Review of Credit

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| **Word** | **Definition** |
| **Credit** |  |

***Advantages and Disadvantages of Credit***

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| ***Advantages*** | ***Disadvantages*** |
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***Why do banks issue credit?***

Banks issue credit to consumers to 1) make money and 2) offer service to customer.

***What are the 3 C’s?***

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| --- | --- | --- |
| **Character** | **Capital** | **Capacity** |
| *Will you repay the debt?* | *What if you don’t repay the debt?* | *Can you repay the debt?* |
|  |  |  |

**Your Responsibilities**

* \_\_\_\_\_\_\_\_\_\_\_\_ only what you can \_\_\_\_\_\_\_\_\_\_.
* Read and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the credit \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* \_\_\_\_\_\_\_\_\_\_\_\_ creditor if you \_\_\_\_\_\_\_\_\_\_\_\_ meet payments.
* Report \_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_ credit cards promptly.
* Never give your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ over the phone unless you initiated the call or are certain of the caller’s identity.

**How to Build a Credit History**

**Types and Sources of Credit**

*Single-Payment Credit*

Items and services are \_\_\_\_\_\_\_\_\_ for in a \_\_\_\_\_\_\_\_\_\_\_\_ payment, within a given time period, after the purchase. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is usually \_\_\_\_\_\_ charged.

Examples:

*Revolving Credit*

\_\_\_\_\_\_\_\_ items can be \_\_\_\_\_\_\_\_\_\_\_\_ using this plan as long as the \_\_\_\_\_\_\_\_\_\_ amount does not go over the credit user’s assigned dollar limit. Repayment is made at \_\_\_\_\_\_\_\_\_\_\_\_\_\_ time intervals for any amount at or \_\_\_\_\_\_\_\_\_\_ the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ required amount. Interest is \_\_\_\_\_\_\_\_\_\_\_\_ on the remaining \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Examples:

*Installment Credit*

Merchandise, services, or money loaned, which are paid back in two or more regularly scheduled payments. Interest is included.

Examples:

**20-10 Rule**

**Example 1:** You earn $400 a month after taxes. What is the maximum amount of debt you should have?

What amount should your monthly debt payment not exceed?

**Example 2:** Jen and Jacob have a combined monthly net income of $5,700. Their fixed monthly expenses consist of $1,675 for rent. They also have an outstanding student loan balance of $6,000 and a balance of $2,000 for some home renovation materials they bought last month. How much more debt can they take on and still be within a safe debt load?

**Example 3:** Vicki has a monthly net income of $3,450. Her fixed monthly expenses consist of $900 for rent. She also pays a car insurance premium of $108 and a car payment of $367. Are these payments within Vicki’s safe debt load?

***Parts of a Credit Card***

 

**Interesting Fact -**