

DOCUMENT RESUME

ED 204 241

SO 013 470

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ABSTRACT

This unit, one of a series of six Project SCAT (Skills for Consumer Applied Today) units, is designed to help senior high school students develop consumer education skills. For a description of the specific objectives and format of the units, see SO 013 467. This document provides teaching methods, learning activities, and student booklet for a unit on credit. The unit focuses on five concerns: the meaning of credit, how to obtain it, the costs of credit, the limits of personal credit, and consumer protections offered the credit customer. Topics covered include types of credit accounts, installment purchases, credit cards, borrowing credit, the Consumer Protection Act, unfair credit practices, and federal agencies. Students make displays of credit advertisements and contracts, explore opinions about credit, develop guidelines for the wise use of charge accounts, collect and compare credit applications, discuss credit records, practice finding the dollar cost of credit, research service charge methods of national credit card companies, discuss collection agencies, and investigate where to report fraud. A pre- and posttest and reproducible graphics are provided. The student booklet contains relevant vocabulary, readings, and worksheets.

(KC)

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AND

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CREDIT:

"Ch . a . a . rge!"

Skills for Consumers Applied Today

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Teacher PAL Tips

Welcome, teachers, to this \$CAT Consumer Education Teacher PAL*. We hope you will find this a useful resource while you are teaching this subject. Features of this PAL include:

A CONTENT OUTLINE of the Student PAL subject matter to aid you in class discussions.

STUDENT OBJECTIVES which state in behavioral terms the objectives of the Student PAL.

SUGGESTED ACTIVITIES which you may wish to use as enrichment activities. These include:

INTRODUCTORY ACTIVITIES which give suggestions for introducing the topic.

DEVELOPMENTAL ACTIVITIES which give ideas for developing the major concepts in the Student PAL. These suggestions are keyed to each section of the Student PAL and include appropriate resources.

REVIEW ACTIVITIES which give suggestions to guide the culmination of the study.

RESOURCE suggestions which are of three types and coded as follows:

* Materials developed by \$CAT and included in this Teacher PAL.

+ Commercially developed materials, available at a cost.

= Commercially developed materials, available free or on a free-loan basis.

ADDRESSES of the producers of all suggested resources as well as others which you may wish to contact for additional ideas and/or materials.

A SPECIALIZED VOCABULARY which is an alphabetized listing of all the "Passwords" listed in the Student PAL.

FILM DESCRIPTIONS for each film suggested as a resource.

INSTRUCTIONAL AIDS which include Xerox masters for the Test, the Test Answer Sheet, Student Activity Sheets, Film Guides, and Transparencies which you may wish to use in your study.

ANSWER KEYS for the Test, SCAT-developed Activity Sheets, and all pages from the Student PAL requiring student responses.

A STUDENT PAL for your reference.

In addition, some pages in the Student PALs are designed specifically to encourage class discussions, and teacher-led discussions may be necessary to insure student comprehension of the concepts presented. Such pages in the Student PAL for this topic include:

Pages 5 - 6:	Making choices and determining the costs of those choices
Pages 22-23:	Determining the consequences of choices
Page 24:	Opinions about credit
Pages 30, 31, 34:	Qualifications for credit
Pages 38, 41, 44:	Consumer reactions to problems

These features are suggestions only. You, the instructor, know your class best and should feel free to choose those activities and resources most appropriate for your students.

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INSTRUCTIONAL AIDS	BLUE
TEST	
TEST ANSWER SHEET	
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TEST	
STUDENT ACTIVITY SHEETS	
STUDENT PAL	
STUDENT PAL	GREEN

Credit

Credit is a means of extending one's purchasing power in times of emergency, need, or simple desire. Credit provides the opportunity for persons to increase their buying power by means of having the use of money, merchandise, or services immediately and paying later. For some it may mean the convenience of carrying smaller sums of money when shopping; for others credit is a form of "forced savings" as they find it easier to make payments at specific intervals than to save in advance.

Today's consumer usually shops more carefully for the product he wishes to buy with his credit dollar than for the money he needs to purchase it. It is the purpose of this unit to make the credit user a more informed consumer.

The concepts of what credit is, how to obtain it, the costs of credit, the limits of personal credit, and the consumer protections offered the credit consumer are presented to help make today's young consumer a more informed credit consumer.

Content Outline

I. The meaning of credit

A. Definition

1. The system which allows consumers to obtain goods, services or money and pay at a later date
2. Examples of credit
 - a. Goods
 - b. Services
 - c. Money

B. Advantages and disadvantages

1. Advantages
 - a. Immediate use of goods
 - b. Convenience
 - c. Credit rating
2. Disadvantages
 - a. Cost
 - b. Ties up future income
 - c. Risk
 - d. May encourage overspending

C. Types of credit accounts

1. Sales or purchase credit
 - a. Open or regular charge accounts
 - (1) Convenience credit
 - (2) No charge if paid in 30 days
 - (3) APR: approximately 18%
 - b. Revolving or flexible accounts
 - (1) Predetermined maximum
 - (2) Predetermined payment period
 - (3) APR: approximately 18%

c. Installment purchase accounts

- (1) Regular payments over a specified period
- (2) Buyer not legal owner until item is paid for
- (3) Finance charges usually high
- (4) Charges may include
 - (a) Credit investigation
 - (b) Contract
 - (c) Collection
 - (d) Filing fees
 - (e) Credit life insurance

d. Credit cards

- (1) Issued by department stores, banks, oil companies, etc.
- (2) 300+ million in use today
- (3) Regular/revolving option
- (4) Predetermined maximum
- (5) Monthly billing
- (6) \$50 liability limit if lost
- (7) APR: approximately 18% (1½% per month)

e. Services

- (1) Professional services
- (2) Monthly statements

f. Utilities

- (1) Electricity, gas, water
- (2) Telephone

2. Cash loan or borrowing credit

a. Commercial banks

- (1) Largest source of consumer credit
- (2) Variety of loan services

- (3) Equal monthly installment payments
- (4) Strict qualification requirements
- (5) APR: approximately 12-18%
- b. Credit unions
 - (1) Limited membership
 - (2) Low interest rates
 - (3) APR approximately 12-18%
- c. Consumer credit unions
 - (1) Specialize in small loans
 - (2) Loans available to greater credit risks
 - (3) APR: approximately 12-36%
- d. Savings and loan associations
 - (1) Loans limited to mortgages and home improvement
 - (2) APR: approximately 7-12%
- e. Life insurance
 - (1) Cash surrender value of policy
 - (2) Reduces insurance coverage
 - (3) No repayment schedule
 - (4) APR: approximately 5-7½%
- f. Other sources
 - (1) Loan sharks
 - (2) Pawnbrokers
 - (3) Individuals

- B. Credit applications
 - 1. Personal information
 - 2. Employment data
 - 3. Personal history
 - 4. Credit history
 - 5. Public record information

- C. Credit records
 - 1. Rating
 - 2. Credit bureaus
 - a. Files on credit users
 - b. Confidentiality
 - c. Consumer rights

III. Credit costs

- A. APR
- B. Dollar cost of credit
- C. Cost factors
 - 1. How much is borrowed
 - 2. How long the loan is for
 - 3. How high the interest rate

IV. Too much credit

- A. Action plan
 - 1. Contact creditors
 - 2. Borrow to pay off creditors
 - 3. Utilize credit counseling service
 - 4. Bankruptcy

II. Obtaining credit

A. Credit-ability

- 1. Character
- 2. Capacity
- 3. Capital

- B. A safe amount for credit
 1. No more than 1/3 of yearly discretionary income
 2. No more than 10% of take-home pay can pay off in 12-24 months
 3. No more than 20% of yearly take-home pay

- c. Consumer rights
 - (1) Review of file
 - (2) Notification
 - (3) Correction of errors

- B. Credit cards
 1. Guard against loss
 2. Liability limit of \$50

V. Consumer protection

A. Legislation

1. Truth Lending
 - a. "Consumer Protection Act"
 - b. Basic law governing credit
 - c. Prohibits discrimination
 - d. Requires disclosure of all terms on contracts
 - (1) Finance charge
 - (2) APR
 - (3) Other conditions of sale
2. Regulation Z
 - a. Interpretation of the Truth in Lending Law
 - b. Provisions
 - (1) Purpose
 - (2) Penalties
 - (3) Definitions
 - (4) Forms to be used
 - (5) Required information
 - (6) Advertising
 - (7) "Cooling-off" provisions
3. Fair Credit Reporting Act
 - a. Regulates the use of personal credit information
 - b. Confidentiality of records

- C. Unfair credit practices
 1. Local, state and national agencies
 - a. Better Business Bureau
 - b. Legal Aid Society
 - c. State Attorney General
 - d. National Credit Union Administration
 - e. Newspapers
 - f. Chamber of Commerce
 - g. Small Claims Court
 - h. District Attorney
 - i. Radio/TV stations
 2. Federal agencies
 - a. Federal Trade Commission--Bureau of Consumer Frauds
 - b. U.S. Post Office
 - c. President's Special Assistant for Consumer Affairs
 - d. President's Committee on Consumer Interest

Student Objectives

1. Given a password and several definitions, the student will select the alternative which defines the password.
2. Given several alternatives, the student will select the alternative which defines and/or describes credit.
3. Given a realistic situation, the student will determine whether or not the situation is an example of credit.
4. Given several alternatives, the student will identify the principal advantage(s) of credit.
5. Given several alternatives, the student will identify the principal disadvantages(s) of credit.
6. Given several alternatives, the student will identify the mathematical description of the dollar cost of credit.
7. Given a realistic situation involving a credit purchase, with or without extraneous mathematical information, the student will calculate the dollar cost of credit.
8. Given several alternatives, the student will identify the annual percentage rate as the best way to compare alternative credit arrangements.
9. Given several alternatives, the student will select the definition of annual percentage rate.
10. Given several alternatives, the student will identify sources of loans.
11. Given several loan sources, the student will identify the source of offering the lowest interest rate.
12. Given several alternatives, the student will identify types of credit accounts.
13. Given several alternatives, the student will identify the thirty-day charge account as costing the consumer the least for its use.
14. Given several alternatives, the student will identify methods of protecting a good credit rating.

15. Given several alternatives, the student will identify criteria for determining eligibility for credit.

16. Given several alternatives, the student will identify the purpose of local credit bureaus.

17. Given several alternatives, the student will identify the services not offered by local credit bureaus.

18. Given several alternatives, the student will identify signs which possibly signify abuse of credit cards.

19. Given several alternatives, the student will identify ways in which credit cards can be obtained legally.

20. Given several alternatives, the student will identify ways in which consumers are affected by the Truth in Lending and the Fair Credit Reporting Act.

21. The student will be able to complete a credit application.

Introductory Activities

Generalizations	Activities	Resources
<p>Credit has both advantages and disadvantages for the modern credit consumer.</p>	<ol style="list-style-type: none"> 1. Administer <i>Ch.a.r.g.e!!</i> test as a Pre-test. 2. Utilize an audio-visual approach to define credit. 3. Develop a class definition of credit. Write "What is Credit?" on chalkboard or overhead transparency. Encourage one-sentence answers. 	<ul style="list-style-type: none"> * Test Teacher PAL + <u>The Consumer and Credit</u> (sound filmstrip) Current Affairs + <u>Consumer At Large, "Cash or Credit"</u> (sound filmstrip) Coronet Multimedia Company + <u>Interact, "Will It be Cash or Charge?"</u> (sound filmstrip and student booklets) Pitman Publishing + <u>Personal Money Management, "Using Credit as A Tool"</u> (cassette tape and transparencies) Paul S. Amidon * Specialized Vocabulary Teacher PAL

Generalizations

Activities

Resources

4. Explore students' current understanding of credit.
Discuss who uses credit; the history of credit.
Assign students to explore the history of credit for a report to class later in the study.

5. Collect materials for bulletin board displays on credit:
 - Credit advertising
 - Credit applications
 - Loan agreements
 - Promissory notes
 - Installment contracts
 - "Budget" sales plans of local retail or discount stores
 - Periodical articles on credit
 - "Yellow pages" listings

* Transparency Master #1
Teacher PAL

+ Consumer Credit:
The Forms of Credit
We Use
(reprints)
National Foundation
for Consumer Credit

Developmental Activities

Activities	Resources
<p>WHAT IS CREDIT?</p> <p>class reactions to the statement, "We're in the 'Charge It' Age."</p> <p>student opinions of credit.</p> <p>list three major statements about credit: Credit is bad -- always pay cash. Credit is necessary in many situations. Credit should be used as often as possible.</p> <p>suggest that each student determine which statement most nearly matches their own feelings today.</p> <p>evaluate these feelings at the end of the study.</p> <p>trace the evolution of credit in our society, emphasizing the movement from cash to charge.</p> <p>list examples of credit.</p> <p>define what use of credit is made by class members and their families.</p> <p>list the benefits of consumer credit: For savers: Interest For borrowers: Use of goods For society: Increased production of goods Employment Lower costs</p>	<p>X</p> <p>* Student PAL, pp. 3-24</p> <p>+ <u>Buying on Credit</u> (16 mm film - Film Guide #1) Coronet Multimedia Company</p> <p>* Student Activity Sheet #1 Teacher PAL</p> <p>* Transparency Master #2 Teacher PAL</p>

Activities

Resources

7. Discuss the advantages and disadvantages of using credit.
8. Emphasize the fact that credit is used in three basic types of purchases; Goods
Services
Money
List several examples of each.
9. Discuss the main reasons for buying credit.
Emphasize (1) It allows for the purchase of costly goods before the total purchase price has been saved.
(2) Such purchasing helps establish a credit rating.
10. Define the two types of credit: Sales or Purchase Credit
Cash Loan or Borrowing-Credit
11. Discuss the characteristics of types of sales or purchase credit.

- * Transparency Master #3
Teacher PAL
- + Consumer Education:
Installment Buying
(Film Guide #2)
- + Retail Credit Buying
(16 mm films)
BFA Educational Media
- * Transparency Master #4
Teacher PAL
- + Getting Your Money's Worth,
Group I - "Making Credit
Work for You"
(sound filmstrip)
Society for Visual Education
- * Transparency Master #5
Teacher PAL
- * Student Activity Sheet #2
Teacher PAL
- + Credit Buying Series
(sound filmstrips)
Interpretive Education
- + So You Want to Use Credit,
Situation Two
(multi-media kit) 29
Changing Times Education
Service

Activities

Resources

12. Discuss the characteristics of types of cash loan or borrowing credit.
13. Prepare a bulletin board illustrating various local credit and lending institutions.
14. Discuss mail-order loans.
Collect examples of advertising from newspapers and periodicals.
Emphasize the types of loans available and that costs are high.
15. Discuss student membership in credit unions.
Membership possibilities include:
 - Parents who are members
 - Students employed part-time by a firm offering credit union privileges
 - Teacher credit unions allowing student members
 - Local community or open charter credit unions
16. Develop guidelines for the wise use of charge accounts.
Include cautions for credit card holders to remember.

- * Transparency Master #6,
Teacher PAL
- * Student Activity Sheets
#3 and #4
Teacher PAL

- + Credit Cards
(16 mm film - Film Guide #3)
Churchill Films
- + World Without Money
(16 mm film)
Walt Disney Educational Media
Company

1. Utilize **HOW DO I GET IT?**

- * Student PAL, pp. 25-44

Activities

Resources

2. Discuss the "3 C's of Credit."
Develop questions to clarify the meanings of each measure:

Character: Is he a stable, reliable person who really tries to meet all his obligations?

Capacity: Is it likely that his income will either remain stable or increase during the life of the loan?

Capital: Will he be able to make payments for this and all his other obligations?
3. Evaluate the "6 C's of Credit."
Character Collateral
Capacity Conditions
Capital Common Sense
Discuss how the additional 3 C's apply when a person is considered for a loan.
4. Ask students to give illustrations to prove that size of income alone is not enough information to evaluate credit risk.
Situations might include a borrower with a \$10,000 income who is a better credit risk than a borrower with a \$15,000 income.
5. Collect as many credit applications from as many credit sources as possible.
Discuss the kinds of questions asked and why they are necessary.
Classify each type of question as to whether it applies to Character, Capacity, or Capital.
6. Practice filling out a credit application form.
Discuss whether students feel the questions are reasonable and necessary or an invasion of privacy.
Ask whether students consider themselves a good credit risk.
Ask two groups of students to fill out different forms for imaginary persons--one a good credit risk, the other a poor credit risk.

* Transparency Master #7
Teacher PAL

* Student Activity Sheet #5
Teacher PAL

* Student Activity Sheet #6
Teacher PAL

+ So You Want to Use Credit,
Situation One
(multi-media kit)
Changing Times Education
Service

Activities

Resources

7. Survey local credit granters on their policies for granting credit to young people.
8. Try to obtain scoring systems used by various lenders.
9. Develop a series of cartoons depicting the relationship between borrowers and creditors.
10. Invite local resource persons to speak on credit accounts which are available in their stores or businesses and the information necessary for making application.
11. Review and discuss the steps necessary in applying for credit.
12. Discuss credit records and the factors in a "good credit rating."
13. Discuss: What are the consequences of a bad credit rating?
14. Outline the roles of credit bureaus in the granting of credit. Emphasize that credit applications are generally sent to local credit bureaus for verification. Visit a local credit bureau, if possible.

Local Resource Person

+ Applying for Credit
(sound filmstrip)
Interpretive Education

+ Measuring and Using Our
Credit Capacity
(reprint)
National Foundation for
Consumer Credit, Inc.

+ How to Establish Your
Credit-Ability
(reprints and transparency)
Changing Times Education
Service

+ Making the Most of Your Money
"A Good Credit Rating"
(sound filmstrip)
Educational Activities, Inc.

Local Credit Bureau

Activities

Resources

15. Emphasize how important it is for the consumer to know what he is signing.

+ Consumer Contracts
(Learning Activity Package)
Unigraph Products

+ Consumer Sense,
"Before You Sign"
(cassette tape and response
book)
Coronet Multimedia Company

+ Making the Most of Your Money
"Points to Know About
Contracts"
(sound filmstrip)
Educational Activities, Inc.

+ Personal Money Management,
"Credit Instruments"
(cassette tape and trans-
parencies)
Paul S. Amidon

+ Read Before You Write
(16 mm film - Film Guide #4)
FilmFair Communications

+ Your Credit Is Good -- A
Film about Paying Later
(16 mm film - Film Guide #5)
Journal Films, Inc.

16. Discuss the meaning of: "Your Signature Is Your Pledge."

17. Invite a local attorney or law student to explain student rights and liability in credit contracts.
(Many students have already entered into contracts with record clubs, book clubs, etc.)

Local Resource Person

Activities

Resources

18. Compare various credit contracts.
 - Obtain copies of actual installment contracts and loan applications.
 - Compare wording, various clauses and conditions.
 - Suggest that a group of students display these copies and provide labels for various sections.
19. List credit pitfalls to avoid in contracts.
 - Define and point out the possible difficulties the consumer might incur from:
 - Late charges
 - Credit Life Insurance
 - Acceleration clauses
 - Balloon clauses
 - Locate each of these areas in contract copies.
20. Develop a list of consumer questions to use before every credit purchase.
 - Questions might include:
 - Is the item *needed* or just *wanted*?
 - Is it worth paying *more* money to get it?
 - Will its value *outlast* the payments?
 - Do I have a *savings* program?
 - Do I need it right *now*?
 - Will the payments cause *money problems*?

* Transparency Master #8
Teacher PAL

1. Utilize **HOW MUCH?**

* Student PAL, pp. 45-56

2. Discuss APR;
 - The Annual Percentage Rate is the cost of credit expressed in percentage.
 - APR can help the consumer compare costs.

3. Practice finding the Dollar Cost of Credit by using examples of credit purchasing.

* Student Activity Sheet #7
Teacher PAL

Activities

Resources

4. Evaluate the cost factors of credit: How much:
How long:
How high the interest:
Discuss the effect each factor has on cost.
5. Ask students to rank order factors which would influence their selection of a credit plan:
Size of monthly payments
Number of monthly payments
How new amounts are added to the account
Method of computing interest charges
Dollar amount of finance charges
APR
6. Illustrate the fact that every credit purchase is two purchases: The item itself and the money or credit to pay for the item.
7. Discuss factors to remember when "Shopping for Credit."
8. Practice "Shopping for Credit."
 - A. Ask students to choose an article for purchase and compare the costs of purchasing this article on a revolving charge account, as an installment purchase, and with a bank loan.
Students will need to find the best "deal" in town by showing the best price for the item and the best source of credit.
Items listed might include:

* Transparency Master #9
Teacher PAL

+ Consumer Studies,
"The Price of Credit"
(sound filmstrip),
Guidance Associates

+ Personal Money Management
"The Cost of Credit"
(cassette tape and transparencies)
Paul S. Arldon

Activities

Resources

Bicycle	Motorcycle	Surf Board
Boat	Portable TV	Tape recorder
Dishwasher	Sewing machine	Transistor radio
Hair dryer	Skateboard	Typewriter
Instamatic camera	Skis	Used car
Lawn mower	Stereo	Washer

B. Compare the cost of credit for the purchase of a used car advertised in the local newspaper from each of the following credit sources:

- The used car lot
- A full service bank
- A finance company
- A credit union

C. Research the service charge methods used by such national credit cards as American Express, Diner's Club, Master Card, VISA, etc.,

9. Compute the monthly charges on a statement for a revolving charge account. Obtain a copy of someone's monthly statement. Project it for the class and discuss the information shown. Verify the figures.

10. Develop an understanding of the four basic types of interest quoted by lending institutions:

- Simple Interest
- Interest on the unpaid balance
- Add-on interest
- Discounted interest

11. Emphasize the importance of paying more than the minimum due on a revolving charge account balance.

A sufficient example of the cost:

With a \$600 balance, nothing more added to the account, and the minimum amount required paid each month---
It would take almost 3½ years to repay, and the interest charge would be \$116.15.

= Shopping for Credit
(16 mm film)
Modern Talking Picture Service

* Student Activity Sheet #8
Teacher PAL

Activities

Resources

12. Suggest that interested students research refund methods used by local lenders.

Illustrate a common refund method in consumer credit--"78th" method.

When a loan is repaid early, most consumers expect to save or have refunded most of the interest costs, but:

The 78th method is based on the fact that the sum of the digits from 1 to 12 is 78.

The first month of the contract, the lender earns 12/78 of his fee; the second month, 11/78; the third, 10/78, etc.

On a 24-month contract, the formula changes:

The sum of the digits from 1 to 24 is 300.

The lender earns 24/300 of the total the first month, 23/300 the second, etc.

(Other bookkeeping methods earn interest for the lender even more quickly. Many payments have been made before the principal is reduced noticeably.)

13. Develop a list to help consumers keep finance charges low.

Include:

1. Make a *big* downpayment.
2. Take a *short* time to pay.
3. Shop to find *low* finance rates.

14. Review what charges "Finance Charges" may include:

Interest

Loan fee

Finder's fee or similar charge

Time price differential

Amount paid as a discount

Service, transaction or carrying charge

Points

Appraisal fee (except in real estate transactions)

Premium for credit life insurance, if required

Investigation or credit report

--Regulation Z

Activities

Resources

1. Utilize **TOO MUCH?**

* Student PAL, pp. 57-66

2. Illustrate problems resulting from the use of too much credit by young people.

+ In the Box
(16 mm film - Film Guide #6)
FilmFair Communications

+ The Money Tree
(16 mm film - Film Guide #7)
AIMS Instructional Media
Services, Inc.

+ So You Want to Use Credit,
Situation Three
(multi-media kit)
Changing Times Education
Service

+ You'll Earn It
(16 mm film)
Modern Talking Picture
Service

+ Your Credit Is Good --
Unfortunately
(16 mm film - Film Guide #8)
Pyramid Films

3. Discuss the results of credit "problems."

What effect does "living beyond one's means" have on families, business, and society?

Who really pays for bad debts?

(Point out increased prices and interest rates ~~to~~ those with good credit ratings.)

Activities

Resources

4. Develop a class list of "Do's and Don'ts" for credit buying to guard against overspending.

5. Discuss collection agencies (firms which specialize in collecting debts).

Include:

Agencies receive a portion of the amount they are able to collect
Poor and low income consumers are most often the targets of collection agencies

Problems of harassment; protection from harassment

6. Evaluate the following statements:

When you treat credit as a privilege, it can help you have more and enjoy more. Carelessly used, it can become a trap.

You have a choice--either you can control credit or credit can control you.

The choice is up to you.

How a person spends his money is a matter of individual choice and based on his personal values and goals.

There are no rules on what is a valid use of credit.

Credit can help you have many of the things you want, but you can't have everything.

7. Develop a set of guidelines to aid the credit consumer in how to handle debt without "going under."

* Transparency Master #10
Teacher PAL

+ Be Credit-Wise
(sound filmstrip)
Money Management Institute

+ BC-AD: Before Credit-
After Debt
(sound filmstrip)
Penn. State University

Activities

Resources

8. Develop the steps in an "Action Plan" for the consumer in credit trouble:
Contact creditors and explain, ask for different terms.
Borrow cash to pay off creditors.
Use a credit counseling service.
Declare bankruptcy.
9. Caution students concerning credit counseling services.
Investigate:
Who sponsors the program
What, if any charges will be made
How the plan operates
Large fees may be charged to pay bills without the benefit of consumer counseling.
10. Suggest no more than 20% of yearly take-home pay as a safe amount for credit.
Use income examples to calculate credit limits for such consumers.

+ Before You Buy,
"Bankruptcy"
"People in Trouble with
Credit"
(cassette tapes)
Consumer Communications, Inc.

+ When Do You Owe Too Much
(reprint and transparency)
Changing Times Education
Service

1. Utilize **HELP!**

* Student PAL, pp. 67-80

Activities

Resources

2. List the areas in which the credit consumer is in need of protection. Students might volunteer examples with which they are familiar. Credit "rip-offs" occur daily and many are documented in newspapers and magazines.
3. Obtain copies of The Fair Credit Reporting Act, and The Truth in Lending Act. Free copies are available upon request. Both "Know Your Rights Under the Fair Credit Reporting Act--A Checklist for Consumers" and "Truth in Lending--Regulation Z" are excellent resources outlining consumer rights.
4. Discuss what rules protect the consumer's credit rating.
5. Develop a list of cautions for the credit card user to guard against theft and loss.

- = Consumer Handbook to Credit Protection Laws
- = The Equal Credit Opportunity Act and Credit Rights in Housing
- = Truth in Lending--Regulation Z (pamphlets)
The Federal Reserve System
- = Fair Credit Reporting Act - Public Law 91-508 (pamphlet)
House Documents Room
- = Know Your Rights Under the Fair Credit Reporting Act--A Checklist for Consumers (Consumer Bulletin No. 7)
- = What Truth in Lending Means To You (pamphlet)
Federal Trade Commission
- + New Rules That Protect Your Credit Rating (reprints and transparency)
Changing Times Education Service

Activities

6. Evaluate such services as the Credit Card Service Bureau.
Do credit card users need a central clearinghouse for lost or stolen credit cards?
Contact: Credit Card Service Bureau
P.O. Box 1322
Alexandria, Virginia 22313
7. Utilize copies of credit agreements and monthly statements to illustrate how the consumer is informed of his protection offered by legislation such as the Fair Credit Reporting Act, Truth in Lending, and Regulation Z.
8. Investigate where to report consumer credit fraud in your community.
9. List agencies which offer help to the credit consumer.
Make two lists: Federal agencies
Local, state and national agencies
Discuss the types of services each agency offers and/or the types of problems with which they deal.
10. Utilize an audio-visual approach to emphasize the recourse available in cases of fraud.

