Give Me Some Credit
Presentation Notes
Give Me Some Credit

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Allow students to brainstorm the definition of credit.
What is Credit?

A term used to describe any situation in which goods, services or monies are received in exchange for a promise to pay a definite sum at a later date.

Credit allows you to borrow money to obtain goods or services in exchange for a promise to pay a definite sum at a later date.
A credit allows you to borrow money to obtain goods or services, while debit cards use the funds available in your bank account.
Credit Statistics

According to First Command Educational Foundation:

- 862 million credit cards and debit cards in the United States
- 20% of Americans have “maxed out” their credit cards
- Typical household has an average of $8400 in credit card debt and pays $83 in interest each month
- Average college student has $3200 in credit card debt

Many Americans carry credit or debit cards in their wallets. It is the most used form of payment due to its ease of use.
Although it may be extremely easy to swipe a credit card, it can also have negative aspects.
Credit cards can be good for many reasons. It is extremely easy to use, and there is no need to carry cash with the convenient card. You can use it for online and phone orders, whereas you cannot with cash. Credit cards can be used to help establish credit or in emergency situations.
However, because it is so easy to just swipe the card, it can lead to overspending because you do not realize how much you are spending when you just swipe. There can also be unforeseen finance charges and fees you do not think about when swiping a credit card. You may receive a very unpleasant surprise when you receive your credit card bill!
At this time, turn to your neighbor and compare and contrast using credit cards. What other positives or negatives can you think of that were not listed on the board?

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- **Character**
  - Creditworthiness, demonstrated by consumers history of making payments and responsible use of credit
- **Capacity**
  - Amount of debt a borrower is able to handle
- **Capital**
  - Valuable assets such as real estate, savings, or investments that could be used to repay credit debts if income is unavailable
- **Collateral**
  - Assets pledged as security for a debt
Character, capacity, capital and collateral are all needed in order to establish, create and maintain a good credit score. A high credit score is needed when searching for an apartment or house because it helps ensure you will be able to make your payments to the credit lender. A good credit score can also mean better job opportunities because it lets employers gauge your responsibility and character. Lower interest and insurance rates are also given to individuals with higher credit scores.
Types of Credit

- Single Payment - Items and services are paid for in a single payment, within a given time period. Interest is usually not charged.

An example of a single payment credit might be a one-time credit card charge for a utility payment online.
Types of Credit

- Installment Credit - Paid in two or more scheduled payments for a set amount. Interest is charged.

An installment credit example would be if you purchased a new living room set on credit at the furniture store. If you pay a down payment for the living room set, then pay two more payments, plus interest, then it would be considered an installment credit.
Types of Credit

- Revolving Credit - Items purchase must not exceed the set credit limit. Payments are made on regular time intervals. Interest is charged based on the remaining balance.

Revolving credit continues at regular time intervals, such as an auto payment or mortgage payment. Interest is charged on this type of credit payment and is based upon the remaining balance of the account.
Some Americans can get into trouble when they purchase items or services on credit because they do not pay attention to the interest rate or do not figure the interest payment into the actual cost of the item or service. This can make the final cost of the item or service much higher than the original cost, if it were paid for in cash.
Obtaining credit is easy to do. You can open a checking account, apply for a credit card or apply for a department credit card. Whichever option you choose, make sure you make monthly payments that are within your budgeted financial range. In the lesson, Creating My Lifestyle Budget, we will discuss the importance of budgeting for credit card payments as well as rent/mortgage payments, utilities, transportation, groceries and more.
Your credit payments should never be more than 10% of your monthly income. This means that your total debt should be no more than 20% of your yearly income.
Questions?
Resources and References

Images:
- Microsoft Office Clip Art. Used with permission from Microsoft.

Websites:
- Consumer Credit.
  http://www.consumercredit.com

- Federal Deposit Insurance Corporation (FDIC).

- Financial Literacy Now.
  http://www.financiallitnow.org/index.shtml

- Money Guides: Debit and Credit Cards.