



Credit Basics Note Taking Guide

	Total Points Earned
	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Managing Credit Responsibly

Credit is...

Individuals must pay back...

Credit availability depends on...

What are three credit sources?

Why are you spending future income when using credit?

What are two examples of the purpose of credit providing long-term benefits.

What can happen if credit is not managed responsibly?



What are three benefits to using money saved or invested instead of credit?

What is a disadvantage of doing this?



Summarize why reading a contract carefully is important and what a person should consider.

Describe the recommended amount to borrow.

Types of Credit

Closed-end Credit

Definition:

Features:

Examples:

Open-end Credit

Definition:

Features:

Examples:



What are features of alternative credit?

Describe each type of alternative credit.

Payday loan:

Rent-to-Own:

Title loan:

Pawn loan:

Refund anticipation loan:

Shopping for Credit

What is a credit application?

What types of information does it include?

Why might a lender check a persons credit history?

What is the trade-off to no credit history check?

Why should a person shop around with different lenders?

How could shopping around impact their credit score?



Credit Basics

	Total Points Earned
	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Match the correct term with the correct definition by placing the letter on the appropriate blank.
(1 point per question)

- | | |
|--|--|
| <p>1. ____ A line of credit established in advance so the borrower does not have to apply for credit each time new credit is desired.</p> <p>2. ____ A loan which the borrower must repay the amount in a specified number of equal payments.</p> <p>3. ____ Short-term loan that provides immediate cash by securing a borrower's written check or receiving authorization for automatic withdrawal from the borrower's depository institution account.</p> <p>4. ____ Tangible items leased with the condition that the item will be owned by the renter if the term of rent (contract) is completed.</p> <p>5. ____ A loan based on the value of personal property.</p> <p>6. ____ The borrower gives the lender his/her automobile title in exchange for a set amount of cash.</p> <p>7. ____ Short-term cash advance secured by a taxpayer's expected tax refund.</p> | <p>A. Title loan</p> <p>B. Payday loan</p> <p>C. Closed-end credit</p> <p>D. Refund
 anticipation loan</p> <p>E. Open-end credit</p> <p>F. Pawn loan</p> <p>G. Rent-to-own loan</p> |
|--|--|

Directions: Determine if each statement is true or false and indicate T for true and F for false. (1 point per question)

8. ____ Annual interest rates for alternative loans can be as high as 300%.
9. ____ All lenders check a person's credit report and score during the loan approval process.
10. ____ The terms of a loan are always consistent for the length of the loan.
11. ____ An example of closed-end credit is a secure credit card.
12. ____ If an individual does not meet the credit terms for a pawn loan, the lender will keep the property.
13. ____ Evaluating the purpose of credit is an important consideration to using credit responsibly.
14. ____ Depending on the credit terms, if a person has a late payment, consequences including higher interest rates, may occur.