Resources

* Content Outline
Teacher PAL

+ Foot in the Door
(Film Guide #9)
This Is Fraud
(Film Guide #10)
(16 mm films)
FilmFair Communications

+ So You Want to Use Credit,
Situations 4 - 6
(multi-media kit)
Changing Times Education
Service

Review Activities

Generalizations	Activities	Resources
<p>A review of: the meaning of credit its advantages and disadvantages kinds of credit costs of credit wise use of credit consumer credit protection better prepares the consumer to make wise credit decisions in the modern marketplace.</p>	<ol style="list-style-type: none"> 1. Discuss the students' current feelings about the statements: Credit is bad--always pay cash. Credit is necessary in many situations. Credit should be used as often as possible. Discuss why different credit consumers might agree with different statements because of their own credit experiences. 2. View a Consumer Survival Kit on credit. 3. Write and produce a skit on credit for presentation to other classes. Video-tape if feasible. 4. Write and tape record "Credit Hot Line" program of callers with problems who are given advice by the credit expert. 5. Play games which review the concepts of wise use of consumer credit. 6. Develop a consumer pamphlet on credit for use by students. 7. Devise games and puzzles to review the vocabulary of credit. 	<ul style="list-style-type: none"> + Consumer Survival Kit, "All Charged Up" (video cassette) Maryland Center for Public Broadcasting + General Business Skits, "Using Credit Wisely" (booklet) South-Western Publishing Company * Managing Your Money (a credit union game) CUNA Mutual Insurance Society * Student Activity Meet #9 Teacher PAL

Generalizations

Activities

Resources

8. Review the student objectives for this module.

* Student Activity Sheet #10
Teacher PAL

9. Administer *Ch.a.r.ges!* test as a Post-test.

* Test
Teacher PAL

General Resources - Addresses

AIMS Instructional Media
Service, Inc.
626 Justin Ave.
Glendale, CA 91201

BFA Educational Media
2211 Michigan Ave.
Santa Monica, CA 90404

Changing Times Education
Service
1729 H St., N.W.
Washington, D.C. 20006

Churchill Films
662 North Robertson Blvd.
Los Angeles, CA 90069

Consumer Communications, Inc.
The Peterson Company
1030 North Vine St.
Hollywood, CA 90028

Coronet Multimedia Company
65 East South Water St.
Chicago, IL 60601

Credit Card Service Bureau
P.O. Box 1322
Alexandria, VA 22313

CUNA Mutual Insurance Society
5910 Mineral Point Road
P.O. Box 391
Madison, WI 53701

Current Affairs
24 Danbury Road
P.O. Box 398
Wilton, CT 06897

Educational Activities, Inc.
P.O. Box 392
Freeport, NY 11520

The Federal Reserve System
Washington, D.C. 20551

The Federal Trade Commission
6th & Pennsylvania Ave., N.W.
Washington, D.C. 20580

FilmFair Communications
10900 Ventura Blvd.
P.O. Box 1728
Studio City, CA 91604

Guidance Associates
757 Third Avenue
New York, NY 10017

House Documents Room
H 226
U.S. Capitol
Washington, D.C. 20515

Interpretive Education
400 Bryant
Kalamazoo, MI 49001

Journal Films, Inc.
930 Pitner Ave.
Evanston, IL 60202

Maryland Center for
Public Broadcasting
Owings Mills, MD 21117

Modern Talking Picture Service
5000 Park Street North
St. Petersburg, FL 33709

Money Management Institute
Prudential Plaza
Chicago, IL 60601

National Foundation for
Consumer Credit, Inc.
1819 H St. N.W., Suite 510
Washington, D.C. 20006

Paul S. Amidon and
Associates, Inc.
1966 Benson Ave.
St. Paul, MN 55116

Penn State University
University Park, PA 16820

Pitman Publishing
6 East 43rd St.
New York, NY 10017

Pyramid Films
Box 1048
Santa Monica, CA 90406

Society for Visual Education
1345 Diversey Pkwy.
Chicago, IL 60614

South-Western Publishing
Company
5101 Madison Rd.
Cincinnati, OH 45227

Unigraph Products
P.O. Box 24287
Seattle, WA 98124

Walt Disney Educational Media
500 South Beuna Vista St.
Burbank, CA 91521

Specialized Vocabulary

ACCELERATION CLAUSE	A provision that allows the creditor to request payment of all installments at once if one or more payments are missed
ADD-ON CLAUSE	A provision that allows the consumer to add additional purchases to an existing installment contract
APR	Annual Percentage Rate; rate of finance charges figured on an annual or yearly basis
ASSET	Possession; anything owned that has exchanged value
ATTACH	To take by legal authority
BALLOON PAYMENT CLAUSE	A blown-up final payment in a credit contract; may be many times larger than the size of other payments
BANK	An establishment for receiving, keeping, lending and issuing money
BANKRUPTCY	A legal proceeding that frees the consumer from debts he is unable to pay
CAPACITY	Ability to pay obligations
CAPITAL	Financial resources; money and property
CHARACTER	Reputation
CHARGE ACCOUNT	The privilege of using credit in making purchases in a retail store

64
65

CHATTEL

Any property other than real estate

CHATTEL MORTGAGE

A loan secured by personal property or goods and chattels

COLLATERAL

Anything of value which guarantees the payment of a loan; security; collateral may be taken if loan is not repaid

CONFIDENTIAL

Secret; told in confidence

CONSUMER PROTECTION ACT

Truth In Lending Act

CONTRACT

Written agreement that says how you will repay the loan

CO-SIGNER

A person who agrees in writing to pay a debt if the borrower does not

CREDIT

The system which allows consumers to obtain goods, services, or money and to pay at a later date

CREDIT-ABILITY

An individual's willingness and ability to meet his financial obligations

CREDIT ALLOWANCE

The amount of credit a consumer should be able to handle

CREDIT APPLICATION

A form completed by the consumer when he wants to use credit

CREDIT BUREAU

A clearing house or reporting service which provides information as to the credit worthiness of consumers

CREDIT CARD

An identification card which establishes the fact that you are entitled to use credit at specific outlets for specific purposes

CREDIT COUNSELING

Aid given to the consumer which includes organizing finances and arranging repayment schedules

CREDIT HISTORY

A record of a consumer's use of credit, especially his past record of meeting credit payments

CREDIT LIFE INSURANCE

Life insurance which provides for full payment of a loan in the event the borrower dies

CREDIT LIMIT

The maximum dollar amount which can be charged

CREDIT RATING

An evaluation of a consumer's qualifications to receive credit; based on several factors, especially the past record of meeting credit payments

CREDIT RECORD

A history of credit performance

CREDIT UNION

An organization of persons who band together for the purpose of saving money and lending money to each other at a low interest rate

CREDITOR

One to whom a debt is owed

DEBIT

Charge

DEBT

Something owed

DEBT CONSOLIDATION

Plan for paying many creditors by borrowing enough money to repay them all while repaying the loan over a longer period of time

DEBTOR

One who owes money

DISABILITY INSURANCE

Insurance which makes loan payments for a borrower for as long as he is disabled

DISCLOSURE

Made known or public

DISCRETIONARY INCOME

Income remaining after necessities such as shelter, food, and clothing have been provided

DISCRIMINATION

Judgment based on membership in a group instead of individual merit

DOLLAR COST OF CREDIT

Finance charge; difference between the cash and credit cost of an item

DOWNPAYMENT

A cash payment made on a credit purchase before the credit balance is figured

EQUAL CREDIT OPPORTUNITY ACT

The federal regulation which prohibits the use of discrimination against credit applicants

FAIR CREDIT REPORTING ACT

The federal law which regulates the use of personal credit information by consumer reporting agencies, creditors, and employers

FINANCE COMPANY

A business firm whose chief activity is to make cash installment loans to individuals

GARNISHMENT OF WAGES

A legal action by which part of a debtor's wages may be ordered paid to a creditor

IMPULSE BUYING

Buying without prior planning; spur-of-the-moment purchasing

INSTALLMENT

One of a series of payments to pay off a debt

LOAN SHARKS

Illegal, unlicensed money lenders who charge extremely high interest rates

MORTGAGE

A pledging of real property to a creditor as security for the payment of a debt.

OUTSTANDING

Owed

PAWNSHOP

A business establishment which lends cash for items of personal property which are left as security

PREPAYMENT PRIVILEGE

The right of the consumer to pay off a debt in advance of the due date

PROFESSIONAL SERVICES

Personal services provided by doctors, dentists, accountants, lawyers, etc.

QUALIFICATIONS

Requirements

REGULATION Z

The Federal Reserve Board's interpretation of and detail of how creditors must carry on their business under the Truth in Lending Law

REPOSSESS

Take back

REPOSSESSION

The taking back of goods by either the seller or lender when the consumer is not able to make payments

REQUIREMENTS

Qualifications

SAVINGS AND LOAN

Financial establishment which specializes in home mortgage and home improvement loans; such loans are made available because of savings dollars on deposit

SECURITY

Collateral; something of value pledged

SERVICE CHARGE

"Handling charge" -- a fee charged for services performed; amount charged for use of credit

STANDARD OF LIVING

The level of necessities, comforts, and luxuries enjoyed or desired by an individual or group

TERMINOLOGY

Technical terms; words having special meanings in credit contracts

3 C's OF CREDIT

The basis of credit worthiness or creditability; character, capacity, capital

TOO-MUCH-FEVER

The all-too-common problem of using too much credit

TRUTH IN LENDING ACT

Basic law governing those who deal in credit; includes regulations against discrimination and guidelines for disclosure; also often referred to as the Consumer Credit Protection Act

UTILITIES

Public services such as power, water, sewerage, and telephone

WAGE-EARNER PLAN

A provision of the federal Bankruptcy Act which allows the debtor to pay off his obligations without having to declare bankruptcy

Film Descriptions

BUYING ON CREDIT (13 minutes) - Coronet, 1977

FILM GUIDE #1

Three young men discuss their credit experiences. The film introduces such credit terms as finance charges, bank loans, down payments, interest and installment payments and defines the three C's of credit: character, capacity and capital.

CONSUMER EDUCATION: INSTALLMENT BUYING (13 minutes) - BFA Educational Media, 1968

FILM GUIDE #2

This film is a vivid dramatization of the benefits and dangers of purchasing commodities on an installment plan. Through the medium of viewing two sisters involved in the purchase of a car, every facet of installment buying is explored. Down payments, interest charges, maximum loan limits and many other important factors are studied.

CREDIT CARDS (22 minutes) - Churchill, 1977

FILM GUIDE #3

Nettie Mooselock inducts one of her naive boarders into the credit world in a very funny film which imparts a great deal of practical information. Included are different kinds of credit cards, the problems of getting the first one, how credit cards are used, dangers of overextension, costs, and lost cards.

FOOT IN THE DOOR (9 minutes) - FilmFair, 1972

FILM GUIDE #9

A potential victim of consumer fraud tells how a door-to-door salesman tried to sell her a color TV at her home. During the dramatized situation, she tells how her awareness of fraud came about because as a resident of a low-income housing project, she had been victimized by a similar pitch a year earlier. Her alertness in the present case results in arrest of the salesman. The film continues with a police lieutenant, familiar with fraud, who describes several pitches that can entrap people (home improvement frauds, magazine sales, etc.), and lists basic questions to ask ourselves before signing a contract. Finally a baby picture saleswoman describes sales methods and some of her psychological tricks. The film closes as the door opens and the baby picture saleswoman begins to "pitch" the viewing audience.

IN THE BOX (14 minutes) - FilmFair, 1976

FILM GUIDE #6

Two young people, Phil and Betty, meet inside a box that is symbolic of the financial crisis each is in. The box is manned by automation-like men who intone contract legalese and threaten action by creditors as the two sit, frightened and shamed, inside the box. Flashbacks reveal how Phil, through illness, and Betty, by losing her job, got "boxed in" financially. The two are given a "parole" to seek help. They find it through Chapter XIII of the federal bankruptcy law and through a community-based credit counseling center. They are finally freed from the box with an understanding of how to solve the present crisis and how to better manage their credit in the future.

MONEY TREE (20 minutes) - AIMS, 1972

FILM GUIDE #7

The Money Tree is a tragedy -- but so are all broken marriages, especially when those affected are young, in love, and have the highest hopes and the brightest futures. Jerry and Ann, an attractive youthful couple "had it made" at the time of their marriage. They were healthy, happy, very much in love, both employed and confident about the future. Within two years after the wedding, they were deeply in debt, unemployed, parents of a child, fighting bitterly, and in the process of divorce. They are still not certain "what went wrong." In reviewing the marriage, a pattern revealing habits of financial mismanagement begins to emerge. Each part of the pattern (vague materialistic values and desires, instant gratifications, use of credit, failure to read contracts, impulse purchasing, and susceptibility to advertising) contributes to getting them deeper and deeper in debt.

READ BEFORE YOU WRITE (7 minutes) - FilmFair, 1972

FILM GUIDE #4

A young couple considers a typical installment purchase (a TV set) and learns to really examine a contract before they sign it. Inside the store, the couple is about to sign a contract when a consumer education program appears on "their" TV. It explains what a properly drawn installment contract should include such as specific description of the purchase, written confirmation of special aspects of the sale, details on interest and other charges, how to renegotiate the contract, etc. The salesman winces and the couple listens. Their final decision to shop for better credit terms is made when the wife's arithmetic shows the high cost of low payments.

RETAIL CREDIT BUYING (11 minutes) - BFA Educational Media, 1968

A charge plate can very definitely become a major spending hazard. It's so easy. Two sisters learn this the hard way. Father shows them the right way to compute credit charges, the money paid in interest charges, and all the various facets of buying on credit. They learn credit buying can be an asset, not a liability.

SHOPPING FOR CREDIT (13 minutes) - Modern Talking Picture Service, 1977

A college class shops for credit. Loan sharks, finance companies, banks, auto dealers, credit unions and pass book loans are explored with widely varying interest charges. This film demonstrates that it pays to shop around for credit and financing and stresses that APR is the only way to compare when shopping for money.

THIS IS FRAUD (8 minutes) - FilmFair, 1972

FILM GUIDE #10

A car advertised on TV has "just been sold," and the customer is steered to more costly buys -- the old "Bait and Switch" technique. A door-to-door vacuum cleaner salesman discreetly spills additional dirt on the floor to make his machine seem better. A woman reminds a contractor that he said his stucco job would last "as long as the house" -- he says there is nothing like that in the contract she signed. The methods of recourse for such common consumer fraud cases are described -- e.g., trade association offices, small claims court, licensing bureau, district attorney's office, legal aid society, etc. Using three of the cases dramatized, the film underscores how certain danger signals in each case could have helped stop the fraud before it happened.

80 WORLD WITHOUT MONEY (14 minutes) - Walt Disney Educational Media Company

The history of money as a means of exchange is traced from the use of sea shells and stones through coins, currency, and bank checks to the ubiquitous credit card. This animated film outlines constructive consumer patterns and acquaints students with the economic concepts underlying the institution of credit cards.

YOU'LL EARN IT (24 minutes) - Modern Talking Picture Service

A real-life look at the problems encountered by young people entering the adult world of financial responsibility. Documented case studies illustrate the need for wise management of the personal fortune the young adult can expect to earn during his working lifetime.

YOUR CREDIT IS GOOD - A FILM ABOUT PAYING LATER (15 minutes) - Journal, 1973

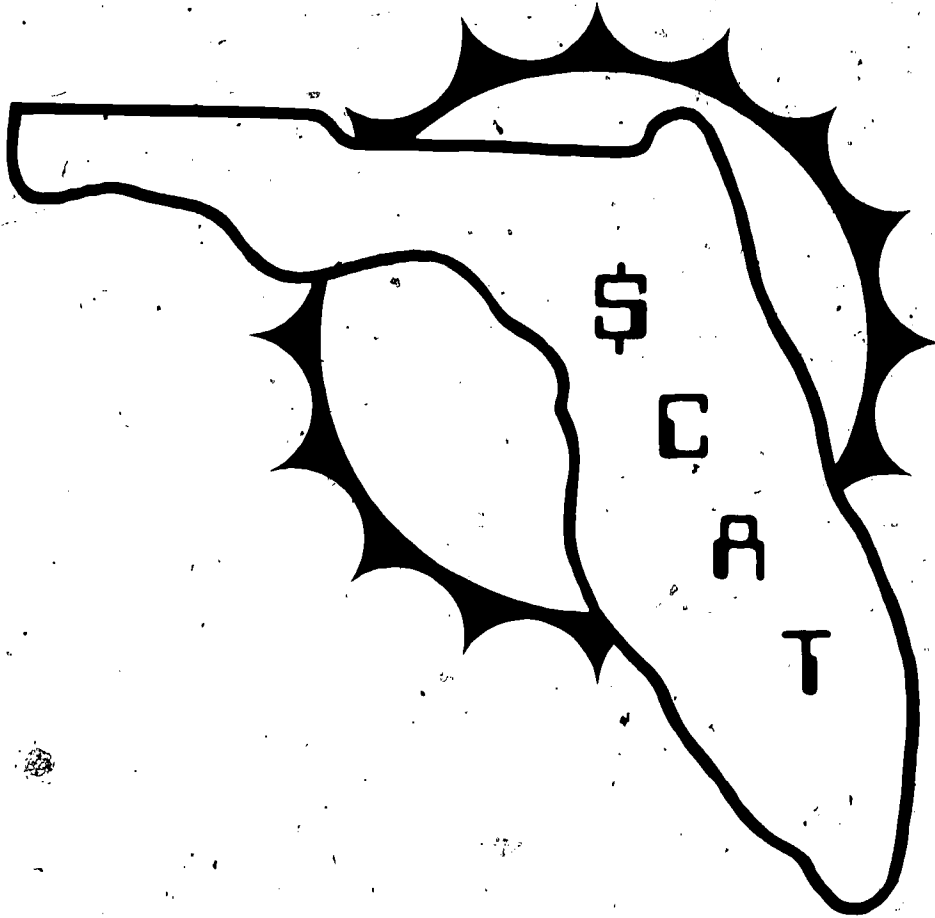
FILM GUIDE #5

The film opens with a carefully laid-out sequence of artwork describing how installment buying works. Then in a series of dramatic vignettes the message is driven home that no matter what you think you've been promised verbally, no matter how good or easy it sounds -- you pay what it says on the paper. You have to watch out for yourself, and the time to do that is before you've signed anything.

YOUR CREDIT IS GOOD ... UNFORTUNATELY (10 minutes) - Pyramid Films

FILM GUIDE #8

Offered alluring bargains by seemingly congenial salesmen, a recently married couple purchase many household goods on credit and later discover what can happen when monthly installments approach the limit of earning. Only a few dollars a week on a few items can add up to trouble.



INSTRUCTIONAL AIDS

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?



Ch..a..r..r..ge!!

CHOOSE THE BEST ANSWER FOR EACH STATEMENT OR QUESTION.

1. Collateral is
 - A. the act of a person being legally declared unable to pay his debts.
 - B. a legal agreement between two or more people to do something.
 - C. anything of value which guarantees payment of a debt.
 - D. information offered by a person seeking credit.
2. Which of the following statements is a true statement about credit?
 - A. Credit is paying for the privilege of using an item before it is paid for.
 - B. Credit is a belief, a faith, and a trust in the ability and intention of a person to pay later for something that he wants or needs right now.
 - C. Credit is a medium of exchange, just like money.
 - D. All of the above.
3. Which of the following is NOT an example of credit?
 - A. Making a telephone call
 - B. Putting a bike on layaway
 - C. Borrowing money to buy a car
 - D. Using utilities
4. Which of the following is an advantage of buying on credit?
 - A. Ties up future wages
 - B. Homes can be mortgaged.
 - C. Collateral can be lost
 - D. Repossession of purchases

5. Which of the following is a disadvantage of buying on credit?
 - A. Future income is spent
 - B. Use now, without having to pay now
 - C. Higher standard of living for credit users
 - D. Credit aids the economy

6. The dollar cost of credit is:
 - A. the amount of each payment.
 - B. the total amount paid for an item on credit.
 - C. the rate of interest charged for using credit.
 - D. the difference between the total amount paid on credit and the cash price of the item.

7. Mr. C. Saw found a boat, motor, and trailer on sale for \$1,500 at the marina. The salesman required \$100 down payment and monthly payments of \$100 for two years. What is the dollar cost of credit?
 - A. \$ 100
 - B. \$1,000
 - C. \$1,500
 - D. \$2,500

8. The best way to compare different financial arrangements when shopping for credit is to compare:
 - A. the annual percentage rate.
 - B. the dollar cost of credit.
 - C. the down payment and the amount of each payment.
 - D. all of the above.

9. The Annual Percentage Rate is the:
 - A. yearly finance charge.
 - B. percentage of the total price paid in one year.
 - C. yearly rate of interest charged for using credit.
 - D. difference between the total amount paid on credit and the cash price of the item.

10. Loans can be made with each of the following EXCEPT:
 - A. pawn shops.
 - B. credit unions.
 - C. credit bureaus.
 - D. finance companies.

11. When seeking a loan, the lowest interest rates are available at your:
 - A. bank.
 - B. credit union.
 - C. finance company.
 - D. savings and loan.

12. Which of the following ways to make purchases are credit accounts?
 - A. Credit cards, certified checks, revolving accounts
 - B. Credit cards, installment accounts, travelers checks.
 - C. Credit cards, installment accounts, revolving accounts
 - D. All of the above
13. Which of the following usually costs the consumer the least for its use?
 - A. Credit card
 - B. Thirty-day charge account
 - C. Installment account
 - D. Revolving account
14. In order to protect a good credit rating you should
 - A. never charge more than you can pay in cash.
 - B. fulfill all terms of a credit agreement.
 - C. maintain a good employment record.
 - D. do all of the above.
15. When a person applies for credit, which of the following information is usually considered?
 - A. Applicant's sex, race, and credit record
 - B. Applicant's age, race, and marital status
 - C. Applicant's age, income, and credit record
 - D. Applicant's common sense and the economic conditions of the country
16. The purpose of a credit bureau is to do all of the following EXCEPT
 - A. make loans to members.
 - B. maintain files on credit users.
 - C. gather information on those who use credit.
 - D. act as a clearing house for credit information.
17. The services offered by credit bureaus include
 - A. providing information about consumers to businesses.
 - B. providing information about consumers to employers.
 - C. sending letters of support for consumers.
 - D. all of the above.
18. Which of the following does NOT usually signal abuse of credit cards?
 - A. A bill does not agree with charge receipts.
 - B. A cashier returns the wrong card to you.
 - C. A cashier makes a phone call to get a code number.
 - D. A renewal card is late in arriving.

19. Credit cards can be obtained legally by
- A. properly completing an application.
 - B. buying a stolen card.
 - C. failing to return a customer's card.
 - D. all of the above.
20. The Fair Credit Reporting Act says that
- A. the consumer cannot be refused credit because of a credit report.
 - B. the consumer can review his credit file.
 - C. the consumer must be informed of the finance charge and the APR.
 - D. all of the above are true.

21. Mr. Lucas Jones has lived at 421 Sunset Drive, Sandy Spot, Florida, with his wife, Willie Mae, for 19 years. Mr. Jones has worked as a plumber for the Stopped Up Plumbing Co. (1595 N. Jefferson St., Beachball, Fla.) for seven years. Before that he worked as a plumber's helper for the Clogged Up Plumbing Co. (127 Northwest St., Peteberg Beach, Fla.) for ten months. He now makes \$250 a week.

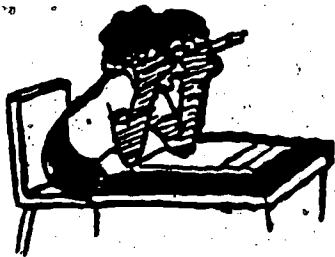
Mrs. Jones is an optician with a company called Optical Spectacles (17 N. First St., Beachball, Fla.). She has been employed there for three years and earns \$1,000 a month.

The following is part of a credit application to be filled out for Mr. and Mrs. Jones.

Name of Employer	_____
Street Address	_____
City & State	_____
How Long with Present Employer	_____
Occupation	_____
Pay	_____
Former Employer (if less than one year with present employer)	_____ X _____
Address	_____
How Long?	_____
Name of Wife's Employer	_____
Address	_____
How Long	_____
Pay	_____

Based upon the information given, what should appear in the space in the application marked X?

- A. Stopped Up Plumbing Co.
- B. Clogged Up Plumbing Co.
- C. Optical Spectacles
- D. Nothing - the space should be left blank



NAME _____

CLASS _____

DATE _____

Ch...a...r...r...ge!!



1 (A) (B) (C) (D)

12 (A) (B) (C) (D)

2 (A) (B) (C) (D)

13 (A) (B) (C) (D)

3 (A) (B) (C) (D)

14 (A) (B) (C) (D)

4 (A) (B) (C) (D)

15 (A) (B) (C) (D)

5 (A) (B) (C) (D)

16 (A) (B) (C) (D)

6 (A) (B) (C) (D)

17 (A) (B) (C) (D)

7 (A) (B) (C) (D)

18 (A) (B) (C) (D)

8 (A) (B) (C) (D)

19 (A) (B) (C) (D)

9 (A) (B) (C) (D)

20 (A) (B) (C) (D)

10 (A) (B) (C) (D)

21 (A) (B) (C) (D)

11 (A) (B) (C) (D)





Credit Poll

SURVEY PARENTS, NEIGHBORS AND OTHER ACQUAINTANCES TO COMPLETE THE FOLLOWING CHECKLIST. YOU SHOULD INTERVIEW AT LEAST SIX PEOPLE.

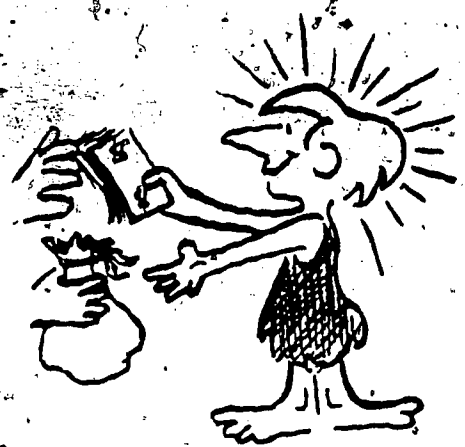
QUESTION: HAVE YOU EVER USED ANY OF THE FOLLOWING TYPES OF CREDIT? IF SO, PLEASE INDICATE BY CHECKING THE APPROPRIATE BOXES OF THOSE WHICH YOU HAVE USED.

INTERVIEWEE							
CREDIT SOURCE	1	2	3	4	5	6	TOTAL
BANK LOAN							
CREDIT UNION							
FINANCE COMPANY							
PAWNSHOP							
SAVINGS & LOAN							
LIFE INSURANCE LOAN							
CHARGE ACCOUNT							
CREDIT CARDS							
INSTALLMENT PAYMENTS							
FRIENDS							
OTHER SOURCES							



44 90

Sales or Purchase Credit



STUDY THE FOLLOWING LIST OF CREDIT SOURCES AND INFORMATION:

Charge Accounts
Commercial Bank
Consumer Finance Company
Credit Card
Credit Union
18%

Installment
Loan Shark
Open or Regular
Savings and Loan
12%
Utilities

WRITE THE TERM WHICH CORRECTLY MATCHES EACH DESCRIPTION BELOW:

Oldest and most popular type of charge account

Services provided on credit

Usual annual interest rate for charge accounts

Often used to pay for things while traveling

Credit sources specializing in home loans

Largest source of consumer credit.

A poor source for cash loans

Only members may obtain cash loans here

Credit sources specializing in cash installment loans to individuals

May be "Open", "Revolving", or "Installment"

UTILITIES

CREDIT CARDS



**CHARGE
ACCOUNTS**



SERVICES

Cash Loan or Borrowing Credit:

STUDY THE ILLUSTRATIONS OF LOAN SOURCES. THINK ABOUT THE BEST SOURCES FOR EACH TYPE OF LOAN ILLUSTRATED BELOW. WRITE THE NUMBERS OF THE BEST SOURCES UNDER EACH ILLUSTRATION.



BANK

1



CREDIT UNION

2



FINANCE CO.

