

Student Activities



Lesson Seven

Understanding Credit



lesson 7 quiz: credit knowledge

choose the correct answer.

1. ——— **A common advantage of using credit is:**
 - a. less impulse buying.
 - b. lower cost for items purchased.
 - c. ability to obtain items now.
 - d. lower chance of overspending.

2. ——— **You may pay more for an item bought on credit because of:**
 - a. interest payments.
 - b. sale prices.
 - c. debts.
 - d. financial problems.

3. ——— **A common disadvantage of using credit is:**
 - a. having to carry extra cash.
 - b. having a record of your purchases.
 - c. spending more than you should.
 - d. buying now, paying later.

4. ——— **If you use credit, you *should*:**
 - a. run up as much debt as you can.
 - b. notify the credit company immediately if your credit card is lost.
 - c. give your credit card number to anyone who asks for it.
 - d. borrow more than you can repay.

5. ——— **If you use credit, you *should not*:**
 - a. give your card number over the phone.
 - b. pay debts promptly.
 - c. read and understand the credit contract.
 - d. tell anyone if your credit card is lost.



lesson 7 quiz: establishing a credit history

choose the correct answer.

1. _____ **When you pay all your bills on time, you are showing good:**
 - a. character
 - b. capital
 - c. collateral
 - d. capacity
 - e. conditions

2. _____ **A steady job and regular income are referred to as:**
 - a. character
 - b. capital
 - c. collateral
 - d. capacity
 - e. conditions

3. _____ **Which one of these would not be used to repay a debt?**
 - a. income
 - b. owned property
 - c. collateral
 - d. character references
 - e. conditions

Put a check beside the four best ways to build a credit history:

- _____ always pay in cash.
- _____ establish a steady work record.
- _____ pay all your bills on time.
- _____ bounce checks in your checking account.
- _____ use your savings to buy items instead of using credit.
- _____ make regular payments in a savings account.
- _____ apply for a local store credit card and pay regularly.
- _____ get a co-signer to pay back your loans.



how much is a safe debt load?



directions

Read each of the following scenarios. How much debt can each person safely carry?

1.

Jessie has a monthly net income of \$1,000.

He pays \$300 a month for rent.

He pays \$80 each month for a credit card bill.

Now, he wants to buy a car.

How much does Jessie have left in his budget for a car payment?

(Hint: His monthly payment should be less than 10% of his monthly net income.)

Answer: _____

Work:

2.

Carla has a monthly net income of \$450.

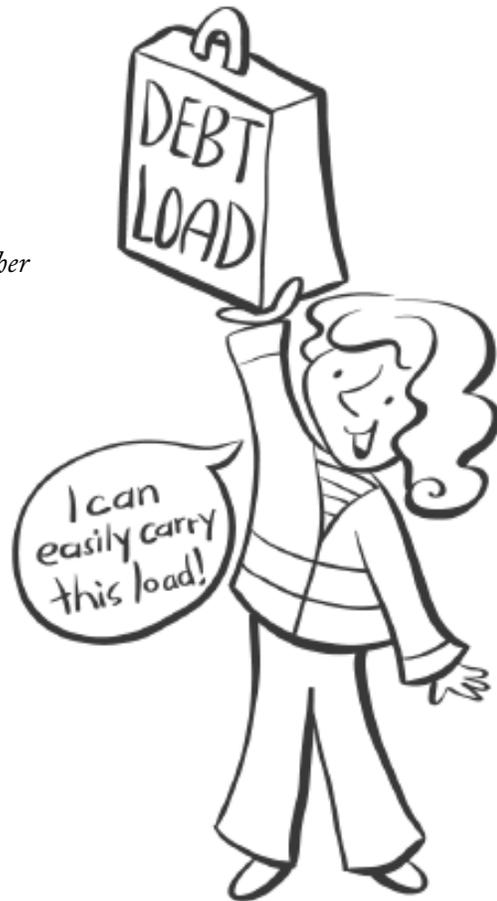
She wants to buy a new bike with a credit card.

What is the largest monthly payment she can make?

(Hint: Her monthly payments should be less than 10% of her monthly net income.)

Answer: _____

Work:





how much is a safe debt load? (cont.)

3.

David has a monthly net income of \$1,360.

He has a monthly rent payment of \$450.

He is paying \$116 a month for a student loan.

David would like to buy a new television set using a credit card.

How much can David safely pay each month for his debts?

(Hint: His monthly payments should be less than 10% of his monthly net income.)

Answer: _____

Work:

4.

Marsha and Michael have a combined monthly net income of \$3,500.

They pay \$675 a month for rent.

They have an outstanding student loan balance of \$6,000.

They owe a balance of \$1,000 on a new stereo.

How much more debt can they safely take on?

(Hint: They should not borrow more than 20% of their yearly net income.)

Answer: _____

Work:

5.

Juanita has a monthly net income of \$2,500.

She pays \$500 a month for rent.

She pays a car insurance premium of \$68.

She also makes a car payment of \$167.

Are these payments within Juanita's safe debt load?

(Hint: Her monthly payments should be less than 10% of her monthly net income.)

Answer: _____

Work:



shopping for credit



directions

Compare the costs and features of two different credit cards on the chart below.

CARD ONE: a major credit card

CARD TWO: a credit card from a department store

	CARD ONE	CARD TWO
1. Card name		
2. Locations accepted		
3. Annual fee		
4. APR		
5. Grace period		
6. Minimum payment		
7. Late payment fee		
8. Other features		

1. Card name

What is the charge or credit card name?

2. Locations

Where are the cards accepted?

3. Annual fee

Do the cards have an annual fee?

4. APR

How much are the annual percentage rates?

5. Grace period

What is the grace period for paying?

