student loans. You can meet with your school guidance counselor, a financial aid officer at a college, or a loan officer at a bank. Make a list of questions you want to ask about student loans, and then take a lot of notes!
4. Do more research online:



- Choose a Student Loan: bit.ly/chooseastudentloan
- Online Student Loan Calculator: bit.ly/financialaidcalculator

Activity #4: Credit Commitment

Badge Connection: Step 4 – Gather real-life borrowing stories and Step 5 – Write your own credit commitment

Materials Needed: Computer or notebook; pen

1. What have you learned about credit in your research for this badge? What have you learned about debt? Now it's time to connect the dots with some real-life borrowing stories. Talk to friends and family to learn from their mistakes and successes.
2. Talking about money can be very personal, so remember to be sensitive as you ask questions of your friends and family. Give them the space to share a general story about their credit history. An example of a general story: *"I borrowed the full amount offered to me for student loans, even though it was more than I needed. I'm still paying off those loans now. In hindsight, I could have worked a few more hours a week to save up and not borrow as much."* Or maybe a family member has a story about not paying their bills on time for a while, and having that reported to the credit bureau, affecting their credit score. And there are positive stories too! Maybe you know someone with credit success stories and who has maintained a high credit score—ask them how they did it!
3. As you listen to these stories from friends and family, think about how you want your financial life to be. Nobody dreams of a future filled with debt, but lots of people dream about the things that they want to have in their lives (everything from clothes and movies with friends to cars, a college education, and a house). Understanding what good credit means (and how debt is associated with credit) can help you set realistic goals for your future.
4. Write your credit commitment, and then share it with friends and family. Listen to their input and advice, and make changes to it if needed. Once you have a final draft of your credit commitment, save it and refer to it when you need financial guidance in the years ahead.



Key Credit Card Terms

Interest: A charge for borrowing money, most often based on the percentage of the amount owed.

Fixed interest rate: When the interest you are charged on borrowed money remains consistent.

Variable interest rate: When the interest you are charged on borrowed money changes based on outside influences.

APR: Annual percentage rate. APR is the amount of interest a cardholder pays in a year in addition to the regular balance. It's important to note that an APR can be fixed or variable.

Credit limit: The maximum amount of money you can borrow.

Grace period: The time between your purchase and the point where you start having to pay interest on the amount you borrowed.

Minimum payment: Credit cards require that you pay a minimum amount of money on what you owe each month. Remember though, you will be charged interest on the amount you don't pay.

Annual fee: Many credit cards, particularly those that offer rewards like airline miles, charge an annual fee to use the card. This is important to pay attention to, as the fee can be more than any rewards you might be able to use.