3



SAVINGS & LOAN

4



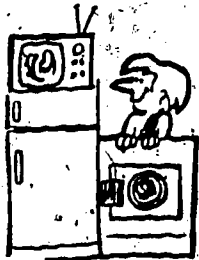
PAWNSHOP

5



LOAN SHARK

6



APPLIANCE LOANS



AUTOMOBILE LOANS



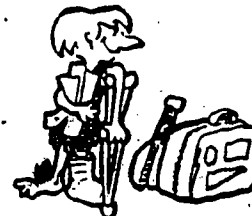
REAL ESTATE LOANS



EDUCATION LOANS



HOME IMPROVEMENT LOANS



PERSONAL LOANS

WHICH TWO LOAN SOURCES SHOULD YOU NOT USE?

WHICH LOAN SOURCE WOULD NOT BE AVAILABLE TO ALL CONSUMERS?

ONE OF THE MOST IMPORTANT NEEDS FOR LOANS IS AN EMERGENCY. WHERE MIGHT YOU BE ABLE TO BORROW MONEY IN AN EMERGENCY SUCH AS AN ACCIDENT OR LOSS OF A JOB?

Cash Loan or Borrowing Credit

EACH LOAN SOURCE HAS BEEN LABELED WITH AN APPROPRIATE APR.
IMAGINE THAT YOU ARE BORROWING \$1000 FROM EACH SOURCE FOR ONE YEAR.
ON THE LINE BELOW EACH SOURCE WRITE THE DOLLAR COST OF THE CREDIT FOR THE LOAN.
THE FIRST ONE IS DONE FOR YOU.



BANK
12%

\$ 120



**CREDIT
UNION**
9%



**FINANCE
CO.**
24%



**SAVINGS
& LOAN**
8½%

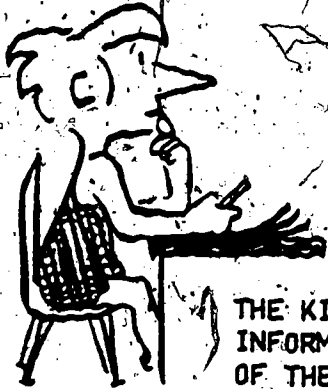


PAWNSHOP
36%



**LOAN
SHARK**
800%

IF YOU HAVE COMPLETED ALL THE EXAMPLES CORRECTLY, THE DOLLAR COST OF CREDIT FROM ALL SOURCES WILL BE \$8895.



CREDIT APPLICATION

3 C's OF CREDIT

THE KINDS OF QUESTIONS ASKED ON A CREDIT APPLICATION ARE TO INFORM THE CREDITOR ABOUT THE CHARACTER, CAPITAL AND CAPACITY OF THE APPLICANT.

STUDY THE KINDS OF QUESTIONS ASKED ON THE SAMPLE APPLICATION AND DECIDE WHETHER IT IS A CHARACTER, CAPITAL, OR CAPACITY QUESTION. IF IT IS A CHARACTER QUESTION, WRITE 1. IN THE BLANK. IF IT IS A CAPITAL QUESTION, WRITE 2. IN THE BLANK. IF IT IS A CAPACITY QUESTION, WRITE 3. IN THE BLANK.

<p>Please Print</p> <p><input type="checkbox"/> Ms.</p> <p><input type="checkbox"/> Mr.</p> <p><input type="checkbox"/> Mrs.</p> <p><input type="checkbox"/> Miss</p>	<p>Date Opened</p> <p>Own <input type="checkbox"/></p> <p>Rent <input type="checkbox"/></p> <p>Board <input type="checkbox"/></p>	<p>Limit</p> <p>Rent/Mortgage \$</p>	<p>Interviewer</p> <p>Authorizer</p> <p>Telephone</p>
Street Address _____			Social Security Number _____
City & State _____		Zip Code _____	
How long at present address _____ If less than 2 years, how long at previous address _____			
If less than 2 years, give previous address _____			
<p>Street City State Zip</p>			
Name and address of employer _____			
How long with present employer _____ Occupation _____ Earnings _____ <input type="checkbox"/> Wk. <input type="checkbox"/> Mo. <input type="checkbox"/> Yr.			
Former employer _____ Address _____ How long? _____ (if less than one year with present employer)			
Other income and source _____			
<input type="checkbox"/> Checking Acct. _____			
<input type="checkbox"/> Savings Acct. Name of Bank _____ Address _____			
Personal references			
1. Name _____ Address _____			
2. Name _____ Address _____			
Charge Accounts/Loan References (Store/Company)	Address	Account Number	Balance Monthly Payments



CREDIT APPLICATION

COMPLETE THE FOLLOWING APPLICATION FOR A LOAN. USE YOURSELF, YOUR PARENTS, AN ACQUAINTANCE, OR AN IMAGINARY PERSON AS THE APPLICANT. THEN REVIEW THE COMPLETED FORM. DECIDE HOW WELL THE APPLICANT WOULD QUALIFY FOR A LOAN FROM THE SEAMSEASY CREDIT COMPANY.

<input type="checkbox"/> Ms. <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss	Please Print		Date Opened	Limit	Interviewer
			Own <input type="checkbox"/>	Rent <input type="checkbox"/>	Authorizer
			Rent <input type="checkbox"/>	Board <input type="checkbox"/>	Telephone
Street Address				Social Security Number	
City & State			Zip Code		
How long at present address _____ If less than 2 years, how long at previous address _____					
If less than 2 years, give previous address _____					
		Street	City	State	Zip
Name and address of employer _____					
How long with present employer _____		Occupation _____	Earnings _____	<input type="checkbox"/> Wk. <input type="checkbox"/> Mo. <input type="checkbox"/> Yr.	
Former employer _____		Address _____		How long? _____	
(if less than one year with present employer.)					
Other income and source _____					
<input type="checkbox"/> Checking Acct.					
<input type="checkbox"/> Savings Acct. Name of Bank _____ Address _____					
Personal references					
1. Name _____		Address _____			
2. Name _____		Address _____			
Check Accounts/Loan References (Store/Carrot)		Address	Account Number	Balance	Monthly Payments



DOLLAR COST OF CREDIT*

PRACTICE FINDING THE DOLLAR COST OF CREDIT BY COMPLETING EACH OF THE EXAMPLES BELOW:

1. ED TUCKER BORROWED \$300 FROM A SMALL LOAN COMPANY AND PAID \$32.00 A MONTH FOR 12 MONTHS.

WHAT WAS THE DOLLAR COST OF THE LOAN? _____

2. RUDY YORK FINANCED HIS NEWLY PURCHASED USED CAR AT THE LOCAL BANK. WITH NO DOWNPAYMENT, THE CAR COST \$1000 AND WAS TO BE PAID OFF IN 12 MONTHS AT \$92.00 A MONTH.

WHAT WAS THE DOLLAR COST OF RUDY'S LOAN? _____

3. ANNIE B. WISE BOUGHT A USED CAR VALUED AT \$1800. UNDER THE TERMS OF HER LOAN, SHE MADE A DOWNPAYMENT OF \$600. THE BALANCE WAS TO BE PAID IN 12 MONTHLY INSTALLMENTS OF \$109.

WHAT WAS THE ACTUAL DOLLAR COST OF THE CREDIT? _____

4. THE HAZZARDS HAVE DECIDED TO BUY A TV SET ON THE INSTALLMENT PLAN. THE SET THEY WANT COSTS \$225. THE DEALER HAS OFFERED IT TO THEM FOR \$20 DOWN AND \$5 PER WEEK FOR FIFTY WEEKS. THEY THINK THIS MAKES THE SET RATHER EXPENSIVE.

CALCULATE WHAT THE SET WILL COST THEM. _____

WHAT IS THE DOLLAR COST OF THE CREDIT? _____

***remember:**

NUMBER OF INSTALLMENTS



AMOUNT OF EACH PAYMENT



CASH PRICE OF ITEM



DOLLAR COST OF CREDIT

5. COMPLETE THE FOLLOWING TABLE CONCERNING A RECENT TV SALES PROMOTION IN ATLANTA, GEORGIA. ALL MONTHLY PAYMENTS ARE TO RUN FOR 12 MONTHS.

TV SET	ORIGINAL PRICE	SALE REDUCTION	SALE PRICE	DOWN PAYMENT	BALANCE DUE	MONTHLY PAYMENTS	TOTAL PRICE OF TV	DOLLAR COST OF CREDIT
1	\$620	\$50		\$142.50		\$40.00		
2	\$840	\$65		\$193.75		\$52.80		
3	\$460	\$35		\$106.25		\$33.00		
4	\$1100	\$90		\$252.50		\$70.00		
5	\$580	\$45		\$133.75		\$39.00		





INTEREST CAN BE QUOTED FOUR WAYS



1 SIMPLE INTEREST

Interest charge is added to a loan that is paid with a single payment. Loan and interest are paid at the same time.

Loans of this type generally are made only to businessmen.

\$100 borrowed at 7% would be paid back at the end of the year.

$$\$100 + 7\% = \$107$$

2 INTEREST ON THE UNPAID BALANCE

Interest charge is computed and collected each time payment is made. Finance charge is figured monthly as a percentage of the unpaid balance and is added to the scheduled monthly payment.

A loan of \$120 to be paid back in 12 months at the interest rate of 1% per month on the unpaid balance would mean \$1.20 in interest the first month, \$1.10 the second month, \$1.00 the third month, etc.

3 ADD-ON INTEREST

Installment payments include the interest charges.

Interest charge is added to the amount borrowed.

The total amount of a \$100 loan at 8% is \$108 to be paid in 12 payments of \$9 each.

4 DISCOUNTED INTEREST

Lender takes out the interest before giving the borrower the proceeds of the loan.

Lender receives the interest immediately. Borrower repays the total amount of the loan.

For a loan of \$1000 with an interest rate of 7% discounted in advance, the borrower would receive \$930. Total of payments to pay off the loan would amount to \$1,000.

CH..A..R..R..GEE!

WORDS

20 OF THE MOST IMPORTANT CREDIT TERMS FOR YOU TO REMEMBER ARE:

- | | | |
|---------------|---------------------------|----------------------------------|
| 1. APR | 8. Credit application | 14. Equal Credit Opportunity Act |
| 2. Bankruptcy | 9. Credit bureau | 15. Fair Credit Reporting Act |
| 3. Capacity | 10. Credit counseling | 16. Installment |
| 4. Capital | 11. Credit record | 17. Repossess |
| 5. Character | 12. Credit union | 18. Security |
| 6. Collateral | 13. Dollar cost of credit | 19. Service charge |
| 7. Credit | | 20. Truth in Lending Act |

USE THESE WORDS TO COMPLETE EACH OF THE FOLLOWING EXERCISES.
WRITE THE NUMBER OF THE TERM WHICH MATCHES EACH DESCRIPTION:

REGULATIONS

- _____ Makes it possible for a wife to obtain credit in her name, separate from her husband
- _____ Requires disclosure of both the dollar cost of credit and the annual percentage rate
- _____ Regulates the activities of credit reporting agencies

GETTING CREDIT

- _____ The system which makes it possible to get things now and pay later
- _____ Money and property; one of the "3 C's of Credit"
- _____ Ability to pay; one of the "3 C's of Credit"
- _____ Reputation; one of the "3 C's of Credit"
- _____ The form completed by a consumer who wishes to use credit
- _____ The "home" of credit records
- _____ The consumer's record of credit use
- _____ Collateral



- A guarantee for payment of a loan
- A source of credit for members only
- Aid given to the consumer who is in credit difficulty by one trained in organizing finances
- What the dealer does with the car you can't pay for
- The last resort for the consumer in credit trouble

COSTS

- "Handling charge"
- The difference between the cash and credit cost of an item
- Finance charges expressed on an annual basis as required by the Truth In Lending Act
- One payment of many

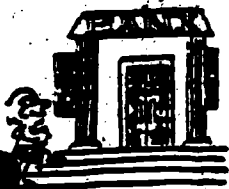


WRITE THE MESSAGE BY CHANGING NUMBERS* TO WORDS:

$$7 = (3+4+5) + 8 + 6$$

*(USE THE NUMBERS ON THE PREVIOUS PAGE.)

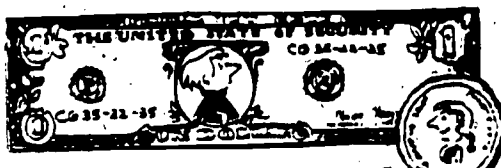
5100



Ch...a...r...r...o...g...e!!

NOW THAT YOU HAVE COMPLETED THE ACTIVITIES IN THE CREDIT PAL, YOU SHOULD BE ABLE TO:

1. Identify each of the passwords used in this PAL.
2. Define and describe credit.
3. Identify examples of credit.
4. Identify the advantages and disadvantages of credit.
5. Describe the dollar cost of credit and how to find it.
6. Calculate the dollar cost of credit.
7. Know the best way to compare different credit arrangements.
8. Calculate the APR.
9. Name the best credit purchase from among several described.
10. Identify sources of loans.
11. Identify types of loans available at various sources.
12. Identify types of credit accounts.
13. Identify characteristics of different types of credit accounts.
14. Identify how to protect a good credit rating.
15. Identify how to determine whether a person is eligible for credit.
16. Identify the purpose of credit bureaus.
17. Identify services offered by credit bureaus.
18. Identify signals of credit card abuse.
19. Identify ways in which credit cards are lost or stolen.
20. Identify the effect of the Truth in Lending and The Fair Credit Reporting Acts.
21. Fill out a credit application.





film guide:

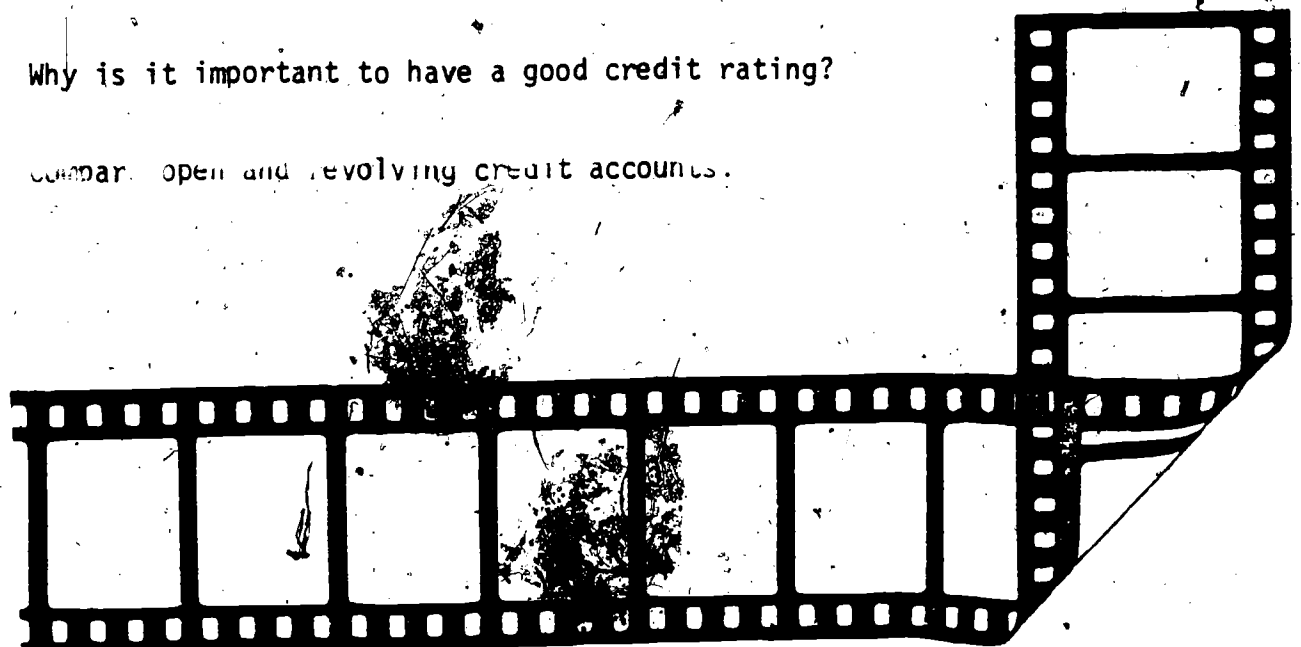
Buying on Credit

Three young men discuss their credit experiences. The film introduces such credit terms as finance charges, bank loans, down payments, interest and installment payments and defines the three C's of credit: character, capacity and capital.

As you watch the film, or when it is completed, answer the following questions:



1. How do you think Irv could have avoided some of the mistakes he made in using his bank credit card?
2. What procedure does a bank or department store follow before it decides to issue a loan or a credit card?
3. Have you ever borrowed money from your parents or a friend? What arrangements did you make to pay it back?
4. What is a credit bureau?
5. Why is it important to have a good credit rating?
6. Compare open and revolving credit accounts.



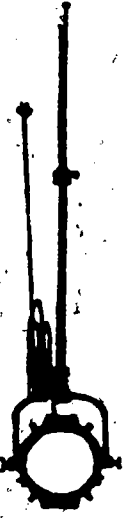



film guide:

Consumer Education: Installment Buying

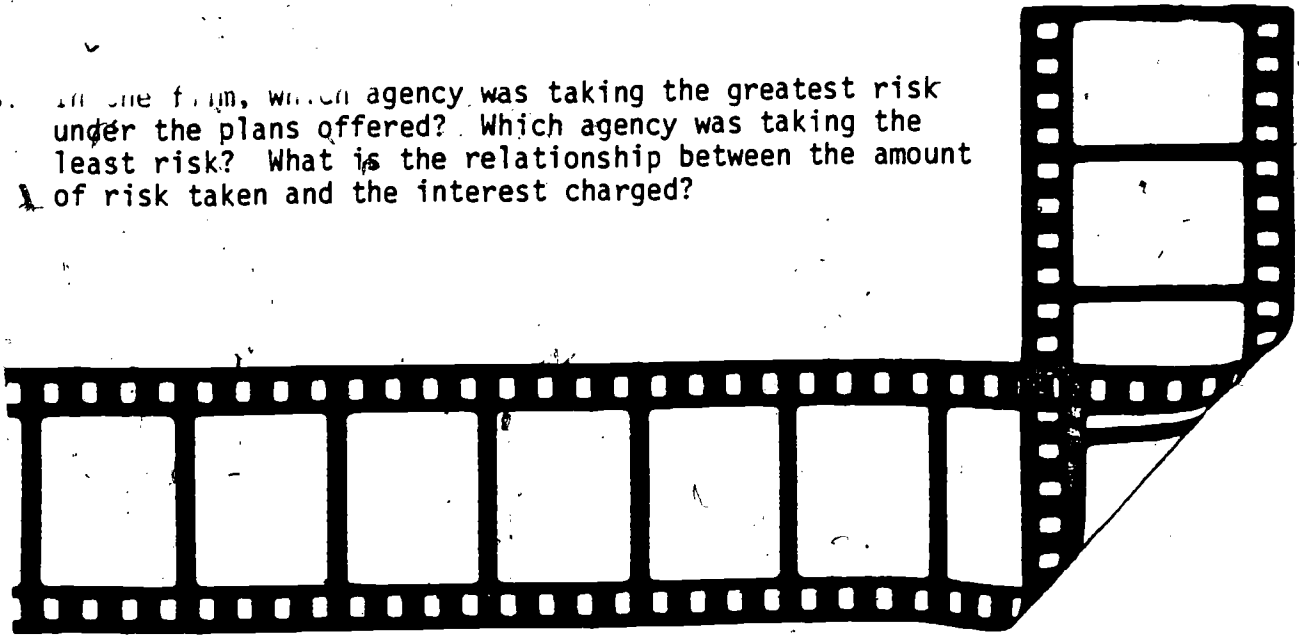
This film is a dramatization of the benefits and dangers of purchasing commodities on an installment plan. Watch as two sisters explore every facet of installment buying. Down payments, interest charges, maximum loans, and many other important factors are studied.

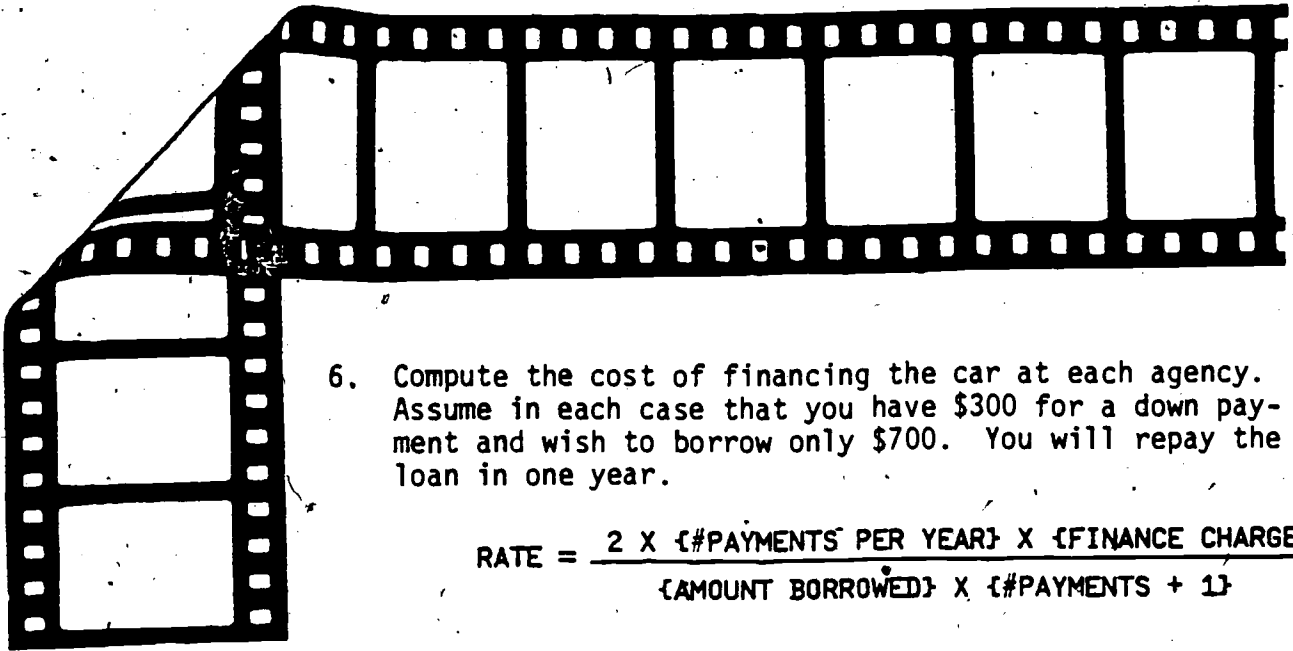
As you watch the film, or when it is completed, answer the following questions:

- 
- 
1. What is "add-on" interest? How is it computed?
 2. What is meant by a "sliding-scale" interest? Why might an agency compute interest in this way?
 3. How is a credit union different from other loan agencies?

4. What service is offered by a loan company that would not be available at a bank or credit union?

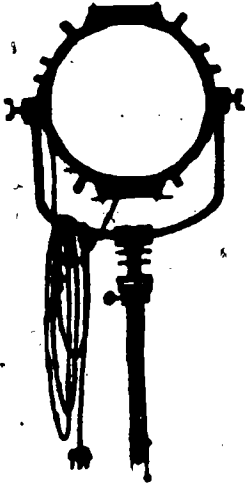
5. In the film, which agency was taking the greatest risk under the plans offered? Which agency was taking the least risk? What is the relationship between the amount of risk taken and the interest charged?





6. Compute the cost of financing the car at each agency. Assume in each case that you have \$300 for a down payment and wish to borrow only \$700. You will repay the loan in one year.

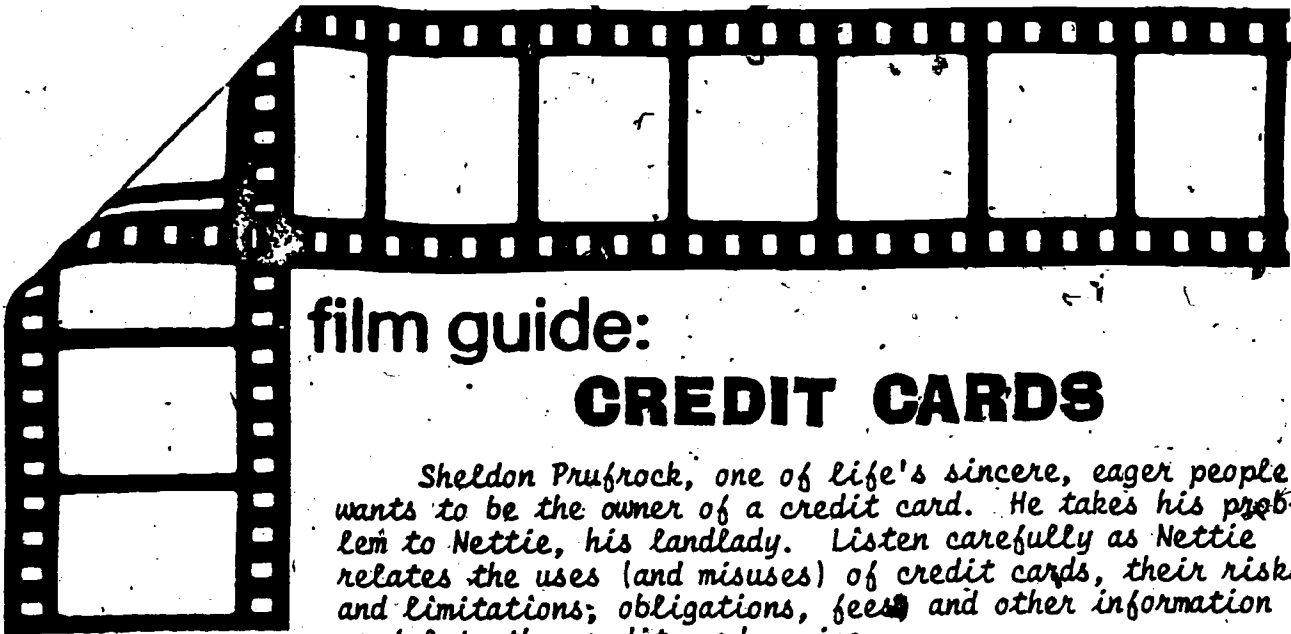
$$\text{RATE} = \frac{2 \times \{\#\text{PAYMENTS PER YEAR}\} \times \{\text{FINANCE CHARGES}\}}{\{\text{AMOUNT BORROWED}\} \times \{\#\text{PAYMENTS} + 1\}}$$



7. How much would the cost of the car increase if it were financed over a two-year period?

Discuss the interest charged on revolving charge accounts and the interest charged on overdue 30-day charge accounts.