6. Minimum monthly payment

What is the smallest payment you can make each month?

How is it calculated?

7. Late payment fee

Is there a charge for late payments?

How much is it?

8. Other features

Do the cards offer any other special features?



the credit card statement



directions

Use the credit card statement on the following page to answer these questions:

1. What is the Annual Percentage Rate (APR)?

2. What is the new balance?

3. What was the previous balance?

4. How many charges were made during the billing cycle?

5. How many credits and payments were made during the billing cycle?

6. Were there any charges for late payments?

7. What is the total amount of the credit line?

8. What is the total amount of charges made during the current billing period?

9. Was there a finance charge for the current billing cycle?

10. What is the account number on the statement?

name: _____

date: _____



the credit card statement

SEND PAYMENT TO

 Box 1234
 Anytown, USA

CREDIT CARD STATEMENT

ACCOUNT NUMBER	NAME	STATEMENT DUE	PAYMENT DUE DATE
4125-239-412	John Doe	2/13/19	3/09/19

CREDIT LINE	CREDIT AVAILABLE	NEW BALANCE	MINIMUM PAYMENT DUE
\$1200.00	\$1074.76	\$125.24	\$20.00

REFERENCE	SOLD	POSTED	ACTIVITY SINCE LAST STATEMENT	AMOUNT
463GE7382		1/25	PAYMENT THANK YOU	-168.80
32F349ER3	1/12	1/15	RECORD RECYCLER ANYTOWN, USA	14.83
89102DIS2	1/13	1/15	BEEFORAMA REST ANYTOWN, USA	30.55
NX34FJD32	1/18	1/18	GREAT ESCAPES BIG CITY, USA	27.50
84RT3292A	1/20	1/21	DINO-GEL GASOLINE ANYTOWN, USA	12.26
973DWS321	2/09	2/09	SHIRTS 'N SUCH TINYVILLE, USA	40.10

Previous balance	(+) 168.80	Current Amount Due	125.24
Purchases	(+) 125.24	Amount Past Due	
Cash Advances	(+)	Amount Over Credit Line	
Payments	(-) 168.80	Minimum Payment Due	20.00
Credits	(-)		
FINANCE CHARGES	(+)		
Late Charges	(+)		
NEW BALANCE	(=) 125.24		

FINANCE CHARGE SUMMARY	PURCHASES	ADVANCES	For Customer Service Call: 1-800-xxx-xxxx
Periodic Rate	1.65%	0.54%	For Lost of Stolen Card, Call: 1-800-xxx-xxxx 24-Hour Telephone Numbers
Annual Percentage Rate	19.80%	6.48%	

Please make check or money order payable to Your First Bank. Include account number on front.

name: _____

date: _____



credit card statement template

SEND PAYMENT TO

Box 1234
Anytown, USA

CREDIT CARD STATEMENT

ACCOUNT NUMBER	NAME	STATEMENT DUE	PAYMENT DUE DATE
CREDIT LINE	CREDIT AVAILABLE	NEW BALANCE	MINIMUM PAYMENT DUE

REFERENCE	SOLD	POSTED	ACTIVITY SINCE LAST STATEMENT	AMOUNT

Previous balance	(+)	Current Amount Due
Purchases	(+)	Amount Past Due
Cash Advances	(+)	Amount Over Credit Line
Payments	(-)	Minimum Payment Due
Credits	(-)	
FINANCE CHARGES	(+)	
Late Charges	(+)	
NEW BALANCE	(=)	

FINANCE CHARGE SUMMARY	PURCHASES	ADVANCES	For Customer Service Call: 1-800-xxx-xxxx
Periodic Rate			For Lost of Stolen Card, Call: 1-800-xxx-xxxx
Annual Percentage Rate			24-Hour Telephone Numbers

Please make check or money order payable to Your First Bank. Include account number on front.



lesson 7 quiz: credit card features and costs

choose the correct answer.

1. ——— **Comparing the APR of different credit cards allows you to get the:**
 - a. longest grace period.
 - b. lowest annual fee.
 - c. lowest interest rate.
 - d. lowest minimum payment.

2. ——— **The grace period refers to the time:**
 - a. taken to process a credit card application.
 - b. for paying an account without an interest charge.
 - c. allowed to notify the creditor of a billing error.
 - d. used for calculating interest.

3. ——— **The smallest amount you can pay on a credit card account without paying a late payment fee is called the:**
 - a. late payment fee.
 - b. credit limit.
 - c. annual fee.
 - d. minimum payment.

4. ——— **Which of the following is not important when shopping for a credit card?**
 - a. the costs of the card
 - b. the features of the card
 - c. what the card looks like
 - d. how you plan to use the card

5. ——— **Which of the following is not included on a credit card statement?**
 - a. the balance in savings and checking accounts
 - b. the previous credit account balance
 - c. the names of stores where purchases were made
 - d. the new credit account balance



lesson 7 quiz: avoiding financial trouble

Put a check in front of the five statements about financial trouble that are true.

_____ A warning sign of financial trouble is not knowing how much you owe.

_____ It is a good idea to get a new loan to pay old loans.

_____ If you have a high-paying job, you can afford to spend more than 20% of your net income on debt maintenance.

_____ It is a good idea to contact creditors immediately if you begin falling behind in your payments.

_____ A credit repair company can erase a poor credit history quickly.

_____ The National Foundation for Consumer Credit will help you set up a realistic budget, contact your creditors, and plan future expenses.

_____ Financial difficulties are commonly caused by overspending.

_____ The National Foundation for Credit Counseling offers customers a quick, easy fix for financial problems.

_____ You should never admit to a creditor that you cannot pay your bills.

_____ Setting up a realistic budget is a good way to avoid financial trouble.