

Name: _____ Period: _____ Date: _____

Credit Spending Worksheet (Key)

Instructions: Using information from any of the sources used in this lesson or the Internet, answer the following questions.

Websites that you might use:

<http://moneymattersmakeitcount.com/CREDITDEBT/Pages/CreditBasics.aspx>

<http://www.bankrate.com/calculators/credit-cards/credit-card-payoff-calculator.aspx>

1. What are two types of credit?

Installment - Pay the same payment monthly for an agreed period of time.

Revolving – Charge and then make payments but the option to continue to charge is there until you hit the maximum limit.

2. Under what conditions might a consumer find each useful?

Installment is useful when buying a home, car or possibly furniture.

Revolving is useful for emergencies or perhaps to make an Internet purchase. One should be careful about using revolving credit and have a plan to pay it off quickly.

3. What is interest?

The cost to use someone else's money.

4. Why might someone be willing to pay interest on a purchase rather than paying for it all in cash?

You want to have savings available for emergencies. You want to establish a credit history.

5. What are some advantages and disadvantages of using credit?

Advantages - You may purchase something now that you do not have money to purchase. You also have a record of spending and it allows you to purchase off the Internet or reserve a motel room or car rental.

Disadvantages - It is easy to spend money you really do not have to spend, then you have to pay interest on that expenditure which means it is costing you more.

6. Which type of credit do you think poses the greatest threat?

Revolving credit

7. What makes you credit worthy?

Making payments on time, staying at the same job for a period of time and establishing a relationship with a financial institution by having a savings or checking account and managing that account. Not having too much of your income already obligated.

Name: _____ Period: _____ Date: _____

8. What information will be included in the fine print of a credit application that you should read?

- when the interest rate can change
- whether there is an annual fee for using the card
- the fee you'll be charged if you pay late
- whether you'll be charged interest even if you always pay your bill in full and on time

9. What factors determine your credit score?

- whether or not you've paid your bills on time
- how much you've borrowed
- what part of your available credit you are using
- how long you've used credit and the kinds you've used
- new applications for credit you've made
- whether you have ever defaulted, or failed to pay

10. Using a credit calculator on the Internet, how long would it take to pay off \$5,000.00 at 21% interest if you make payments of \$100.00?

9 years 11 months

11. Using the same calculator, how long would it take to pay off \$500.00 at 18% interest if you are making the minimum payment of \$10.00 a month?

7 years 1 month

12. What are steps you can take to safeguard personal information?

Do not carry your social security card. Memorize the number for when you need it. Do not give personal information to anyone over the phone unless you initiated the call. Shred documents you no longer need with your social security number on them. Get mail from a locked mailbox and send mail from the post office. Use only secured Internet sites when providing personal information.