9. Discuss the need for and the advantages of budgeting.



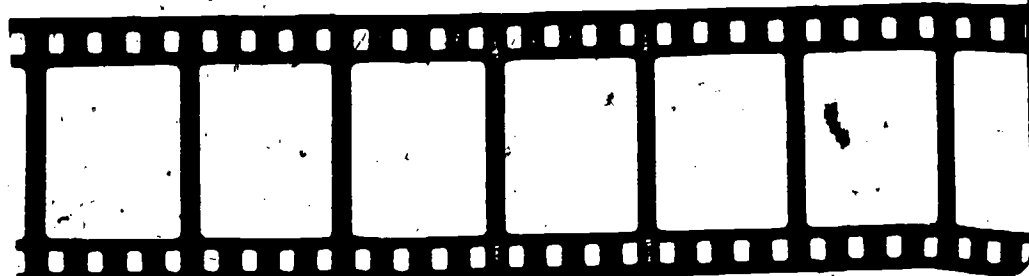
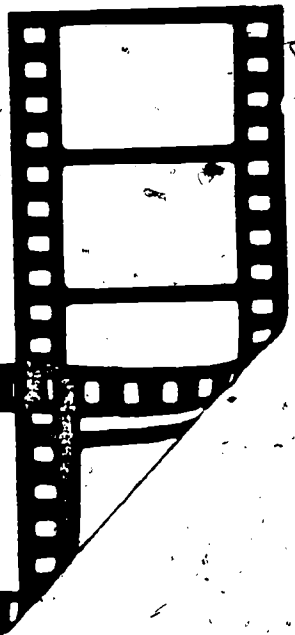
film guide:

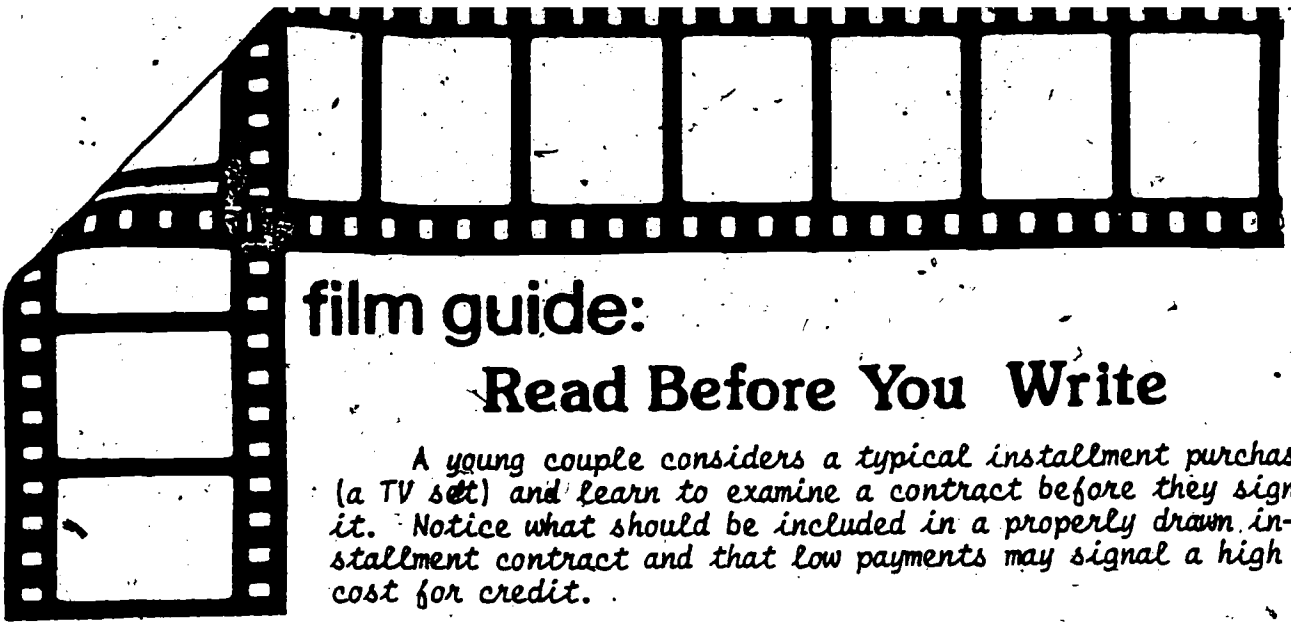
CREDIT CARDS

Sheldon Prufrock, one of life's sincere, eager people, wants to be the owner of a credit card. He takes his problem to Nettie, his landlady. Listen carefully as Nettie relates the uses (and misuses) of credit cards, their risks and limitations; obligations, fees and other information useful to the credit card novice.

As you watch this film, or when it is completed, answer the following questions:

1. Pretend you are a creditor. What facts would you want to consider in judging a person's ability to handle credit?
2. How can credit cards make life easier . . . or harder?
3. What are some warning signals that could alert you that you were using credit too freely?
4. Why do some individuals "overextend" their credit?
5. How does the Truth in Lending Act protect credit card holders?





film guide:

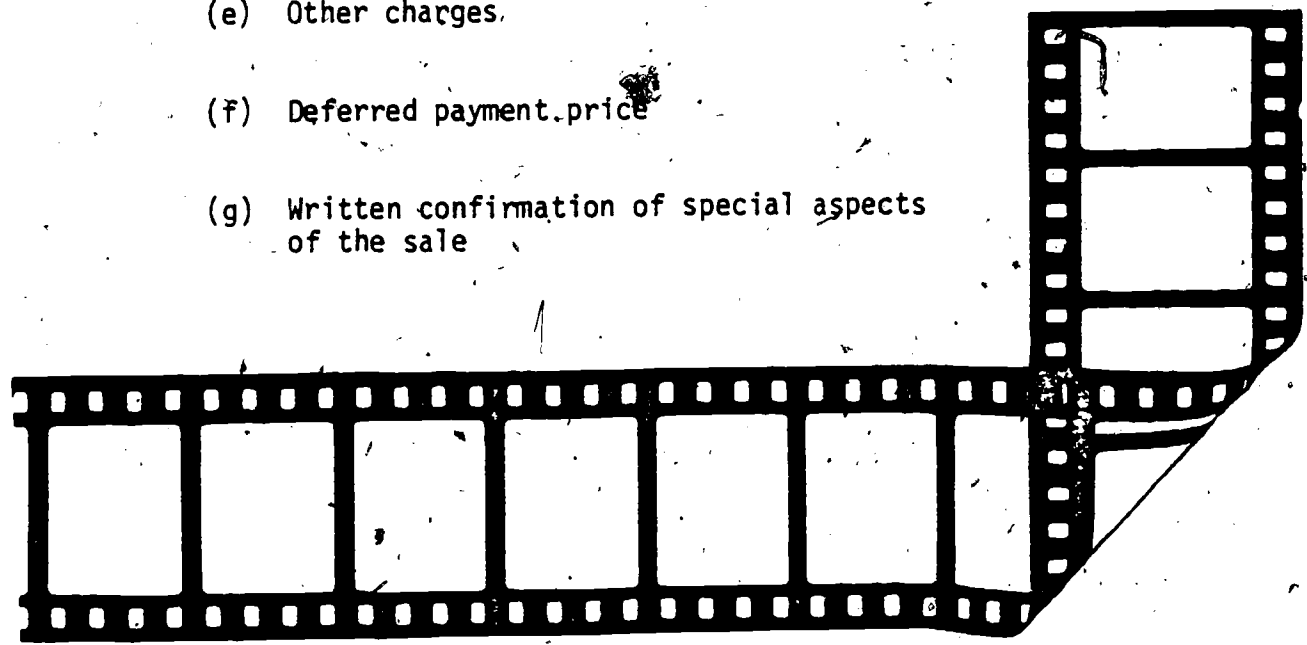
Read Before You Write

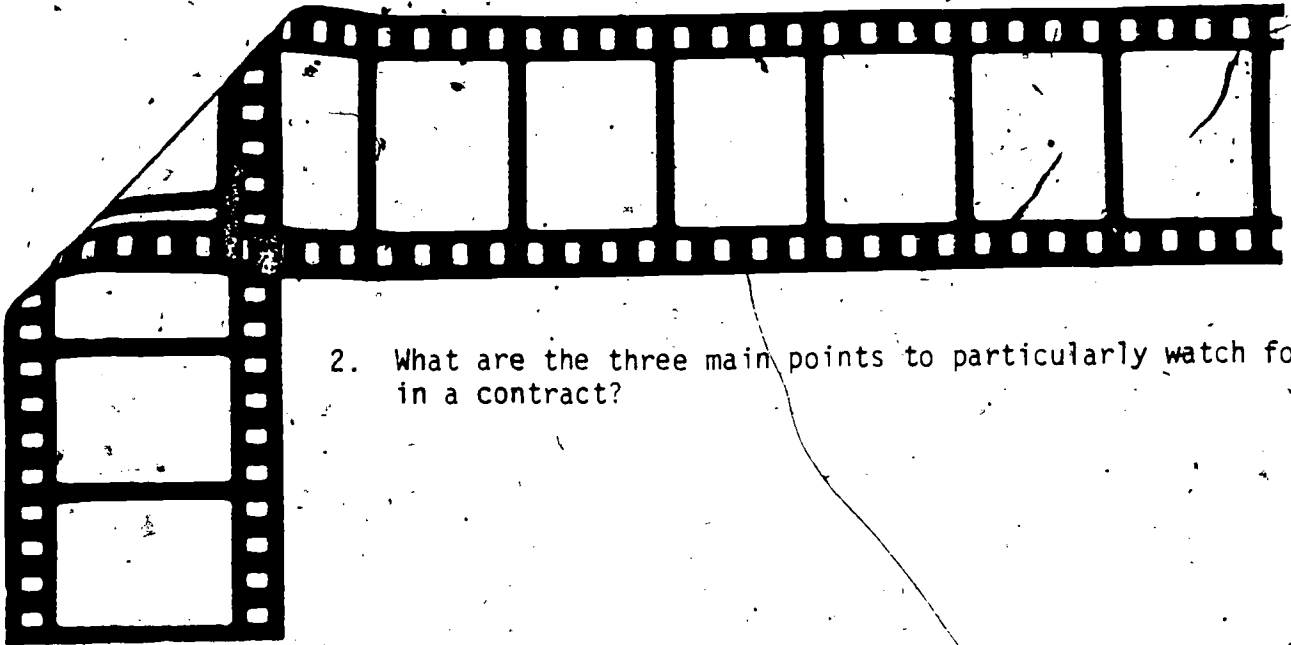
A young couple considers a typical installment purchase (a TV set) and learn to examine a contract before they sign it. Notice what should be included in a properly drawn installment contract and that low payments may signal a high cost for credit.

As you watch this film, or when it is completed, answer the following questions:

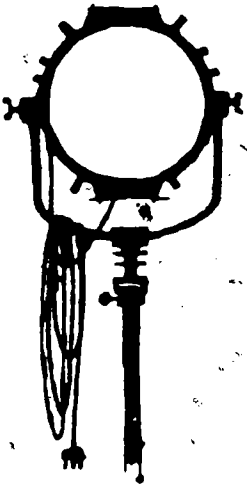
1. Why is each of these features of a properly drawn installment contract so important?

- (a) Exact description of purchased item
- (b) No blank spaces
- (c) Cash price
- (d) Interest rate
- (e) Other charges.
- (f) Deferred payment price
- (g) Written confirmation of special aspects of the sale



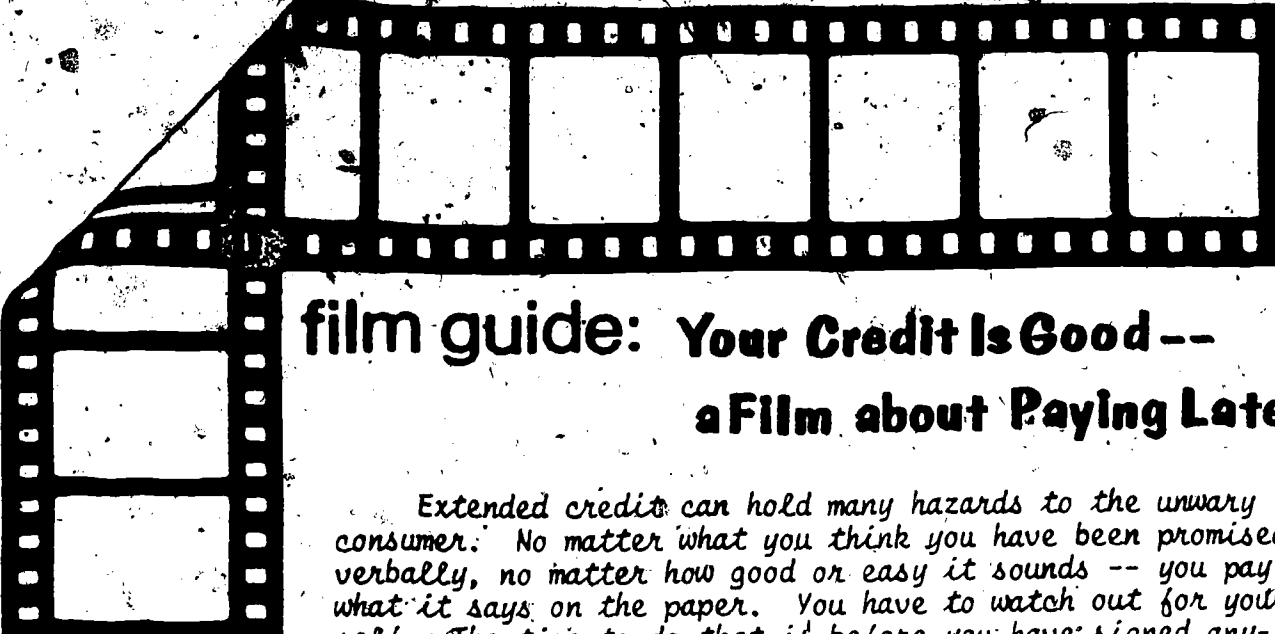


2. What are the three main points to particularly watch for in a contract?



3. What makes the couple decide to shop for better credit terms?



4. Under the pressure of the moment, some people find it difficult to not do as the salesman suggests. How can such people learn to resist sales techniques? Give specific situations and suggestions.

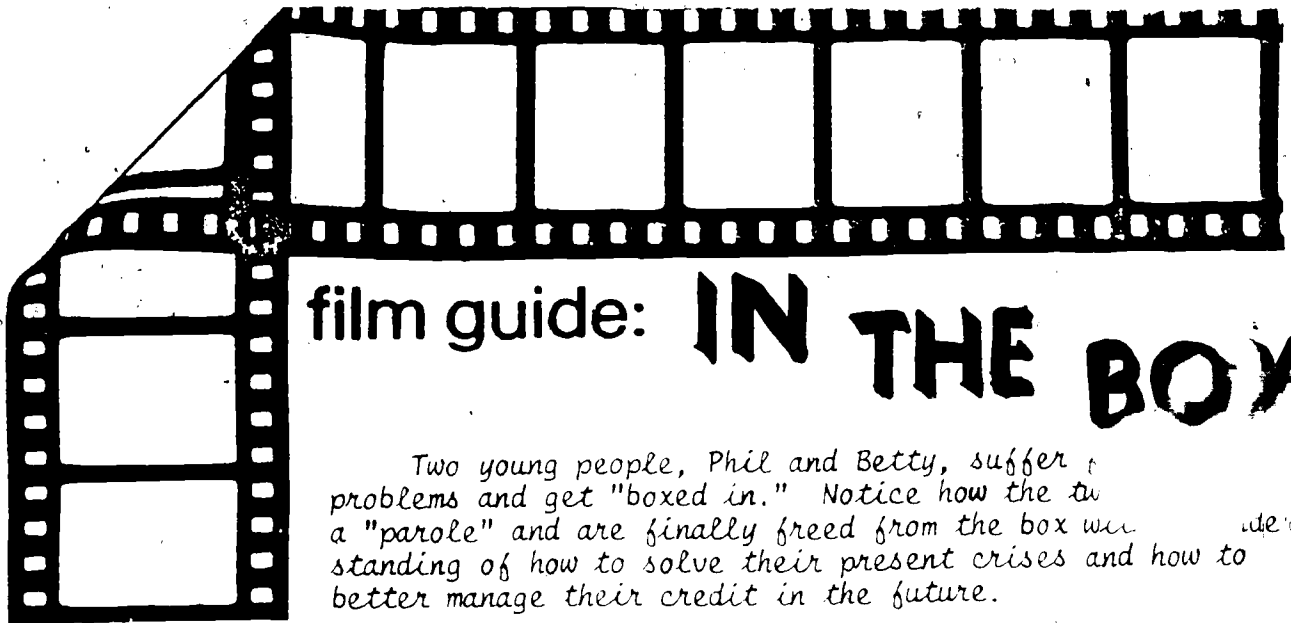


film guide: **Your Credit Is Good --** **a Film about Paying Later**

Extended credit can hold many hazards to the unwary consumer. No matter what you think you have been promised verbally, no matter how good or easy it sounds -- you pay what it says on the paper. You have to watch out for yourself. The time to do that is before you have signed anything.

As you watch the film, or when it is completed, answer the following questions:

- 
- 
1. Define each of the following terms:
 - (a) Finance charges
 - (b) Annual percentage rate
 - (c) Simple interest
 - (d) Down payment
 2. How do you shop for money? Where do you shop?
 3. What is "credit addiction"? Do you know anyone who is a credit addict?
 4. Have you ever bought anything on credit that you would not have purchased if you had to pay cash? If so, what were the circumstances?

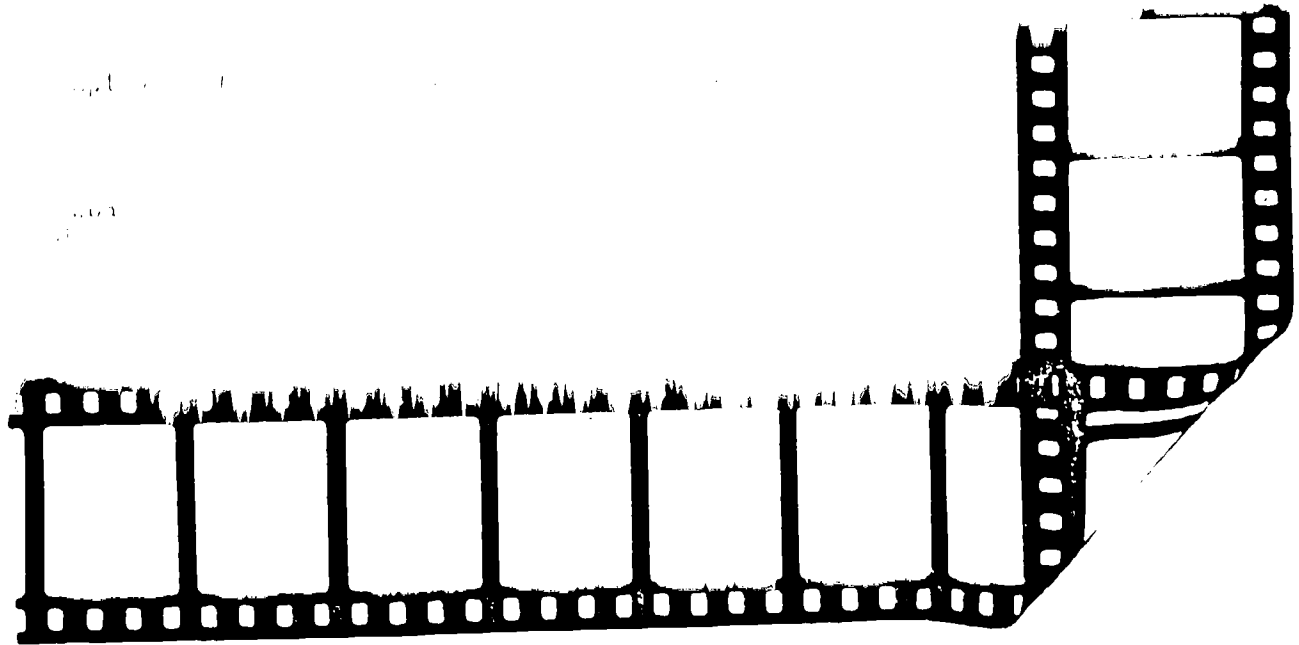


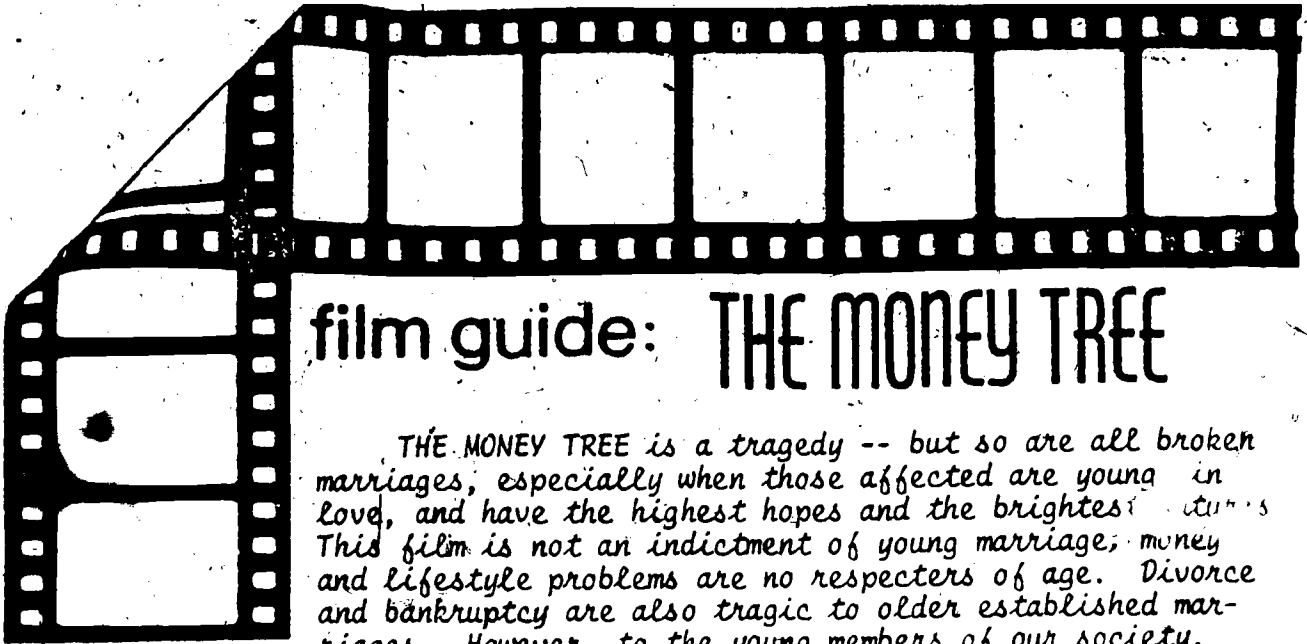
film guide: **IN THE BOX**

Two young people, Phil and Betty, suffer problems and get "boxed in." Notice how the two get a "parole" and are finally freed from the box with a new understanding of how to solve their present crises and how to better manage their credit in the future.

As you watch this film, or when it is completed, answer the following questions:

1. What does the box represent?
2. What led to Phil's money problem? Who was to blame for his problem?
3. Repeat question #2 for Betty.
4. How do you think the film will end?



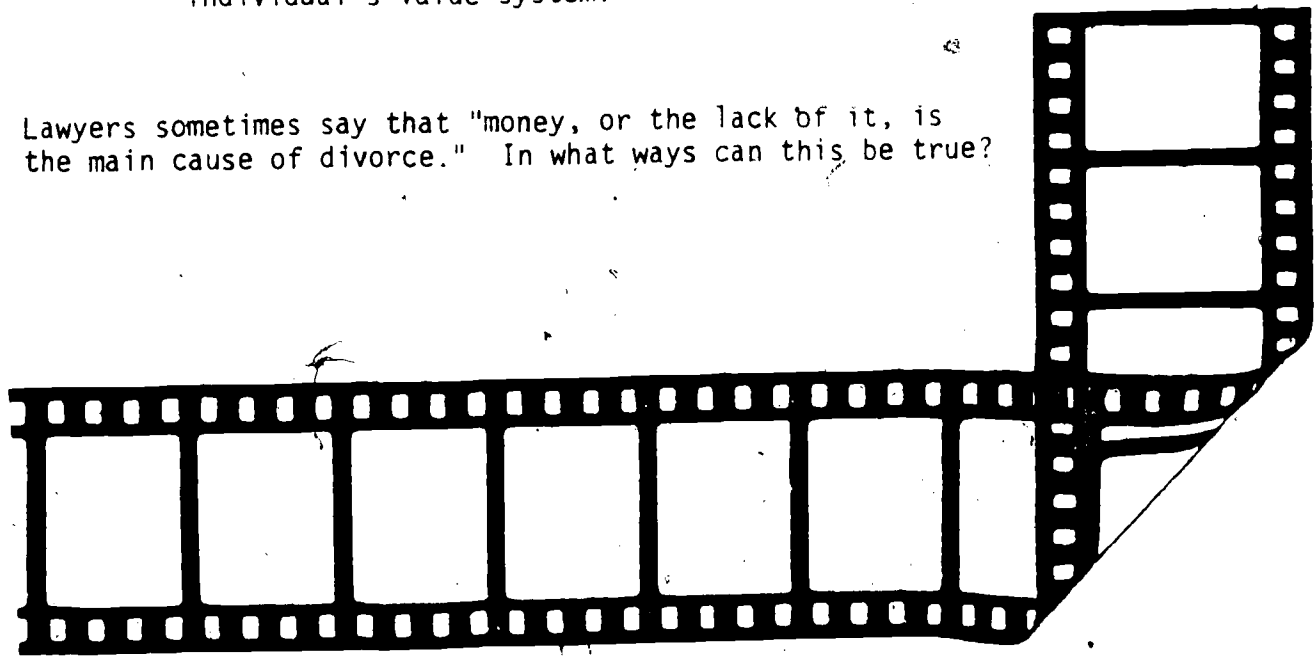


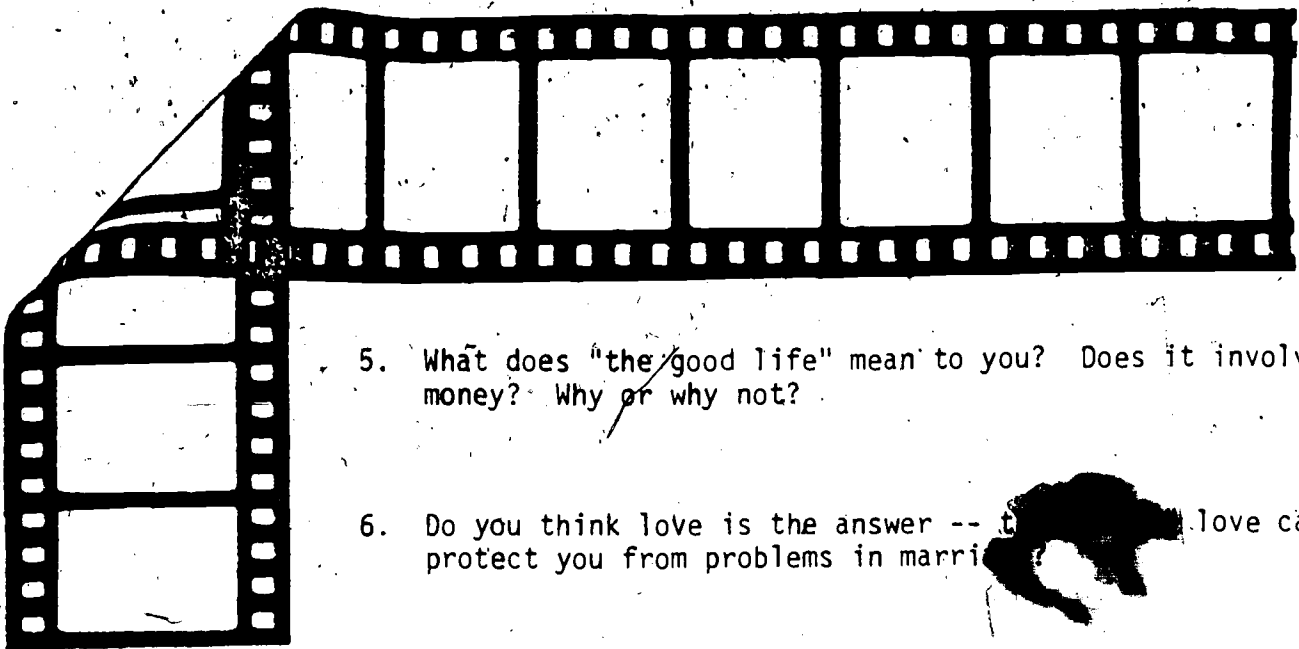
film guide: THE MONEY TREE

THE MONEY TREE is a tragedy -- but so are all broken marriages, especially when those affected are young in love, and have the highest hopes and the brightest futures. This film is not an indictment of young marriage; money and lifestyle problems are no respecters of age. Divorce and bankruptcy are also tragic to older established marriages. However, to the young members of our society, such money problems can predetermine a lifetime of conflict and failure.

As you watch this film, or when it is completed, answer the following questions:

1. Give three examples of how spending habits during dating might indicate a person's ability to handle money in marriage.
2. Does planning and saving ruin the "fun" of shopping? Does anyone you know plan their expenditures anymore?
3. Are money-handling techniques an indication of an individual's value system?
4. Lawyers sometimes say that "money, or the lack of it, is the main cause of divorce." In what ways can this be true?





5. What does "the good life" mean to you? Does it involve money? Why or why not?

6. Do you think love is the answer -- that love can protect you from problems in marriage?

7. Who should handle the money in a marriage? Why?

8. Could what happened to Ann and Jerry ever really happen? Could such problems destroy a marriage? Why?

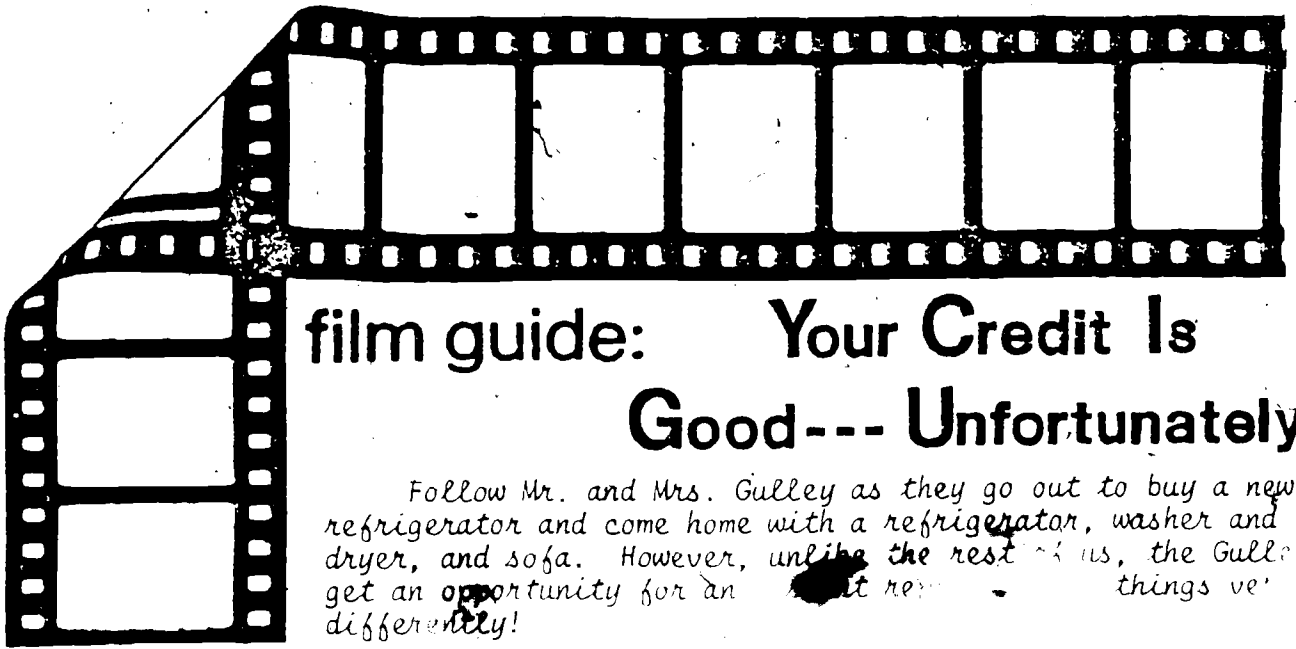
9. Where does a "value system and lifestyle" fit into the marriage of Ann and Jerry?

10. At what stages in the "family life cycle" do the expenses seem the greatest?

11. What does it mean to say that money is often the cause of marital conflict but not necessarily the cause of the conflict?

12. Define "living within one's means" and give examples.

13. Assume that you will be married soon. List "needs" and "wants" for your first year of marriage.

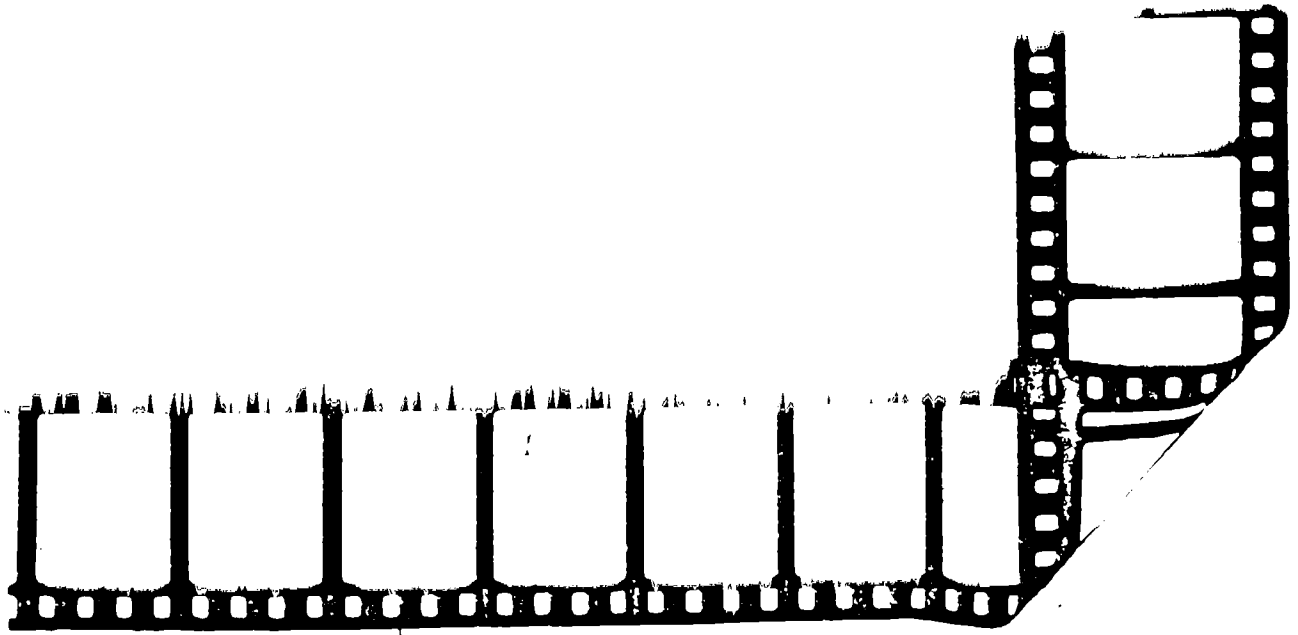


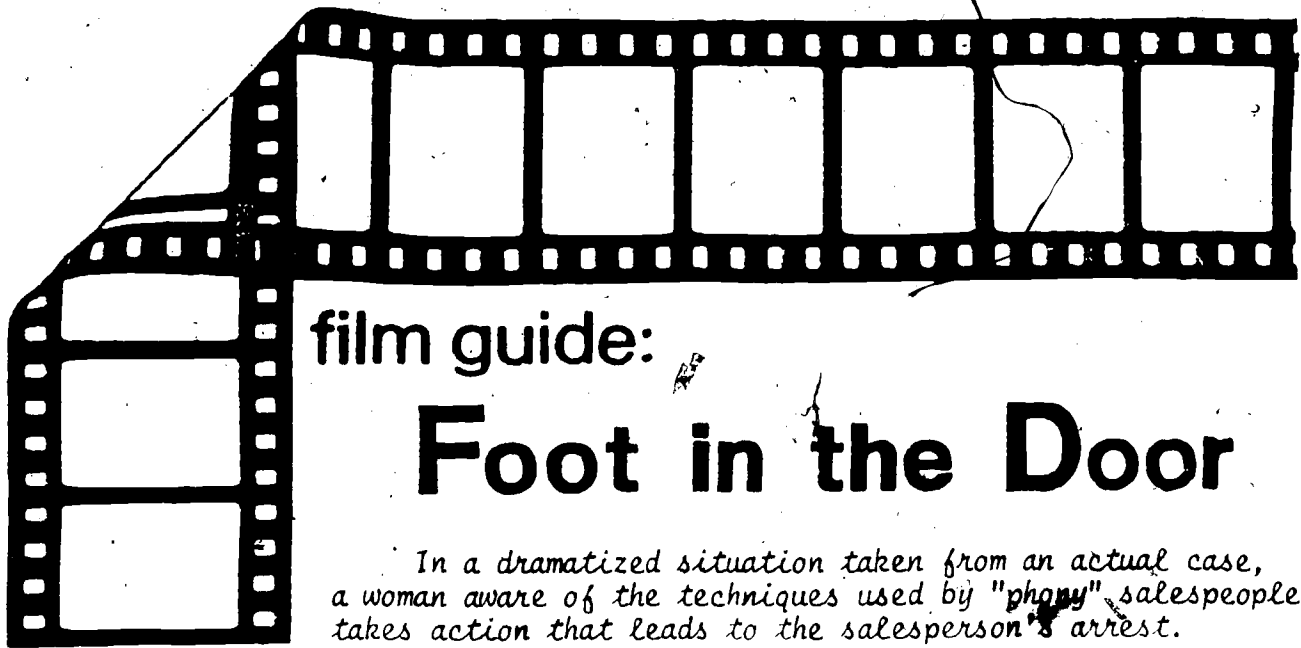
film guide: Your Credit Is Good--- Unfortunately

Follow Mr. and Mrs. Gulley as they go out to buy a new refrigerator and come home with a refrigerator, washer and dryer, and sofa. However, unlike the rest of us, the Gulleys get an opportunity for an ~~at~~ ~~re~~ things ve differently!

As you watch the film, it is suggested that you take the following notes.

1. What is the main idea of the film?
2. What is the purpose of the film?
3. What is the main message of the film?
4. What is the main theme of the film?
5. What is the main conflict of the film?
6. What is the main character of the film?
7. What is the main setting of the film?
8. What is the main plot of the film?
9. What is the main climax of the film?
10. What is the main resolution of the film?





film guide:

Foot in the Door

In a dramatized situation taken from an actual case, a woman aware of the techniques used by "phony" salespeople takes action that leads to the salesperson's arrest.

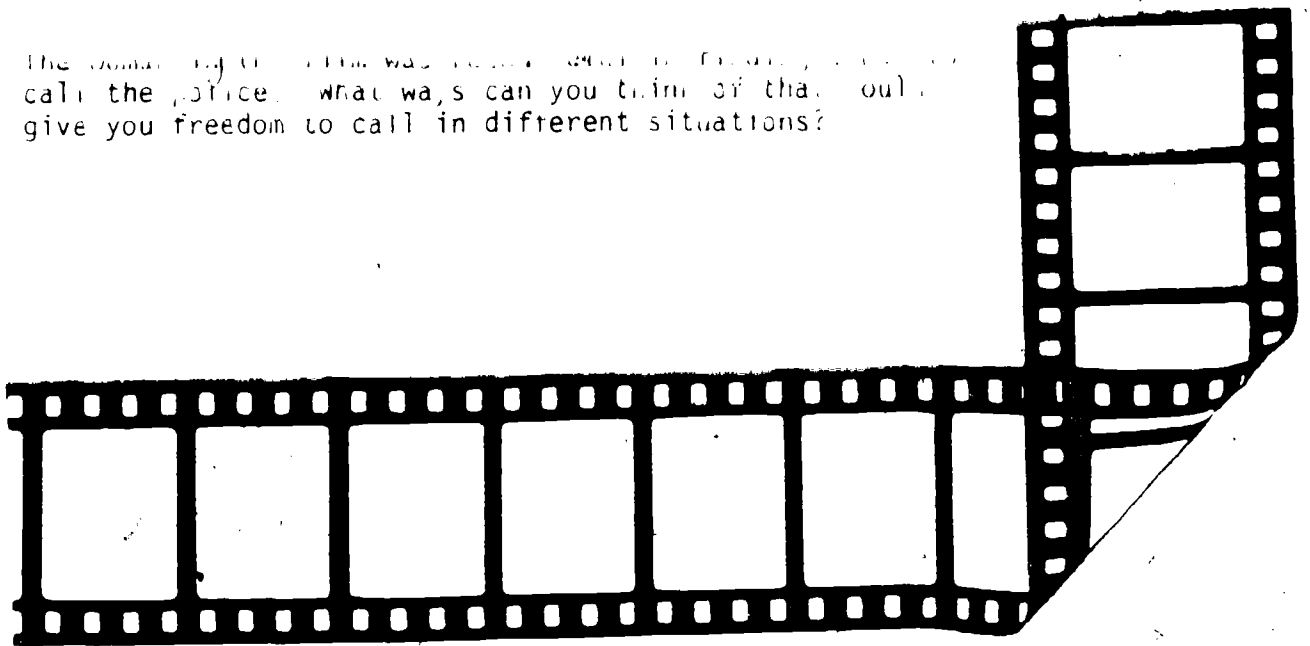
As you watch this film, or when it is completed, answer the following questions:

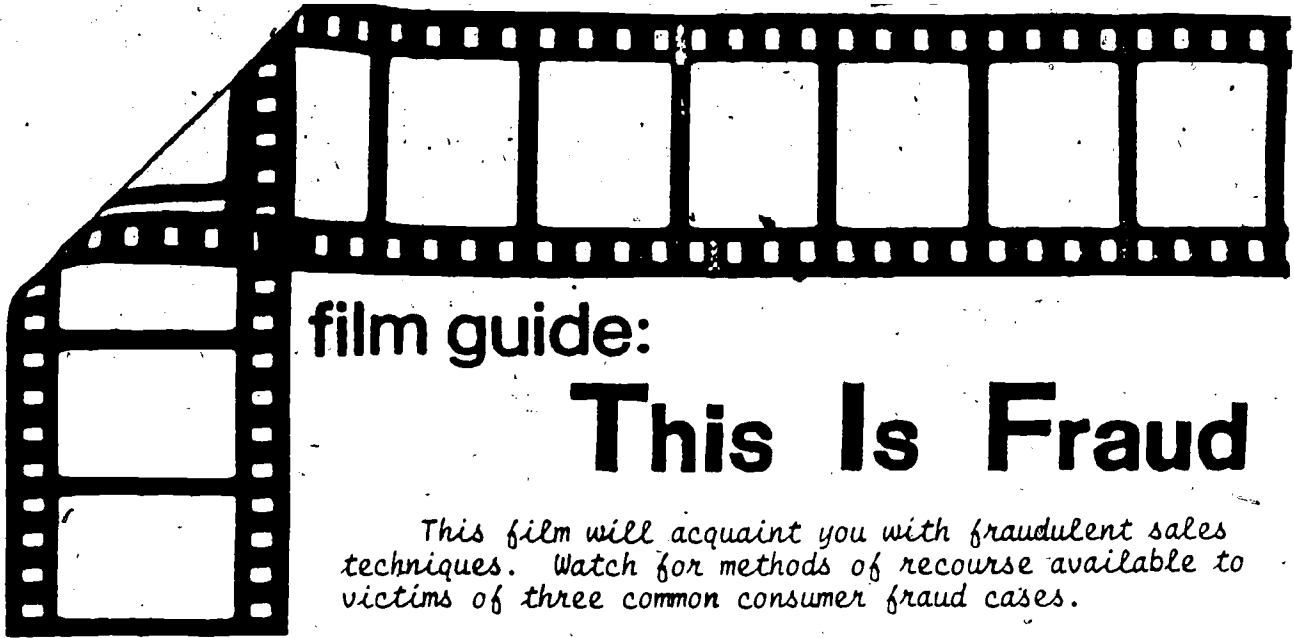


1. What is the first thing you want to do when a door-to-door salesperson arrives at your home?
2. Describe the method used by the baby picture saleswoman. Do you know any other methods sometimes used by door-to-door salespeople?
3. What are good ways to get rid of unwanted door-to-door salespeople?



The woman in the film was really scared. If you were to call the police, what ways can you think of that could give you freedom to call in different situations?





film guide:

This Is Fraud

This film will acquaint you with fraudulent sales techniques. Watch for methods of recourse available to victims of three common consumer fraud cases.

As you watch this film, or when it is completed, answer the following questions:

1. Have you ever known anyone who had been "taken" by fraudulent sales techniques? If so, what were the circumstances?

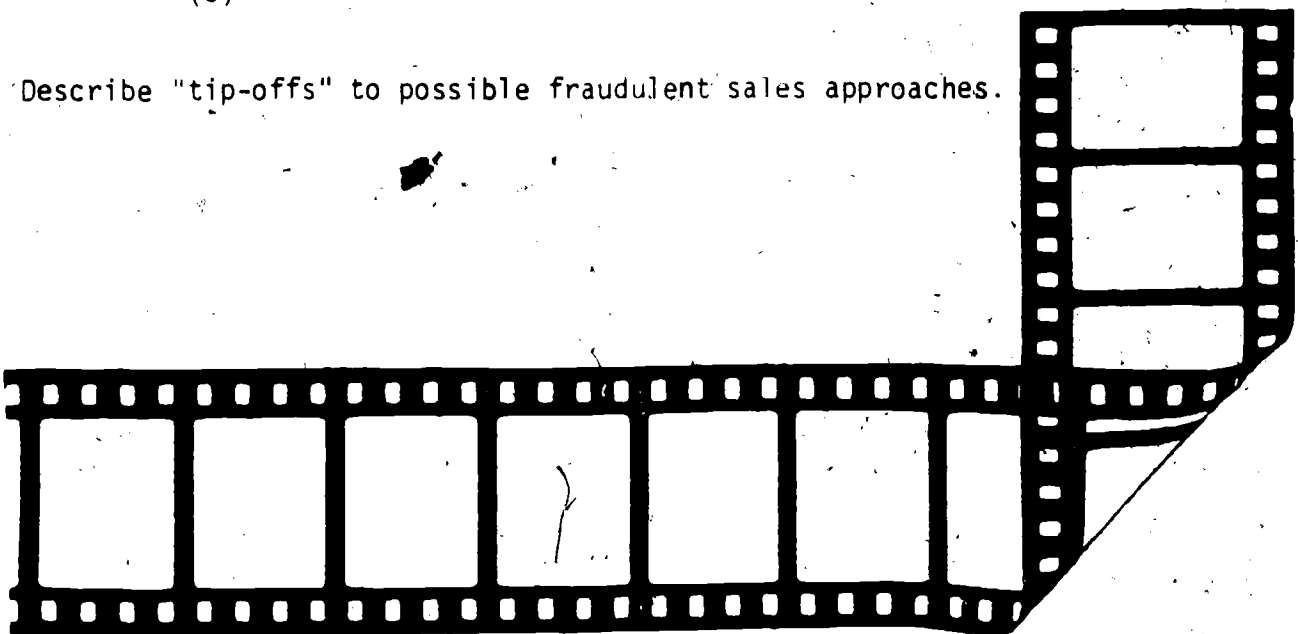
2. Describe what methods of recourse were available for each of the consumer fraud cases described in the film.

(1)

(2)

(3)

3. Describe "tip-offs" to possible fraudulent sales approaches.



WHAT IS CREDIT?

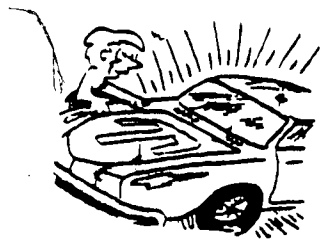


BENEFITS OF CONSUMER CREDIT

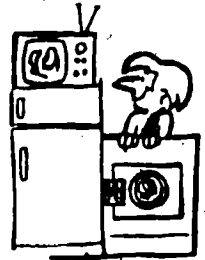
SAVERS: interest



BORROWER: use of goods



SOCIETY: more goods

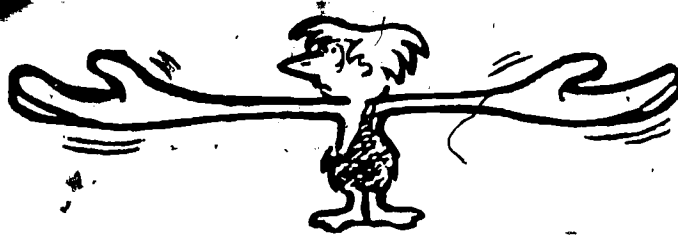


lower costs



jobs

Credit



ADVANTAGES

DISADVANTAGES



Immediate Use

Cost

Convenience

Risk

Credit Rating

CAN YOU THINK OF OTHERS

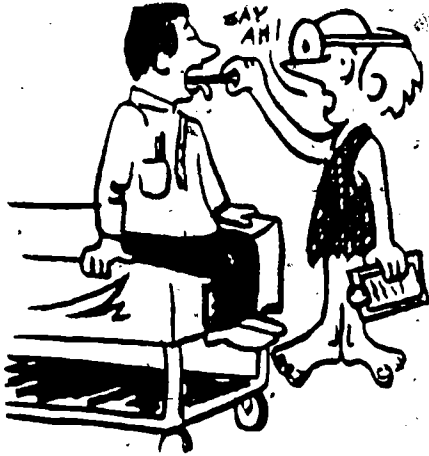
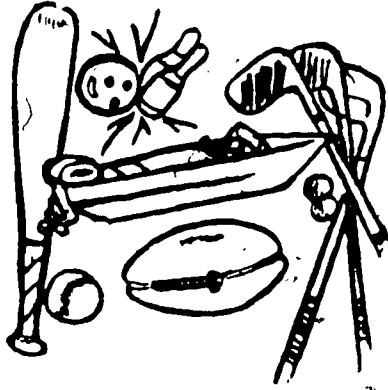
???

117

71

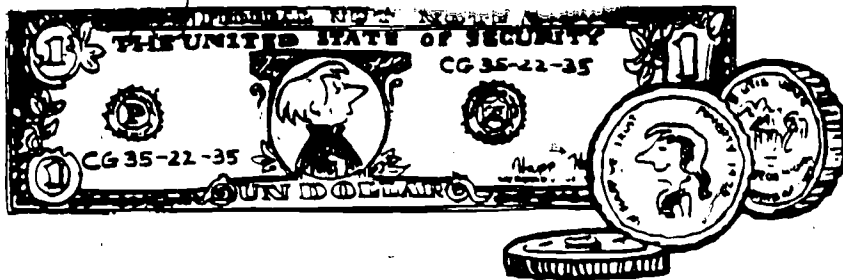
Credit Purchases :

Goods



Services

Money



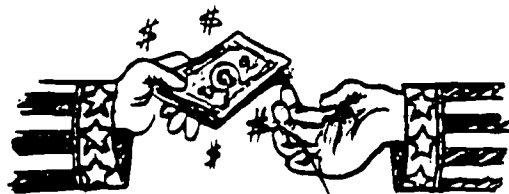
118 72

CREDIT IS

Sales or Purchase Credit



***Cash Loan or Borrowing
Credit***



Cash Loan or Borrowing Credit :



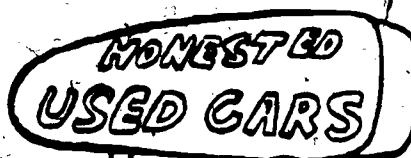
REAL ESTATE
LOANS



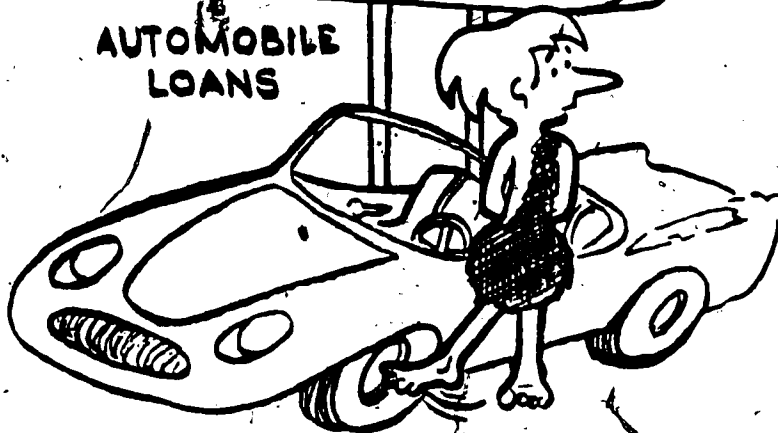
EDUCATION
LOANS



PERSONAL LOANS

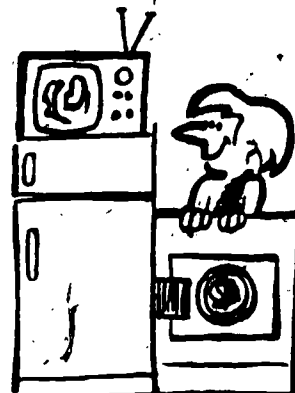


AUTOMOBILE
LOANS

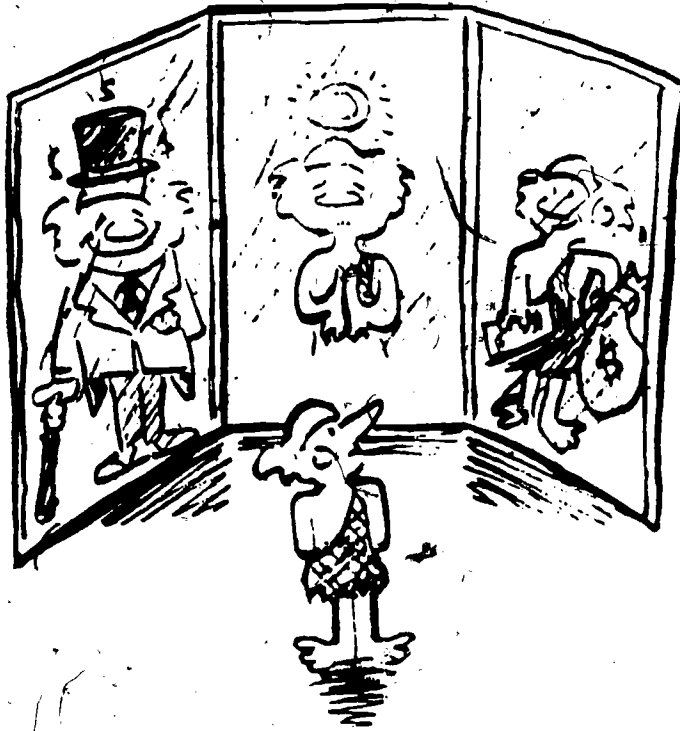


HOME IMPROVEMENT
LOANS

APPLIANCE
LOANS



THE 3 C's OF CREDIT

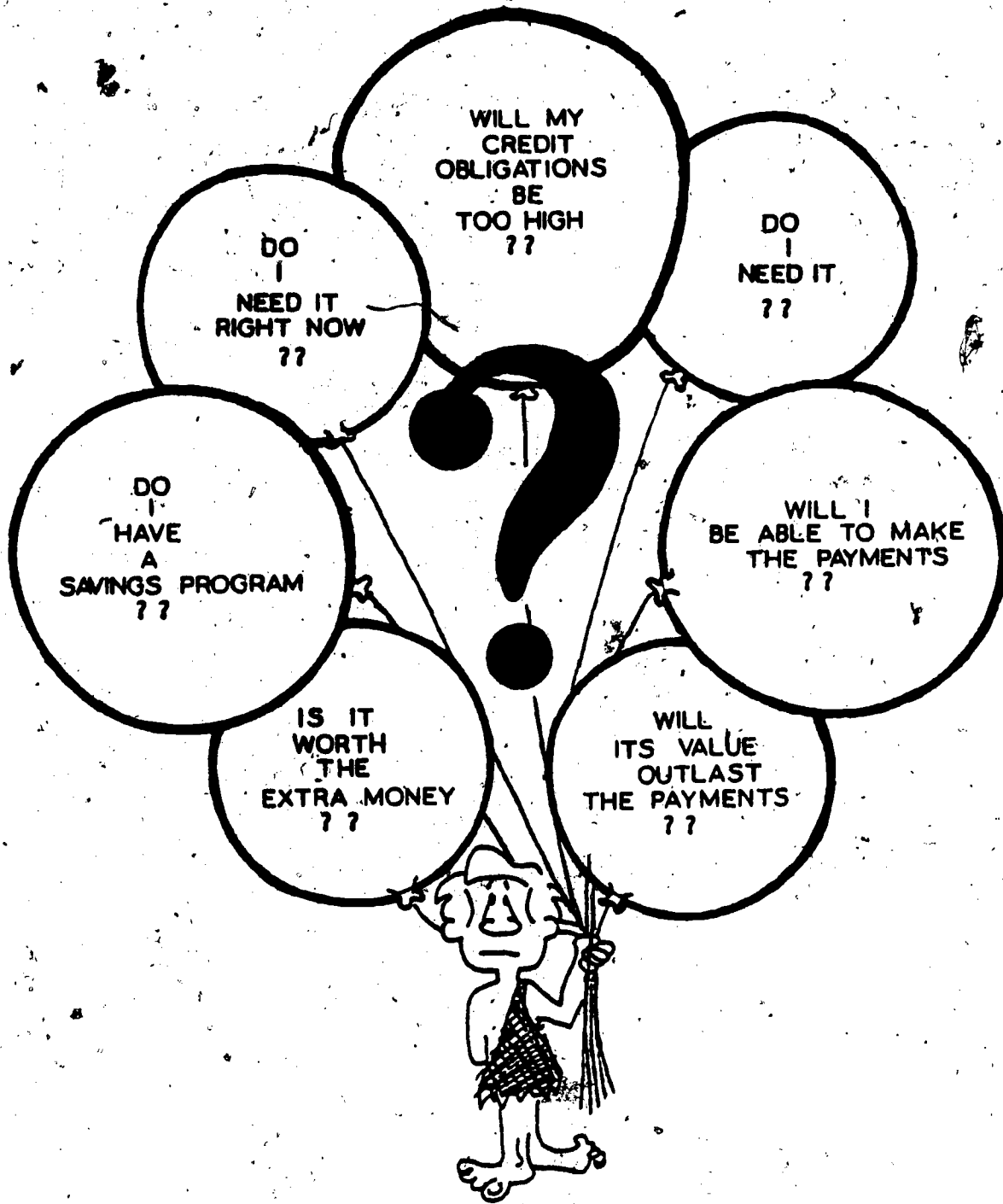


CHARACTER Is he a stable, reliable person who really tries to meet all his obligations?

CAPACITY Is it likely that his income will either remain stable or increase during the life of the loan?

CAPITAL Will he be able to make payments for this and all his other obligations?

GOOD CREDIT =

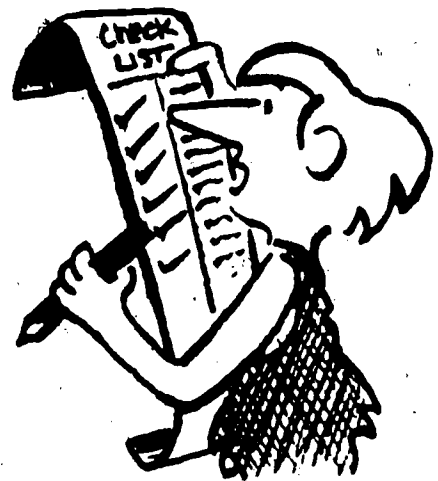


GOOD JUDGMENT

Cost Factors of Credit:

How Much ?

\$ \$



How Long ?

\$ \$

How High the Interest ?

Evaluate Credit Statements



When you treat credit as a privilege, it can help you have more and enjoy more.
Carelessly used, it can become a trap.



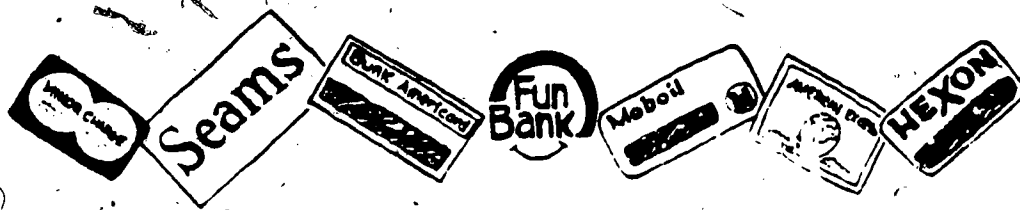
You have a choice -- either you can control credit or credit can control you.
The choice is up to you.



How a person spends his money is a matter of individual choice and based on his personal values and goals.
There are no rules on what is a valid use of credit.

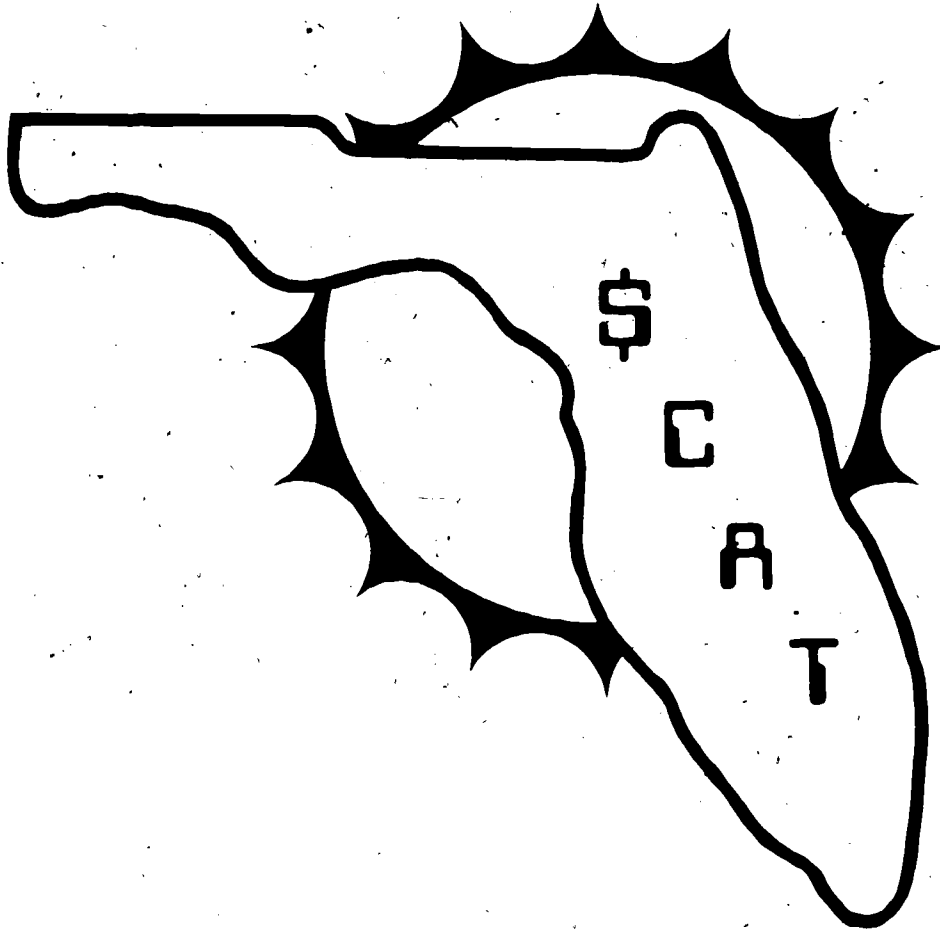


Credit can help you have many of the things you want, but you can't have everything.



PRO CON PRO CON PRO CON

124 78



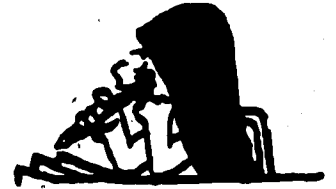
Answer Keys

CLASSROOM TEACHERS ARE AUTHORIZED TO
REPRODUCE THIS ORIGINAL COPY FOR USE
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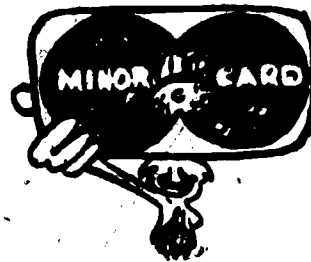


NAME _____
 CLASS _____
 DATE _____

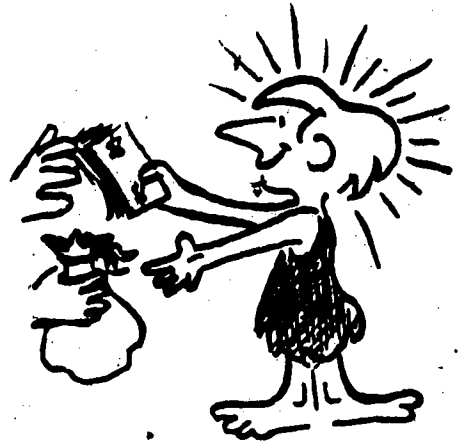
Ch...a...r...r...ge!!



- | | |
|------------|------------|
| 1 A ○ ● ○ | 12 A ○ ● ○ |
| 2 A ○ ● ● | 13 A ● ○ ○ |
| 3 A ● ○ ○ | 14 A ○ ○ ● |
| 4 A ● ○ ○ | 15 A ○ ● ○ |
| 5 ● ○ ○ ○ | 16 ● ○ ○ ○ |
| 6 A ○ ○ ● | 17 A ○ ○ ● |
| 7 A ● ○ ○ | 18 A ○ ● ○ |
| 8 ● ○ ○ ○ | 19 ● ○ ○ ○ |
| 9 A ○ ● ○ | 20 A ● ○ ○ |
| 10 A ○ ● ○ | 21 A ○ ○ ● |
| 11 A ● ○ ○ | |



Sales or Purchase Credit



STUDY THE FOLLOWING LIST OF CREDIT SOURCES AND INFORMATION:

Charge Accounts
Commercial Bank
Consumer Finance Company
Credit Card
Credit Union
18%

Installment
Loan Shark
Open or Regular
Savings and Loan
12%
Utilities

WRITE THE TERM WHICH CORRECTLY MATCHES EACH DESCRIPTION BELOW:

OPEN OR REGULAR	Oldest and most popular type of charge account
UTILITIES	Services provided on credit
18%	Usual annual interest rate for charge accounts
CREDIT CARDS	Often used to pay for things while traveling
SAVINGS AND LOAN	Credit sources specializing in home loans
COMMERCIAL BANK	Largest source of consumer credit
LOAN SHARK	A poor source for cash loans
CREDIT UNION	Only members may obtain cash loans here
CONSUMER FINANCE COMPANY	Credit sources specializing in cash installment loans to individuals
CHARGE ACCOUNTS	May be "Open", "Revolving", or "Installment"

UTILITIES

CREDIT CARDS



**CHARGE
ACCOUNTS**



SERVICES

Cash Loan or Borrowing Credit:

STUDY THE ILLUSTRATIONS OF LOAN SOURCES. THINK ABOUT THE BEST SOURCES FOR EACH TYPE OF LOAN ILLUSTRATED BELOW. WRITE THE NUMBERS OF THE BEST SOURCES UNDER EACH ILLUSTRATION.



BANK

1



CREDIT UNION

2



FINANCE CO.

3



SAVINGS & LOAN

4



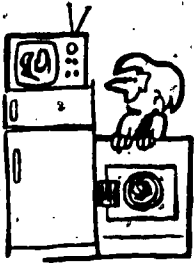
PAWNSHOP

5



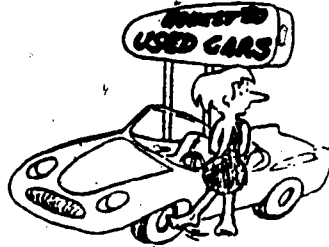
LOAN SHARK

6



APPLIANCE LOANS

1, 2



AUTOMOBILE LOANS

1, 2



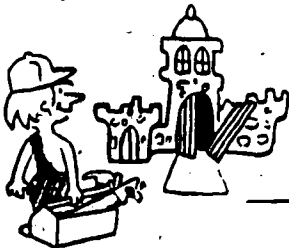
REAL ESTATE LOANS

4



EDUCATION LOANS

1, 2



HOME IMPROVEMENT LOANS

4



PERSONAL LOANS

1, 2

WHICH TWO LOAN SOURCES SHOULD YOU NOT USE?

5, 6

WHICH LOAN SOURCE WOULD NOT BE AVAILABLE TO ALL CONSUMERS?

2

ONE OF THE MOST IMPORTANT NEEDS FOR LOANS IS AN EMERGENCY. WHERE MIGHT YOU BE ABLE TO BORROW MONEY IN AN EMERGENCY SUCH AS AN ACCIDENT OR LOSS OF A JOB?

3, 4

Cash Loan or Borrowing Credit

EACH LOAN SOURCE HAS BEEN LABELED WITH AN APPROPRIATE APR.
IMAGINE THAT YOU ARE BORROWING \$1000 FROM EACH SOURCE FOR ONE YEAR.
ON THE LINE BELOW EACH SOURCE WRITE THE DOLLAR COST OF THE CREDIT FOR THE LOAN.
THE FIRST ONE IS DONE FOR YOU.



BANK
12%

\$120



CREDIT UNION
9%

\$90



FINANCE CO.
24%

\$240



SAVINGS & LOAN
8½%

\$85



PAWNSHOP
36%

\$360



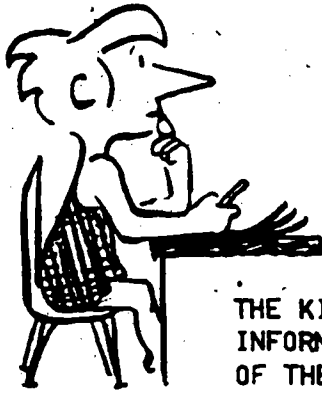
LOAN SHARK
800%

\$8000

IF YOU HAVE COMPLETED ALL THE EXAMPLES CORRECTLY, THE DOLLAR COST OF CREDIT FROM ALL SOURCES WILL BE \$8895.

129

83



CREDIT APPLICATION

3 C's OF CREDIT

THE KINDS OF QUESTIONS ASKED ON A CREDIT APPLICATION ARE TO INFORM THE CREDITOR ABOUT THE CHARACTER, CAPITAL, AND CAPACITY OF THE APPLICANT.

STUDY THE KINDS OF QUESTIONS ASKED ON THE SAMPLE APPLICATION AND DECIDE WHETHER IT IS A CHARACTER, CAPITAL, OR CAPACITY QUESTION. IF IT IS A CHARACTER QUESTION, WRITE 1. IN THE BLANK. IF IT IS A CAPITAL QUESTION, WRITE 2. IN THE BLANK. IF IT IS A CAPACITY QUESTION, WRITE 3. IN THE BLANK.

Please Print <input type="checkbox"/> Ms. <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss _____	Date Opened Own <input type="checkbox"/> Rent <input type="checkbox"/> 2 Board <input type="checkbox"/>	Limit Rent/Mortgage \$ 2	Interviewer Authorizer Telephone	
Street Address _____		Social Security Number _____		
City & State _____		Zip Code _____		
How long at present address _____		If less than 2 years, how long at previous address _____		
If less than 2 years, give previous address _____		Street City State Zip		
Name and address of employer _____				
How long with present employer _____		Occupation _____ Earnings <u>3</u> <input type="checkbox"/> Wk. <input type="checkbox"/> Mo. <input type="checkbox"/> Y		
Former employer (if less than one year with present employer) _____		Address _____ How long? _____		
Other income and source <u>3</u> _____				
<input type="checkbox"/> Checking Acct.				
<input type="checkbox"/> Savings Acct. Name of Bank _____		Address _____		
Personal references				
1. Name <u>1</u> _____		Address _____		
2. Name _____		Address _____		
Charge Accounts/Loan References (Store/Company)	Address	Account Number	Balance	Monthly Payment
<u>3</u>				



DOLLAR COST OF CREDIT*

PRACTICE FINDING THE DOLLAR COST OF CREDIT BY COMPLETING EACH OF THE EXAMPLES BELOW:

1. ED TUCKER BORROWED \$300 FROM A SMALL LOAN COMPANY AND PAID \$32.00 A MONTH FOR 12 MONTHS.

WHAT WAS THE DOLLAR COST OF THE LOAN? \$84

2. RUDY YORK FINANCED HIS NEWLY PURCHASED USED CAR AT THE LOCAL BANK. WITH NO DOWNPAYMENT, THE CAR COST \$1000 AND WAS TO BE PAID OFF IN 12 MONTHS AT \$92.00 A MONTH.

WHAT WAS THE DOLLAR COST OF RUDY'S LOAN? \$104

3. ANNIE B. WISE BOUGHT A USED CAR VALUED AT \$1800. UNDER THE TERMS OF HER LOAN, SHE MADE A DOWNPAYMENT OF \$600. THE BALANCE WAS TO BE PAID IN 12 MONTHLY INSTALLMENTS OF \$109.

WHAT WAS THE ACTUAL DOLLAR COST OF THE CREDIT? \$108

4. THE HAZZARDS HAVE DECIDED TO BUY A TV SET ON THE INSTALLMENT PLAN. THE SET THEY WANT COSTS \$225. THE DEALER HAS OFFERED IT TO THEM FOR \$20 DOWN AND \$5 PER WEEK FOR FIFTY WEEKS. THEY THINK THIS MAKES THE SET RATHER EXPENSIVE.

CALCULATE WHAT THE SET WILL COST THEM. \$270

WHAT IS THE DOLLAR COST OF THE CREDIT? \$ 65

*** remember :**

NUMBER OF INSTALLMENTS



AMOUNT OF EACH PAYMENT



CASH PRICE OF ITEM



DOLLAR COST OF CREDIT

131

85

5. COMPLETE THE FOLLOWING TABLE CONCERNING A RECENT TV SALES PROMOTION IN ATLANTA, GEORGIA. ALL MONTHLY PAYMENTS ARE TO RUN FOR 12 MONTHS.

TV SET	ORIGINAL PRICE	SALE REDUCTION	SALE PRICE	DOWN PAYMENT	BALANCE DUE	MONTHLY PAYMENTS	TOTAL PRICE OF TV	DOLLAR COST OF CREDIT
1	\$620	\$50	\$570	\$142.50	\$427.50	\$40.00	\$622.50	\$52.50
2	\$840	\$65	\$775	\$193.75	\$581.25	\$52.80	\$827.35	\$52.35
3	\$460	\$35	\$425	\$106.25	\$318.75	\$33.00	\$502.25	\$77.25
4	\$1100	\$90	\$1010	\$252.50	\$757.50	\$70.00	\$1092.50	\$82.50
5	\$580	\$45	\$535	\$133.75	\$401.25	\$39.00	\$601.75	\$66.75



86

132

CH..A..R..R..G..E!!

WORDS

20 OF THE MOST IMPORTANT CREDIT TERMS FOR YOU TO REMEMBER ARE:

- | | | |
|---------------|---------------------------|----------------------------------|
| 1. APR | 8. Credit application | 14. Equal Credit Opportunity Act |
| 2. Bankruptcy | 9. Credit bureau | 15. Fair Credit Reporting Act |
| 3. Capacity | 10. Credit counseling | 16. Installment |
| 4. Capital | 11. Credit record | 17. Repossess |
| 5. Character | 12. Credit union | 18. Security |
| 6. Collateral | 13. Dollar cost of credit | 19. Service charge |
| 7. Credit | | 20. Truth in Lending Act |

USE THESE WORDS TO COMPLETE EACH OF THE FOLLOWING EXERCISES.
WRITE THE NUMBER OF THE TERM WHICH MATCHES EACH DESCRIPTION:

REGULATIONS

- 14 Makes it possible for a wife to obtain credit in her name, separate from her husband
- 20 Requires disclosure of both the dollar cost of credit and the annual percentage rate
- 15 Regulates the activities of credit reporting agencies

GETTING CREDIT

- 7 The system which makes it possible to get things now and pay later
- 4 Money and property; one of the "3 C's of Credit"
- 3 Ability to pay; one of the "3 C's of Credit"
- 5 Reputation; one of the "3 C's of Credit"
- 8 The form completed by a consumer who wishes to use credit
- 9 The "home" of credit records
- 11 The consumer's record of credit use
- 18 Collateral



- 6 A guarantee for payment of a loan
- 12 A source of credit for members only
- 10 Aid given to the consumer who is in credit difficulty by one trained in organizing finances
- 17 What the dealer does with the car you can't pay for
- 2 The last resort for the consumer in credit trouble

COSTS

- 19 "Handling charge"
- 13 The difference between the cash and credit cost of an item
- 1 Finance charges expressed on an annual basis as required by the Truth In Lending Act
- 16 One payment of many



WRITE THE MESSAGE BY CHANGING NUMBERS* TO WORDS:

$$7 = (3+4+5) + 8 + 6$$

CREDIT EQUALS CAPACITY PLUS CAPITAL PLUS CHARACTER

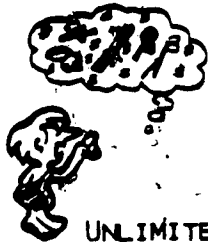
PLUS CREDIT APPLICATION PLUS COLLATERAL

*(USE THE NUMBERS ON THE PREVIOUS PAGE.)

SCARCITY AND CREDIT

Credit and credit cards remind us of that old problem, SCARCITY.

Borrowing money is one way that we "solve" the problem of scarcity for the moment. Of course, we later have to repay what we borrow, plus pay the credit charges and interest.



UNLIMITED
NEEDS AND
WANTS

~~SCARCITY~~



LIMITED DOLLARS
AND CENTS

SO WE HAVE TO MAKE
HARD CHOICES ABOUT
WHAT IS MOST IMPORTANT.

HOWEVER,

IF WE ARE TRUSTWORTHY,
WE MIGHT BORROW MONEY NOW
TO MEET OUR NEEDS OR TO
FULFILL OUR WANTS — BUT
AT A DOLLARS & CENTS COST.

For example, Bob McCulloch needs to put food on his family's table now, but he will not harvest the crops and sell them for another six weeks. He has a NEED and he decides to meet it by borrowing money.

CHOICE (What Bob will do)	COST (What Bob will not be able to do)
<p>Bob will borrow a thousand dollars from his bank to feed the family and meet household expenses for six weeks.</p>	<p>(Fill in the COSTS for Bob)</p> <p>ANSWERS WILL VARY</p>

Or, Harriet Kontos has decided to add a little excitement to her life. She is taking up stock car racing with a friend. They have saved \$6,000, but they need another \$6,000 to get into the circuit. Harriet and friend have a WANT (some might say a "luxury") and they want to fulfill it.

<i>CHOICE</i> (What Harriet & friend will do)	<i>COST</i> (What Harriet & friend will then not be able to do)
ANSWERS WILL VARY	ANSWERS WILL VARY

When you think about borrowing money, what FEELINGS come to mind? Check yours:

- | | | | | |
|------------------|-------------------|--------------------|-----------------|-------------------|
| <i>NERVOUS</i> | <i>AFRAID</i> | <i>HUMBLE</i> | <i>HURT</i> | ANSWERS WILL VARY |
| <i>GUILT</i> | <i>OPTIMISTIC</i> | <i>ANGER</i> | <i>JOY</i> | |
| <i>FEAR</i> | <i>ENVY</i> | <i>SAFE</i> | <i>SECURE</i> | |
| <i>JEALOUS</i> | <i>PROUD</i> | <i>DEPRESSED</i> | <i>SMART</i> | |
| <i>INCAPABLE</i> | <i>WARM</i> | <i>LOVING</i> | <i>UNWORTHY</i> | |
| <i>EMPTY</i> | <i>IRRITATED</i> | <i>SENTIMENTAL</i> | <i>SYMPATHY</i> | |
| <i>DUMB</i> | <i>DEPENDENT</i> | <i>CLEVER</i> | <i>FRIENDLY</i> | |

Feeling words reveal our attitudes toward CREDIT and BORROWING.
 How did you learn your feelings/attitudes toward CREDIT and BORROWING?
 One of the things we want to do in this PAL is to see if our feelings about CREDIT and BORROWING are realistic.



Credit is an accepted way of life in America.

The average American is too easily tempted to use credit without realizing how much it really costs.

The cost of credit is worth the satisfaction of buying and using goods now.

With a credit purchase, the seller is placing his trust in the buyer's intention and ability to pay the debt at a later date. Like money, credit is a medium of exchange.

Many things in our life are bought on credit. Large purchases such as homes, cars and big appliances are often bought this way because few of us have enough funds to pay cash.

Even utilities, such as electricity and water, are bought on credit. We use these services and are billed monthly on the amount of water or electricity we have used.

Education may also be bought with credit.



EXERCISES

SEVEN OF THE CIRCUMSTANCES DESCRIBED BELOW ARE EXAMPLES OF CREDIT.
SEE IF YOU CAN DECIDE WHICH SEVEN.
CIRCLE THE NUMBER OF EACH CIRCUMSTANCE WHICH IS AN EXAMPLE OF CREDIT.

1. You pay cash for a new outboard motor and boat at a boat sale.
- ② You receive a monthly statement from your doctor.
3. You receive word that you have won five hundred dollars from a local talk show.
- ④ You pick up the receiver of your newly installed phone and are soon talking to your parents who are a thousand miles away.
- ⑤ Your friend Bill gives you the \$5 deposit you need for your yearbook. You promise to pay him \$6 on payday.
- ⑥ You buy a used automobile for nothing down and twelve payments of \$92 a month.
- ⑦ You turn on your TV set.

8. You send a check each month to your church for a previously-agreed-upon amount.
9. You pay \$100 down and \$80 a month for part ownership in an airplane.
10. You have dinner with two friends and use a credit card to take care of the bill.

CREDIT HAS ITS **ADVANTAGES**
&
DISADVANTAGES

Almost everything you can think of has good points and bad points. Credit is no different. The informed consumer will be able to make better judgments if he is aware of some of each. Study the list of advantages & disadvantages of using credit. Then decide.



+

-

Provides immediate use of goods & services

Makes purchasing convenient

Helps to improve the standard of living

Provides an accurate record of spending

Helps in getting a good credit rating

Allows immediate handling of many emergencies

Costs money

Discourages comparison shopping

May require payments after consumer tires of item

Ties up future income

Risks repossession if payments are not made

May decrease reserve for emergencies

Makes debt consolidation possible

Supports mass production, mass distribution, & mass consumption, providing more products for more consumers

Tempts the consumer to overspend

May require payments after the article purchased is of no further value

Of course it is possible to list a great many more advantages and disadvantages of credit if we were to think of each of the types of credit available in both the sales and cash areas.

Think of the last purchase you or someone in your family made on credit. Do you think the purchase involved a wise use of credit?



Exercises

IT'S EASY TO TELL AN ADVANTAGE FROM A DISADVANTAGE, RIGHT? RIGHT!
LET'S SEE.

IF THE FOLLOWING PHRASES ARE ADVANTAGES OF CREDIT, WRITE A; IF DISADVANTAGES, WRITE D.

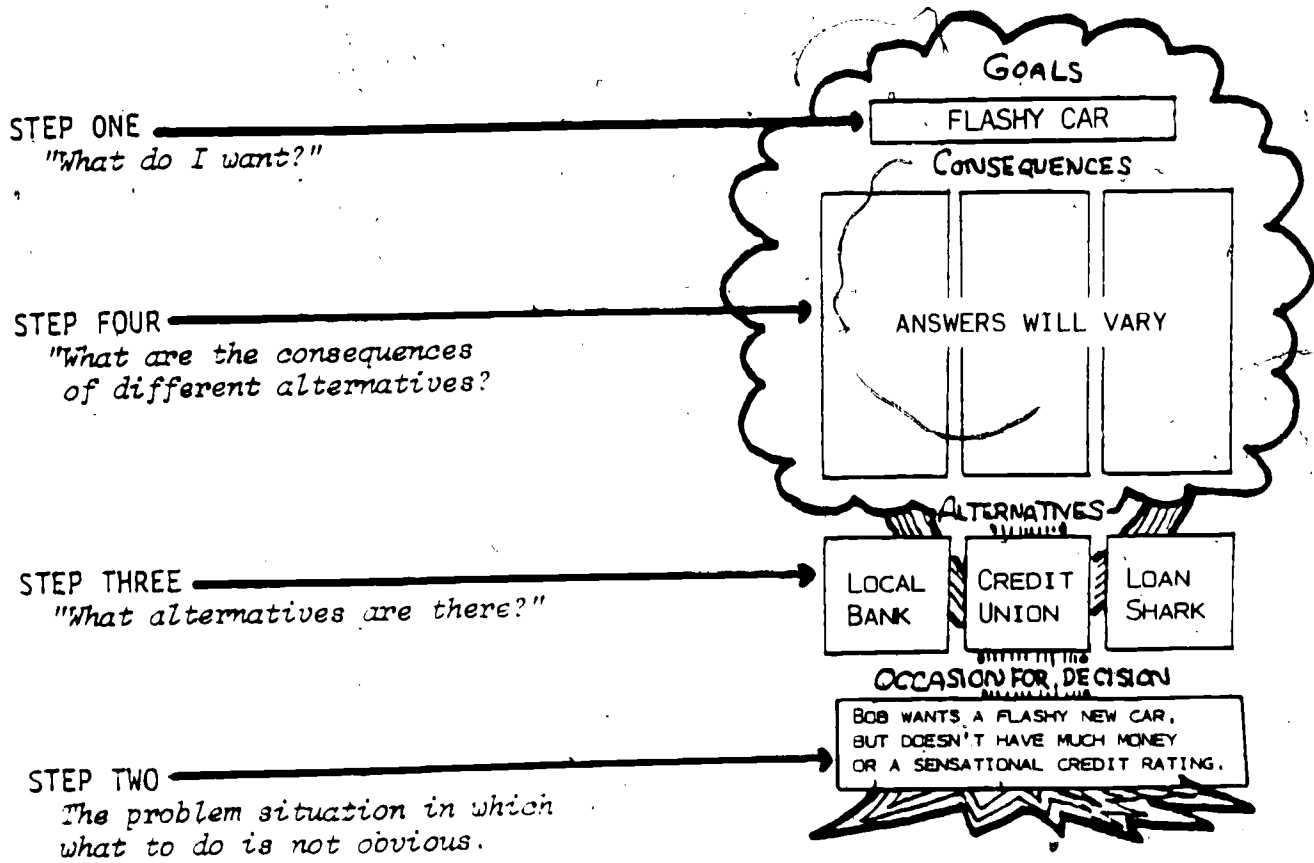
1. A use the goods or services while paying for them
2. A buy something while it's on sale
3. D pay more than the actual cost of the item
4. A take advantage of a "once in a lifetime" opportunity
5. D worry because of a missed payment
6. D spend future income
7. A handle emergency problems on the spot
8. D buy on impulse instead of thinking it through
9. A raise the standard of living for you and your family
10. D promise to pay money you don't have

WHETHER YOU'RE BUYING OR BORROWING, DON'T BE TRAPPED BY CREDIT.
KNOW ALL THE FACTS BEFORE YOU COMMIT YOURSELF TO ANY ARRANGEMENT
THAT MEANS YOU PAY LATER FOR WHAT YOU GET NOW.

Bob wants a new, flashy car. But he does not have much money or a solid credit rating. He thinks he has three alternatives (of course, he has four--he could refrain from buying a flashy, new car!)

Please help Bob by working out the consequences for the four alternatives, and recommend a *decision* for him (What should he do?).

DECISION-TREE FOR BOB

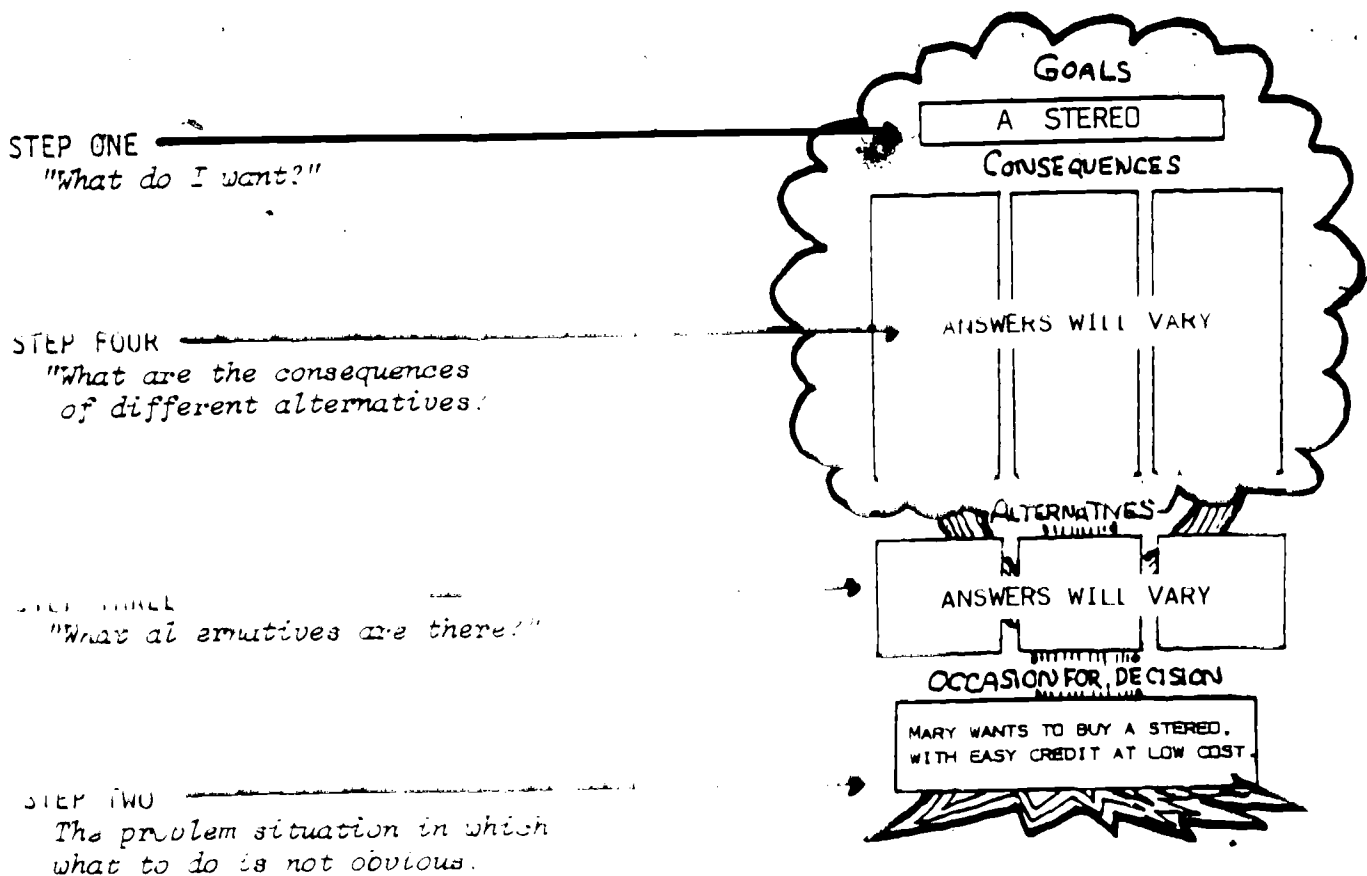


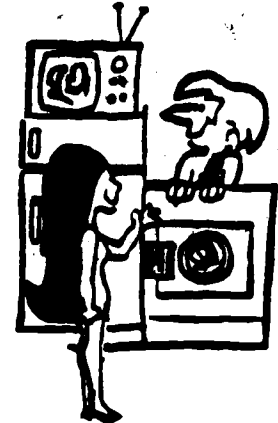
x 94 140

Mary wants to purchase a stereo set and she has chosen one in her price range. She can make a one-third downpayment, but needs to "borrow" the rest of the purchase price. She can borrow the money from her bank, she can go to her credit union where she works, or she can use the store's 90-day credit plan and pay the remaining price in three payments spread over three 30-day periods. The store does not charge interest for this plan.

Use the "TREE" to fill out Mary's alternatives. Fill in the consequences of each alternative as you see them. Then, make a recommendation to Mary about what she should do.

DECISION-TREE FOR MARY





WHAT IS CREDIT?

1. Write a definition of credit: THE SYSTEM WHICH ALLOWS CONSUMERS TO OBTAIN GOODS, SERVICES OR MONEY AND PAY AT A LATER DATE

2. Name the 2 major types of credit: (1) SALES
(2) CASH

3. Identify the source of credit you would use in each situation:

<u>CHARGE ACCOUNT</u>	THE LOCAL DEPARTMENT STORE ALLOWS YOU TO "CHARGE IT"
<u>SAVINGS & LOAN</u>	THE HOME OF YOUR DREAMS IS FOR SALE
<u>PAWNSHOP</u>	YOU NEED \$25 NOW, BUT YOU WON'T BE NEEDING YOUR CAMERA FOR 3 MONTHS
<u>CREDIT CARD</u>	YOUR GAS TANK READS "E"

4. Name what you consider the greatest ADVANTAGE of credit: _____
(ANSWERS WILL VARY)

Name what you consider the greatest DISADVANTAGE of credit: _____
(ANSWERS WILL VARY)

5. With which of the following statements do you most nearly agree:



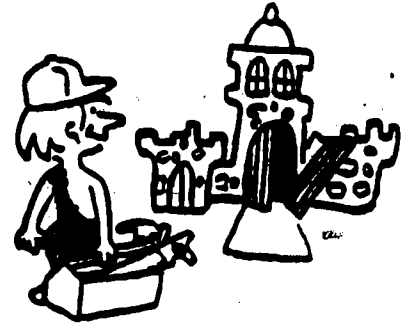
_____ *Credit lets you get it.*

_____ *Credit? Forget it!*

ANSWERS WILL VARY

x 96 142

WHO CAN GET CREDIT? WHO SHOULD GET CREDIT?



TOGETHER TOM AND MARY HALPRIN MAKE A GOOD SALARY. THEY HAVE SAVED SEVERAL THOUSAND DOLLARS AND WANT TO BUY A HOME. AFTER LOOKING AT HOMES IN THEIR CITY, THEY SELECT ONE TO BUY IN AN OLDER NEIGHBORHOOD. THE MORTGAGE COMPANY FOUND OUT THAT THEY HAVE A GOOD CREDIT RATING AND ARE RESPONSIBLE PERSONS. HOWEVER, THE COMPANY IS RELUCTANT TO LEND THEM MONEY ON THE HOUSE THEY HAVE SELECTED. THE MORTGAGE COMPANY FEARS THAT THE NEIGHBORHOOD IS "GOING DOWNHILL." NEW PEOPLE ARE MOVING IN AND NOT KEEPING THE HOUSES UP. MANY HOUSES ARE RENTED OR DIVIDED INTO APARTMENTS. AND, RECENTLY, PROPERTY VALUES IN THAT NEIGHBORHOOD HAVE GONE DOWN.

Should the mortgage company refuse Tom and Mary a loan on this house?

Your Position: _____ ANSWERS WILL VARY _____

- Your Reasons:
1. _____
 2. _____
 3. _____

IRVING GARFEIN HAS A SUPERB BEFORE-SCHOOL JOB. HE GETS \$3.50 PER HOUR TO COOK EGGS EACH MORNING AT HAPPY HARRY'S BREAKFAST BAR ON ROUTE #17. IRVING WORKS FOUR HOURS EACH MORNING BEFORE GOING TO SCHOOL. HE HAS BEEN DOING THIS FOR TWO MONTHS. NOW, HE WANTS TO TAKE HIS EARNINGS, BORROW A THOUSAND DOLLARS, AND BUY A REALLY NEAT USED CAR. IRVING IS EIGHTEEN AND WILL COMPLETE HIGH SCHOOL IN SIX MORE MONTHS. HE GOES TO A LENDING INSTITUTION TO BORROW THE \$1,000.00.



Do you think Irving will get the \$1,000.00 loan? Why or Why not?

If you were the loan officer, would you extend a \$1,000.000 loan to Irving?

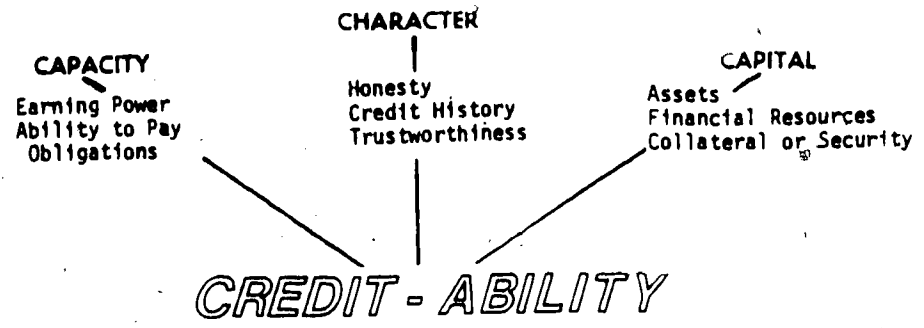
Your Position: _____
ANSWERS WILL VARY

- Your Reasons:
1. _____
 2. _____
 3. _____

After you have thought through your answers with your class, invite a bank or credit union loan officer to class to discuss these situations with you.

Whether or not you receive credit depends on your CREDIT-ABILITY. Let's see what that means.

CHARACTER, CAPACITY, and CAPITAL are often called "THE 3 C'S OF CREDIT." They are the most important factors used in determining a consumer's credit worthiness or CREDIT-ABILITY.



To determine a consumer's credit-ability, three types of questions might be asked:

- (1) In the opinions of those who have had previous dealings with you, are you honest? trustworthy? reliable? conscientious? responsible?
- (2) Do you have a job?
Do you earn enough to pay what you will owe?
Is it likely that your income level will not decrease?
- (3) What financial resources are behind your commitment to pay?
Do you have money in the bank?
Do you own property?



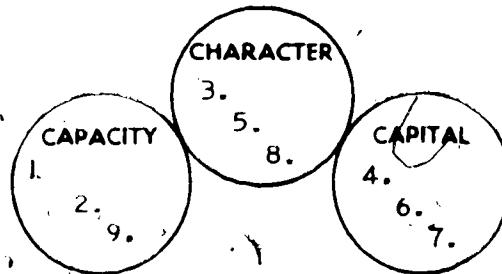
¿?i!i?¿



Exercises

Apply the 3 C's of Credit.
Place the numbers of those words which you think apply to each term in the correct circle.
The first one is done for you.
Some are easier than others. Your answers may not agree with everyone else.

- | | |
|--------------------|-----------------|
| 1. JOB ADVANCEMENT | 6. SALARY |
| 2. DEBT-FREE | 7. SAVINGS |
| 3. HONESTY | 8. SELF-RELIANT |
| 4. PROPERTY | 9. THRIFTY |
| 5. PUNCTUAL | |

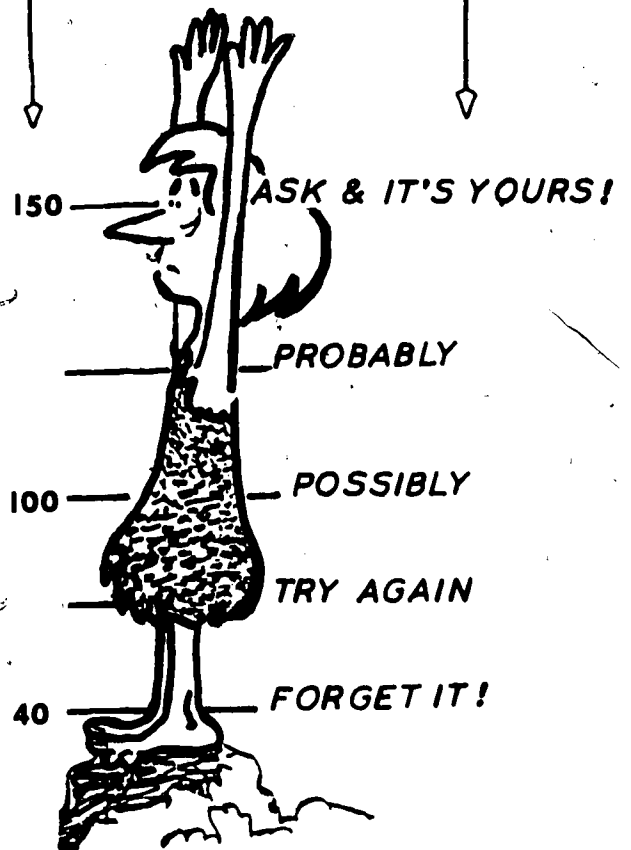




Use the following sample scale to figure your "score"--Circle the number of points for which you qualify in each category and then total your points. Also score your parents. Is there a difference in the scores? Why?

ANSWERS WILL VARY

FACTOR	POINTS	TOTAL POINTS	CREDITOR'S ANSWER
AGE			
18-24	1		
25-34	5		
35-44	10		
45-64	15		
RESIDENCE			
RENT	10		
OWN	20		
1-3 YRS.	5		
3-5 YRS.	10		
INCOME			
\$75-100 WK.	15		
OVER \$100 WK.	25		
SELF-EMPLOYED	10		
WAGES & SALARY	15		
EMPLOYMENT			
1-3 YRS.	10		
4-10 YRS.	15		
MORE THAN 10	25		
CREDIT RECORD			
CHECKING ACCT.	10		
SAVINGS ACCT.	10		
GOOD CREDIT RATING	25		
DEBTS TOTAL LESS THAN 2½ TIMES MONTHLY INCOME	10		



146

X 100

In a democratic society, we want consumers and citizens who are ACTIVE and are competent in dealing with their problems. We don't want frustrated, apathetic persons. We want persons who plan their actions. In the cases just mentioned, the sensible person would have confronted the group charging an interest rate which he felt was too high, or those whom he thought were discriminating against him.

We can see three styles of consumer-citizens across America:

INactive

A PERSON WHO DOES NOT CARE TO SEE PROBLEMS OR WHO WITHDRAWS FROM FACING PROBLEMS. RETREATS. LETS PROBLEMS SLIDE, HOPING THEY WILL GO AWAY, OR THAT SHE WILL FORGET THEM.

REactive

A PERSON WHO SIMPLY RESPONDS TO SITUATIONS AS THEY ARISE. THIS PERSON DEALS WITH PROBLEMS THAT ARE PERSONAL TO HIM OR HER; NOT PROBLEMS AFFECTING OTHERS.

PROactive

A PERSON WHO LOOKS FOR CONSUMER PROBLEMS AND GOES FORWARD TO ACT ON THEM WITH OTHERS, WORKING FOR FAIR LAWS AND BUSINESS PRACTICES.

What are the consequences of each way of behaving as a consumer-citizen in America?

ANSWERS WILL VARY

ANSWERS WILL VARY



As consumer-citizens we know that we can work on solutions to our problems at three different LEVELS:

INTERPERSONAL LEVEL

WORKING OUT PROBLEMS BY PERSONAL ACTION, CONFRONTING THE SOURCE OF THE PROBLEM.

INTERGROUP LEVEL

JOINING WITH OTHERS TO SOLVE PROBLEMS BY GROUP ACTION (COMMON CAUSE, ETC.)

SOCIAL SYSTEM LEVEL

JOINING WITH OTHERS TO CHANGE LAWS AND PRACTICES WHICH IN TURN WILL SOLVE PROBLEMS (POLITICAL PARTIES, POLITICAL ACTION GROUPS, ETC.)

In the following situations, tell what the person SHOULD do at each level. Begin with the INTERPERSONAL LEVEL. Discuss your recommendations with others to get their ideas.



A George Turner made the mistake of borrowing money from a "friendly" guy a relative knew. The interest rates were terribly high, but George needed the money. Now, he is in a panic. He does not have the money, and the loan shark is calling for it.

What should George do? Why?

ANSWERS WILL VARY

X 10718



B. CHARLIE ADAIR TRIED TO GET A LOAN FROM SEVERAL SOURCES-- HIS BANK, THE CREDIT UNION, A SAVINGS AND LOAN, ETC. ALL HAD TURNED HIM DOWN AND HE WAS IRRITATED. HE WANTED TO BUY THAT SAILBOAT NOW! CHARLIE BELIEVES HE IS A SOLID CREDIT CUSTOMER. BUT THE LENDING INSTITUTIONS IN TOWN DO NOT AGREE.

What should Charlie do? Why?

ANSWERS WILL VARY



C. *Not again! Maria Santos was refused a credit card with Triple-X Company. She has been refused by a number of companies lately, and Maria thinks it has something to do with her being a young woman, beginning her career as a clerk-typist.*

What should Maria do? Why?

ANSWERS WILL VARY

X 103



D. OH, BOY! DICK RUBENSTEIN LOANED HIS CREDIT CARD TO HARRY TO PURCHASE A CRATE OF RUBBER DUCKIES. THE STATEMENT JUST ARRIVED FROM THE CREDIT CARD COMPANY, AND HARRY CHARGED AN ADDITIONAL \$150.00 WORTH OF GOODS BEFORE RETURNING THE CARD TO DICK. HARRY HAS TAKEN OFF FOR PARTS UNKNOWN. DICK IS UPSET.

What should Dick do? Why?

ANSWERS WILL VARY

150

* 104



2 HOW DO I GET IT?

Complete each statement with the correct word.
Then write the letter of each numbered letter in the blanks at the bottom of the page to spell out an important credit rule.

1. There are three basic steps in the process of getting credit. The only step the consumer himself completes is the A P P L I C A T I O N for credit.

2. There are three basic considerations in granting credit. Write the one which applies in each situation.

You have a large savings account.

C A P I T A L

All your neighbors think you are an O.K. person.

C H A R A C T E R

You have worked for the same company for five years.

C A P A C I T Y

3. Personal history, employment data, personal information, credit history, & public records are all part of your credit record which is on file with the local C R E D I T B U R E A U

4. Your credit R E C O R D will be with you all your adult life.

5. C O L L A T E R A L is security for a loan.

THE R I G H T

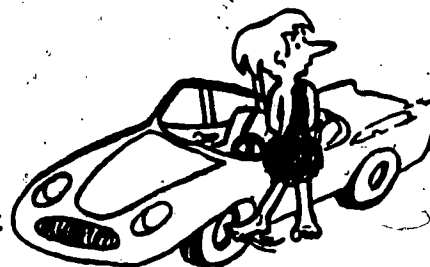
2 U S E

C R E D I T

M U S T

B E A R N E D

Evaluate each of the following credit situations:



JOSE AND ANITA, A YOUNG MARRIED COUPLE, ARE RECENT ARRIVALS IN TOWN. THEY HAVE RENTED A SMALL APARTMENT AND HAVE A SMALL SAVINGS ACCOUNT. JOSE HAS A JOB WHICH PAYS \$160 A WEEK AND ANITA IS LOOKING FOR A JOB.

ROB AND RITA HAVE LIVED IN THE SAME COMMUNITY FOR TWENTY YEARS. THEY ARE IN THEIR FORTIES, AND RITA IS A MANAGER OF A LOCAL FIRM WHERE SHE EARNS \$250 A WEEK. ROB IS A TEACHER AND MAKES \$15,000 PER YEAR. THEY HAVE A \$10,000 MORTGAGE ON A \$40,000 HOME.

BOTH COUPLES APPLY FOR A LOAN AT THE LOCAL FINANCE COMPANY IN ORDER TO BUY A NEW CAR. WHICH APPLICANT IS MORE LIKELY TO RECEIVE THE LOAN? WHY?

ANSWERS WILL VARY

HAROLD HAS JUST BEEN DENIED CREDIT AT A MAJOR APPLIANCE STORE. THE CREDIT MANAGER INFORMED HAROLD THAT THEY NORMALLY WOULD HAVE GIVEN CREDIT TO A PERSON WITH HIS INCOME, BUT THAT THE CREDIT BUREAU SENT THEM AN UNFAVORABLE REPORT.

HAROLD FEELS THERE MUST HAVE BEEN A MISTAKE. WHAT ACTION CAN HE TAKE TO CHECK AND CORRECT ANY POSSIBLE ERRORS?



ANSWERS WILL VARY

NUMBER
OF
INSTALLMENTS



AMOUNT OF
EACH
PAYMENT



CASH PRICE
OF ITEM



DOLLAR COST
OF CREDIT

*Note that the downpayment does not appear in this equation.
The downpayment is cash paid and credit cost does not apply to this amount.



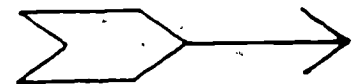
Exercises

Try the following examples:

THE MAZZARDS ARE SHOPPING FOR A STEREO TAPE DECK AND RADIO. HAPP IS TALENTED AT WORKING WITH ELECTRICAL DEVICES AND HAS A GOOD JOB. HE LOCATES WHAT HE WANTS AT A PRICE HE FEELS HE CAN AFFORD, \$190. WHILE SHOPPING AT VARIOUS SOURCES OF CREDIT, HE IS OFFERED THE FOLLOWING:

NO DOWNPAYMENT, CASH PRICE: \$190

SOURCE OF CREDIT	TERMS	TOTAL COST	CREDIT COST
Discount Store	\$20.40 for 12 mo.	\$ 244.80	\$ 54.80
Mail Order Store	\$18.80 for 12 mo.	\$ 225.60	\$ 35.60
Borrow \$190 from a bank & pay cash	\$17.08 for 12 mo.	\$ 213.60	\$ 23.60





Happ is buying a new set of clubs from a department store and has signed a contract for purchasing it on time. The price is \$379. He has paid \$25 down and will pay \$11 for 42 months.

What would the finance charge be?

Circle the correct amount: \$88 \$180 **\$108** \$18

WHEN THE HAZZARDS PURCHASED A BLACK AND WHITE TV THEY CHECKED AT FOUR DIFFERENT STORES TO COMPARE THE DOLLAR COST OF CREDIT. BELOW ARE THE FOUR DIFFERENT OFFERS THAT WERE MADE FOR A TWO HUNDRED FORTY DOLLAR SET:

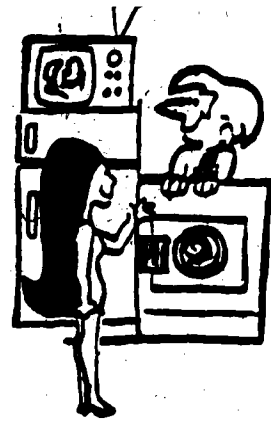
STORE	TERMS
A	\$40 DOWN AND \$19.67 A MONTH FOR 12 MONTHS
B	\$60 DOWN AND \$40.00 A MONTH FOR 6 MONTHS
C	\$50 DOWN AND \$13.50 A MONTH FOR 18 MONTHS
D	\$20 DOWN AND \$12.75 A MONTH FOR 24 MONTHS

COMPLETE THE CHART TO DETERMINE WHICH STORE WAS OFFERING THE BEST TERMS.

STORE	DOWN PAYMENT	MONTHLY PAYMENT	NUMBER OF MONTHS	TOTAL TO BE PAID	AMOUNT FINANCED	DOLLAR COST
A	\$40.00	\$19.67	12	\$236.04	\$200	\$36.04
B	\$60.00	\$40.00	6	\$240.00	\$180.00	\$60.00
C	\$50.00	\$13.50	18	\$243.00	\$190.00	\$53.00
D	\$20.00	\$12.75	24	\$309.06	\$220.00	\$89.06

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Review Time



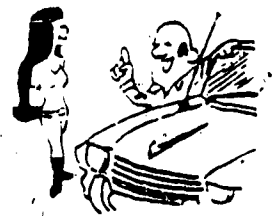
3 HOW MUCH?

1. Name the 3 factors which control the amount of interest you pay when using credit.

How MUCH MONEY YOU BORROW
How LONG THE LOAN IS FOR
How HIGH THE INTEREST RATE

2. Complete the following rules to use when you want the most credit for the least cost:

AVOID HASTY BUYING
SHOP FOR THE LOWEST APR
MAKE THE BIGGEST DOWNPAYMENT
YOUR BUDGET WILL ALLOW
CHOOSE THE SHORTEST TIME POSSIBLE
KNOW WHAT YOU ARE SIGNING

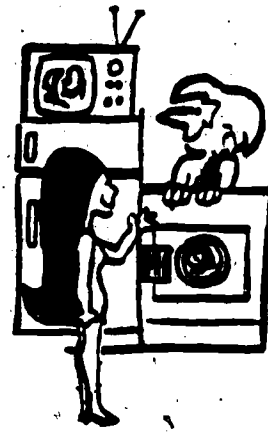


3. Nancy Cutone bought a used car valued at \$1,800. Under the terms of her loan, she made a down payment of \$600. The balance was paid in twelve monthly installments of \$109.

What was the actual dollar cost of the credit? \$108

* 109

Review Time



4 TOO MUCH?

T	F	
<u> X </u>	<u> </u>	1. A safe amount for credit is not more than 20% of your take-home pay.
<u> X </u>	<u> </u>	2. Using credit can be dangerous because it is spending money you have not earned yet.
<u> </u>	<u> X </u>	3. Private consumer counseling services or debt adjustors are the best source of free credit advice.
<u> X </u>	<u> </u>	4. Bankruptcy should only be considered when all else has failed.
<u> </u>	<u> X </u>	5. The Wage-Earner Plan is a method of Wage Garnishment.
<u> X </u>	<u> </u>	6. It is often possible to reschedule your payments if you contact your creditors before you get into real difficulty.
<u> </u>	<u> X </u>	7. There are no free credit counseling services available to the consumer.
<u> </u>	<u> X </u>	8. When determining your limit for misleading credit, include your home mortgage.
<u> X </u>	<u> </u>	9. A creditor may attach part of a wage-earner's salary to repay debts.
<u> X </u>	<u> </u>	10. Bankruptcy is the most damaging item to be included in a credit record.

11. List two ways a credit counseling service might help a consumer with credit problems. ANSWERS MAY VARY, BUT SHOULD INCLUDE:

- A. BUDGET PLANNING

- B. ARRANGING PAYMENT PLANS WITH CREDITORS

12. Use the 20% of take-home pay guideline to determine a safe amount of installment credit for the following monthly incomes:

\$750	\$ 150 mo.
\$1080	\$ 216 mo.
\$1550	\$ 310 mo.

13. Use the 20% guideline to decide a safe amount of installment credit for each person. Each already has a \$150 a month car payment.

<u>Income</u>	<u>20% Credit Guideline</u>	<u>Remaining Available Credit</u>
\$1000	\$ 200	\$ 50
\$1500	300	150
\$1950	390	240

14. Discuss: "Credit can be too easy to use."

ANSWERS WILL VARY

15. List three rules to follow to prevent using too much credit.

ANSWERS WILL VARY





5

HELP!

Read each of the credit situations below. Decide how the consumer should exercise his credit rights. Choose your answers from the following list:

1. Better Business Bureau
2. Equal Credit Opportunity Act
3. Fair Credit Reporting Act
4. Regulation Z
5. Small Claims Court or County Court
6. Truth in Lending
7. U. S. Post Office

Write the number of the answer you have chosen on the blank for each situation.

- 2 A wife is denied credit in her own name.
- 3 A credit bureau refuses to disclose information to the consumer concerning information in his credit file.
- 7 A mail credit offer was a fraud.
- 5 A loan was made to a friend who refuses to repay the loan.
- 1 A local store does not seem to keep proper records of payments.



Evaluate the statement:

"Credit should be regarded as a right rather than a privilege."

112 158



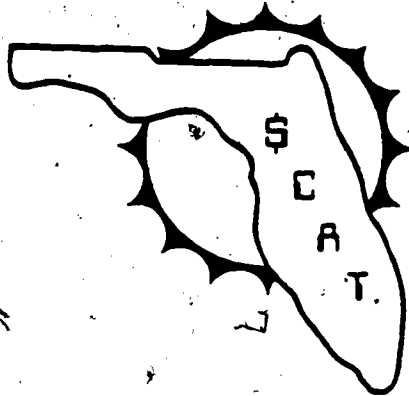
STUDENT P.A.L.

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CH..A..R..R..A..R..G..E..N



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Be it known that this consumer education instructional unit has not been endorsed by either the Florida Department of Education or the United States Office of Education; and that the points of view or opinions expressed do not necessarily represent the official policy of these agencies.

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W E L C O M E to this PAL*, a consumer resource booklet. The two characters shown on this page are the Hazzards -- Ms. Happ and Happ Hazzard. You will find them in many of the illustrations used throughout this booklet.

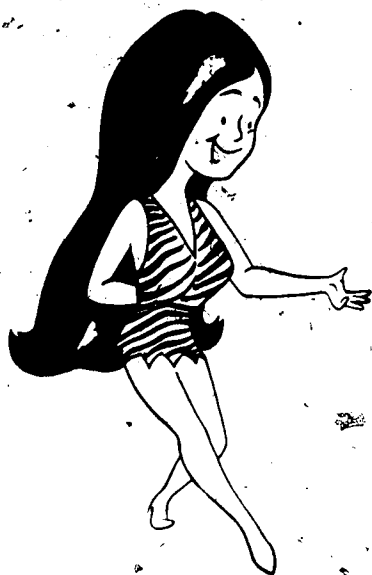


Important information is divided into chapters or sections. Each section begins with a title page and includes:

P A S S W O R D S which give the special meanings for the words used in that section.

R E V I E W T I M E exercises to determine what you have learned.

Have fun, study hard, and become a conscientious consumer.



*PAL/ Packaged Activities for Learning

Users of the consumer skills presented in this resource booklet come in both genders, female and male. The text and dialogues sometimes say "he," sometimes "she," sometimes "you," sometimes "the person." Please feel free to substitute the feminine for the masculine pronoun, and vice versa, any time it is appropriate to your situation.



CH.A.R.R.G.E!

Don't call until you can get your questions answered. Finance (No Names, No Sales Pitches)

If you have some questions about loans concerning payments, rates, length of time to repay, anything - don't borrow until you get the answers. Simply give us a call. We won't ask your name. Or give you any sales pitches. We'll just give you quick, courteous, straightforward answers. So you can make a sound, intelligent decision. You see, at Dial, we don't want you to like us just for our money.

BORROW UP TO \$2500

We've been helping more people solve more money problems for more years than any other company in our business.

Credit Union

HOU FINANCE



When you want a loan - put a pocket.

FinanceAmerica: Loans to \$2500. FinanceAmerica individual service. Come talk to us about mortgage loans on real and personal property. FinanceAmerica Corporation.

FinanceAmerica CORPORATION



Don't talk

Thing about it. General people philosophy. We

It's an attitude we apply whether a corporate executive or the head of some of the obligations

It's an attitude the fruit enables us

We offer phone call

WHAT IS CREDIT?

HOW DO I GET IT?

HOW MUCH CAN I AFFORD?

HOW MUCH DOES IT COST?

LISTEN

2417 Edgewater Dr
120 E. Colonial Dr

nationwide CORPORATION



SIT

Personal Loan to \$2,500

WE CAN HANDLE YOUR NEEDS FOR FIFTY PERCENT OF YOUR INCOME

HELP!

DOMESTIC LOANS



WILL EXTRA MONEY HELP YOU?

PHONE 831-3800
TELL US HOW MUCH YOU CAN USE. THE MONEY CAN BE READY AND WAITING BY THE TIME YOU COME IN.



PERSONAL LOANS FOR EVERY NEED

MANY BILLS COULD YOU PAY WITH... \$12,500

HOMEOWNERS are your monthly more than you can stand. Borrow up to \$12,500.00 your home. Take advantage of Pay off many large one low monthly

CONSOLIDATE YOUR BILLS

- TERMS TO SUIT YOU
- SECOND MORTGAGE LOANS
- HOME IMPROVEMENT - DENTAL
- PASS BOOK SAVINGS
- CERTIFICATES OF DEPOSIT

MON. THURS. 9 A.M. - 4 P.M. FRI. 9 A.M. - 3 P.M. SAT. 10 A.M. - 2 P.M.

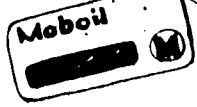


Darnitt Bank

When borrowing makes sense we can work it out together!
LOANS UP TO \$2500

Bank Americard

Dum Bank



Seams

REVOLVING CHARGE ACCOUNT



CH..A..R..R..GEE!!

PAYING CASH IS NOT
THE ONLY WAY WE CAN
PAY FOR THE THINGS
WE WANT.



ANOTHER WAY IS PURCHASING
GOODS OR SERVICES ON CREDIT.

CREDIT IS A PROMISE TO PAY IN THE FUTURE FOR GOODS, SERVICES,
OR MONEY RECEIVED NOW.

AS YOU WORK THROUGH THIS PAL* YOU WILL LEARN ABOUT:

WHAT CREDIT IS

ADVANTAGES & DISADVANTAGES OF CREDIT

KINDS OF CONSUMER CREDIT

HOW TO FILL OUT CREDIT APPLICATIONS

CREDIT BUREAUS

THE COST OF CREDIT

CREDIT RATINGS

TOO MUCH CREDIT

CREDIT PROBLEMS

THE FAIR CREDIT REPORTING ACT

THE TRUTH IN LENDING LAW

*PAL: Packaged Activities for Learning

SCARCITY AND CREDIT

Credit and credit cards remind us of that old problem, SCARCITY.

Borrowing money is one way that we "solve" the problem of scarcity for the moment. Of course, we later have to repay what we borrow, plus pay the credit charges and interest.



UNLIMITED
NEEDS AND
WANTS

~~SCARCITY~~



LIMITED DOLLARS
AND CENTS

SO WE HAVE TO MAKE
HARD CHOICES ABOUT
WHAT IS MOST IMPORTANT.

HOWEVER,

IF WE ARE TRUSTWORTHY,
WE MIGHT BORROW MONEY NOW
TO MEET OUR NEEDS OR TO
FULFILL OUR WANTS -- BUT
AT A DOLLARS & CENTS COST.

For example, Bob McCulloch needs to put food on his family's table now, but he will not harvest the crops and sell them for another six weeks. He has a NEED and he decides to meet it by borrowing money.

<i>CHOICE</i> (What Bob will do)	<i>COST</i> (What Bob will not be able to do)
<p><i>Bob will borrow a thousand dollars from his bank to feed the family and meet household expenses for six weeks.</i></p>	<p><i>(Fill in the COSTS for Bob)</i></p>

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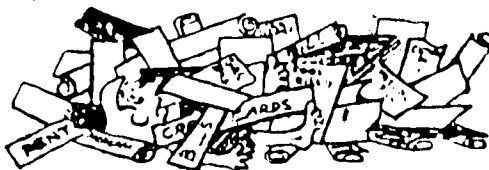
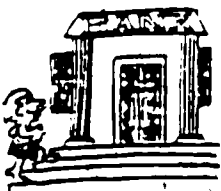
Or, Harriet Kontos has decided to add a little excitement to her life. She is taking up stock car racing with a friend. They have saved \$6,000, but they need another \$6,000 to get into the circuit. Harriet and friend have a WANT (some might say a "luxury") and they want to fulfill it.

CHOICE (What Harriet & friend will do)	COST (What Harriet & friend will then not be able to do)

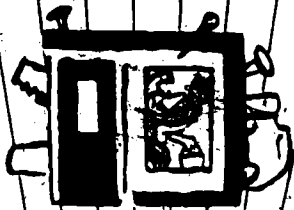
When you think about borrowing money, what FEELINGS come to mind? Check ✓ yours:

- | | | | |
|-----------|------------|-------------|----------|
| NERVOUS | AFRAID | HUMBLE | HURT |
| GUILT | OPTIMISTIC | ANGER | JOY |
| FEAR | ENVY | SAFE | SECURE |
| JEALOUS | PROUD | DEPRESSED | SMART |
| INCAPABLE | WARM | LOVING | UNWORTHY |
| EMPTY | IRRITATED | SENTIMENTAL | SYMPATHY |
| DUMB | DEPENDENT | CLEVER | FRIENDLY |

Feeling words reveal our attitudes toward CREDIT and BORROWING.
 How did you learn your feelings/attitudes toward CREDIT and BORROWING?
 One of the things we want to do in this PAL is to see if our feelings about CREDIT and BORROWING are realistic.



WHAT IS CREDIT?



- ★ DEFINITION & DESCRIPTION
- ★ ADVANTAGES & DISADVANTAGES
- ★ EXAMPLES OF CREDIT
- ★ TYPES OF CREDIT ACCOUNTS
- ★ TYPES OF LOANS



passwords ...

1 WHAT IS CREDIT?

ASSET	Possession Anything owned which has exchange value
BANK	An establishment for receiving, keeping lending and issuing money
CHARGE ACCOUNT	The privilege of using credit in making purchases in a retail store
COLLATERAL	Anything of value which guarantees the payment of a loan; Security; Collateral may be taken if loan is not repaid
CREDIT	The system which allows consumers to obtain goods, services or money and to pay at a later date
CREDIT CARD	An identification card which establishes the fact that you are entitled to use credit at specific outlets for specific purposes
CREDIT HISTORY	A record of a consumer's use of credit, especially his past record of meeting credit payments
CREDIT LIMIT	The maximum dollar amount which can be charged
CREDIT RATING	An evaluation of a consumer's qualifications to receive credit; based on several factors, especially the past record of meeting credit payments
CREDIT UNION	An organization of persons who band together for the purpose of saving money and lending money to each other at a low interest rate
DEBT	Something owed

DEBT CONSOLIDATION

Plan for paying many creditors by borrowing enough money to repay them all while repaying the loan over a longer period of time

FINANCE COMPANY

A business firm whose chief activity is to make cash installment loans to individuals

INSTALLMENT

One of a series of payments to pay off a debt

LOAN SHARKS

Illegal, unlicensed money lenders who charge extremely high interest rates

MORTGAGE

A pledging of real property to a creditor as security for the payment of a debt

OUTSTANDING

Owed

PAWNSHOP

A business establishment which lends cash for items of personal property which are left as security

PROFESSIONAL SERVICES

Personal services provided by doctors, dentists, accountants, lawyers, etc.

QUALIFICATIONS

Requirements

REPOSSESSION

The taking back of goods by either the seller or lender when the consumer is not able to make payments

REQUIREMENTS

Qualifications

SAVINGS AND LOAN

Financial establishment which specializes in home mortgage and home improvement loans; such loans are made available because of savings deposits on deposit

SERVICE CHARGE

"Handling charge"--a fee charged for services performed; amount charged for use of credit

STANDARD OF LIVING

The level of necessities, comforts, and luxuries enjoyed or desired by an individual or group

UTILITIES

Public services such as power, water, sewerage, and telephone

Ready to Move On ?

Do You Know the Passwords ?

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WHAT IS CREDIT?



CREDIT

may be defined as

an economic transaction.

a trusting relationship.

an agreement by which a government, business, industry or individual may obtain immediate use of goods, services or dollars & pay for them later.

a service for which those who use it are expected to pay.

the way to buy an expensive item if you don't have cash.

the "Buy Now & Pay Later" way of life for millions of Americans.

As a consumer in the United States today you need to be a wise credit consumer. CREDIT is the system which allows consumers to obtain goods, services or money and to pay at a later date. It is BIG business in the United States. According to the Federal Reserve System there are 300 million credit cards in use in the United States today. Outstanding consumer credit loans amount to \$150 billion.

Your feelings about consumer credit might agree with some of the feelings expressed below:

Credit is a valuable asset and should be used

Credit helps our country grow.

Credit can be either your master or your servant.

Credit can help you achieve many of the things you want, but you can't have everything.

You have to pay for the credit services you because there usually is a charge for the privilege of using someone else's money.

Credit means debt, and all debt is bad.

Credit is an accepted way of life in America.

The average American is too easily tempted to use credit without realizing how much it really costs.

The cost of credit is worth the satisfaction of buying and using goods now.

With a credit purchase, the seller is placing his trust in the buyer's intention and ability to pay the debt at a later date. Like money, credit is a medium of exchange.

Many things in our life are bought on credit. Large purchases such as homes, cars and big appliances are often bought this way because few of us have enough funds to pay cash.

Even utilities, such as electricity and water, are bought on credit. We use these services and are billed monthly on the amount of water or electricity we have used.

Education may also be bought with credit.



SEVEN OF THE CIRCUMSTANCES DESCRIBED BELOW ARE EXAMPLES OF CREDIT.
SEE IF YOU CAN DECIDE WHICH SEVEN.
CIRCLE THE NUMBER OF EACH CIRCUMSTANCE WHICH IS AN EXAMPLE OF CREDIT.

1. You pay cash for a new outboard motor and boat at a boat sale.
2. You receive a monthly statement from your doctor.
3. You receive word that you have won five hundred dollars from a local talk show.
4. You pick up the receiver of your newly installed phone and are soon talking to your parents who are a thousand miles away.
5. Your friend Bill gives you the \$5 deposit you need for your yearbook. You promise to pay him \$6 on payday.
6. You buy a used automobile for nothing down and twelve payments of \$92 a month.
7. You turn on your TV set.

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8. You send a check each month to your church for a previously-agreed-upon amount.
9. You pay \$100 down and \$80 a month for part ownership in an airplane.
10. You have dinner with two friends and use a credit card to take care of the bill.

CREDIT HAS ITS **ADVANTAGES**
&
DISADVANTAGES

Almost everything you can think of has good points and bad points.
Credit is no different.
The informed consumer will be able to make better judgments if he is aware of some of each.
Study the list of advantages & disadvantages of using credit.
Then decide.



+

Provides immediate use of goods & services

Makes purchasing convenient

Helps to improve the standard of living

Provides an accurate record of spending

Helps in getting a good credit rating

Allows immediate handling of many emergencies

Costs more

Discourages comparison shopping

May require payments after consumer tires of item

Ties up future income

Risks repossession if payments are not made

May decrease reserve for emergencies

Makes debt consolidation possible

Supports mass production, mass distribution, & mass consumption, providing more products for more consumers

Tempts the consumer to overspend

May require payments after the article purchased is of no further value

Of course it is possible to list a great many more advantages and disadvantages of credit if we were to think of each of the types of credit available in both the sales and cash areas.

Think of the last purchase you or someone in your family made on credit. Do you think the purchase involved a wise use of credit?



Exercises

IT'S EASY TO TELL AN ADVANTAGE FROM A DISADVANTAGE, RIGHT? RIGHT!
LET'S SEE.

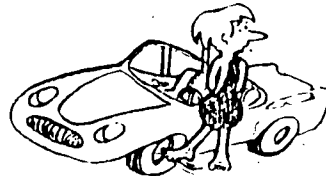
IF THE FOLLOWING PHRASES ARE ADVANTAGES OF CREDIT, WRITE A; IF DISADVANTAGES, WRITE D.

1. — use the goods or services while paying for them
2. — buy something while it's on sale
3. — pay more than the actual cost of the item
4. — take advantage of a "once in a lifetime" opportunity
5. — worry because of a missed payment
6. — spend future income
7. — handle emergency problems on the spot
8. — buy on impulse instead of thinking it through
9. — raise the standard of living for you and your family
10. — promise to pay money you don't have

WHETHER YOU'RE BUYING OR BORROWING, DON'T BE TRAPPED BY CREDIT.
KNOW ALL THE FACTS BEFORE YOU COMMIT YOURSELF TO ANY ARRANGEMENT
THAT MEANS YOU PAY LATER FOR WHAT YOU GET NOW.

Think of as many examples of credit as you can. They might include such things as:

- * Using a credit card to make purchases
- * Purchasing on an installment plan from a furniture store
- * Buying a car with monthly payments
- * Making mortgage payments on a home
- * Paying monthly utility bills
- * Receiving an advance on your allowance
- * Borrowing from a bank, consumer finance company, or pawn shop



No matter what the example of credit mentioned, credit is one of two major types:

SALES OR CASH

SALES or PURCHASE CREDIT is the purchase of goods and services.

CASH LOAN or BORROWING CREDIT is cash.

Any further classification of credit is according to the method of repayment.

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CHARGE ACCOUNTS

CREDIT CARDS

PROFESSIONAL SERVICES

UTILITIES



C
A
S
H

BANK LOANS

CREDIT UNION LOANS

FINANCE COMPANY LOANS

PAWNSHOP LOANS

SAVINGS & LOAN MORTGAGES, ETC.

LOAN SHARK LOANS

Let's take a look at each of these types of credit



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CHARGE ACCOUNTS are types of "store" accounts. They differ according to credit limits and payment methods. Three of the most common charge accounts are the *OPEN ACCOUNT*, *REVOLVING OR FLEXIBLE ACCOUNTS*, and *INSTALLMENT PURCHASING ACCOUNTS*.



**OPEN
ACCOUNTS**

Open Accounts are sometimes called 30-Day Accounts. They allow the customer to charge items and pay for them at the end of the billing period. There are no service charges.

Open Accounts are the same as paying cash. They are a convenience for the consumer. These accounts are a privilege granted only to those who have a good credit rating.

Revolving credit is credit which is continuously renewed as past credit balances are paid off.

Principles of installment buying and the traditional charge account are combined in the revolving or flexible account.

A credit limit is set according to what the consumer can afford to pay. The store will not sell to the customer above the agreed-upon limit.

A service charge is charged on the unpaid balance. The charge is usually 1½% per month. A minimum payment is required each month. However, the customer has the option of paying the total amount or only a part of it.



**REVOLVING
OR
FLEXIBLE
ACCOUNTS**



**INSTALLMENT
PURCHASE
ACCOUNTS**

Installment purchase accounts are specialized accounts for the purchasing of higher-priced items such as appliances. These are payment plans in which the purchase price and interest charges are divided into equal installments. The consumer usually pays for the purchase over a 3-month to a 3-year period.

The finance charge is usually 18% per year. However, it may be higher.

The buyer is usually not the legal owner until the item is paid for.

YOUNG ADULT ACCOUNTS are offered by some stores. These accounts are revolving, but with a very modest limit on the amount which can be owed. For example, a store might permit revolving credit of no more than \$30 outstanding at any one time with minimum payments of \$5 per month. Such accounts are an advantage to the young consumer who wishes to begin establishing his credit history.

CREDIT CARDS



Credit cards are issued by department stores, banks, oil companies, etc. The credit card has become a way of life in the United States. The 300+ million credit cards in use today offer the consumer the flexibility to purchase a wide variety of goods and services from many businesses on a single card.

Most credit cards offer the consumer the option of the 30-day account or revolving credit. Many consumers use credit cards as a convenience. It is not necessary to carry cash and consumers pay all charges when due.

Finance charges are usually 1½% per month on the unpaid balance.

It is probably wise for the credit consumer to have only one or two credit cards and revolving charge accounts as a guard against overextending himself.

The purchase or use of services before the services are paid for is called service credit. Examples of such credit are medical and dental services, and any other services for which monthly statements are sent to the consumer. Gasoline credit cards and the use of credit cards for motel, hotel, and restaurant services might also be thought of as examples of service credit.

SERVICES



UTILITIES



Although we do not usually think of utilities as an example of credit. But every time you use water, electricity, or even the telephone in your home, you are using credit.

You have used the service before you are required to pay for it. The water is gone, the electricity is used, and the phone calls are all completed before the bill arrives.

**BANK
CREDIT UNION
FINANCE CO.
PAWNSHOP
SAVINGS & LOAN
LOAN SHARP**



Cash loans may be classified by the sources of the loans.

Banks, credit unions, finance companies, pawnshops, savings and loan institutions, and even insurance companies make cash loans to consumers.

Each loan source has its own requirements for qualifying for a loan, and interest rates charged vary greatly.

Let's take a look at each source:



BANK

Banks are the largest credit-extending institutions in America. They offer a variety of lending services, and may provide credit either with or without collateral.

Not everyone can qualify for a bank loan, however. Qualifications are often too strict for the young consumer to meet. Young borrowers also need a co-signer who is financially established.

Interest rates vary from approximately 12 to 18 percent.

Credit unions offer low-interest loans to members by lending members' savings dollars.

Although it is easier to qualify for a credit union loan than a bank loan, not everyone can belong to a credit union.

Interest rates vary from approximately 6 to 12 percent according to the type of loan.



CREDIT UNION



FINANCE CO.

Finance companies are sometimes called consumer finance companies. Their specialty is small loans to the wage earner.

Loans are more expensive for the consumer because of the higher interest rates. But they are often the only reasonably-priced source of loans for the young consumer.

Interest rates vary from approximately 12 to 36 percent, depending upon the state where the loan is made.



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Pawnshops offer a specialized service--immediate cash. The consumer brings in something valuable as security and is lent money based on the value of the article. However, the loan is for much less than the value of the item.

If the item is not reclaimed, the dealer may sell the item after six months.

Interest rates--often quoted as service and storage charges--are as high or higher than a finance company.



4 PAWNSHOP



5 SAVINGS & LOAN

Savings & loan associations specialize in home mortgages and home improvement loans.

Because of the size of such loans, many consumers find qualifying for home mortgages the most difficult.

Interest rates have varied from approximately 7 to 12 percent.

In addition, there are other credit sources about which the wise credit consumer should be informed:

A low-interest credit source ignored by many consumers is the life insurance policy. The consumer may borrow against the cash value of his policy. He may even choose not to repay the loan. Such a choice decreases the value of the policy, however.



Friends and relatives are NOT good sources of credit. Such arrangements have been known to cause many long-lasting family difficulties.

The wise consumer will choose a source whose business it is to lend money.

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Loan sharks are **ILLEGAL**, unlicensed money lenders to be avoided at all costs.

Although anyone can qualify for a loan from a loan shark, the lender may resort to violence if the borrower is unable to pay up.

Interest rates are unlimited and may go higher than 1000%. This is called *usury*.



CAUTION: There are right & wrong reasons for credit

Sometimes it is so easy to get credit that borrowing may be done for the wrong reasons. Be informed to such reasons:

GOOD REASONS FOR BORROWING



- To establish a household or begin a family
- To make major purchases.
- Genuine emergencies
- Seasonal sales or specials
- College or education expenses

Remember, however, that even when the reason for borrowing is a "good" one, the best buys should be made in both the items purchased and the cost of credit. Seasonal sales and specials, for example, are not bargains if the items are not real needs and will not be good buys when the cost of credit is added to the purchase price.

POOR REASONS FOR BORROWING



- Buying something impulsively
- Charging purchases to boost morale
- To increase personal status
- To base repayment plans on future salary increases
- To meet your current living expenses
- To purchase something that will be used up or worn out before the final credit payment is made

What are the pros and cons of cash loan sources? The consumer needs to be informed if he is to make a wise decision in choosing credit. Study the chart on the next page and note that each source has both good and poor reasons for choosing that loan source for your credit.

WHERE to get credit also depends on the purpose for which the credit is needed. The sources vary with the need:

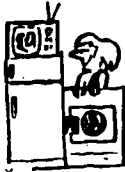
PERSONAL CASH LOANS

Commercial Banks
Small-Loan Companies
Savings & Loan Associations
Life Insurance Companies
Pawnbrokers
Friends or Relatives
Private Lenders (who may be loan sharks)



CONSUMER GOODS OR SERVICES

Store Charge Accounts & Revolving Credit Accounts
Restaurant, Hotel, Motel, Gasoline Credit Cards
All-purpose Credit Cards
Bank Credit Cards
Commercial Banks
Credit Unions
Finance Companies



PURCHASE OF CARS

Commercial Banks
Finance Companies
Automobile Dealers
Credit Unions



HOME OWNERSHIP

Savings & Loan Associations
Commercial Banks
Life Insurance Companies
Credit Unions
Mortgage Lenders



HOME IMPROVEMENTS

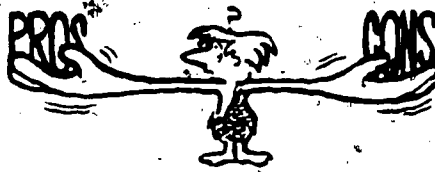
Commercial Banks
Savings & Loan Associations
Credit Unions
Finance Companies



EDUCATION

College or University Student Aid Funds
Commercial Banks
Professional Associations
Alumni or Fraternity Associations
Government-Guaranteed Loans












LOAN SOURCE

PRO

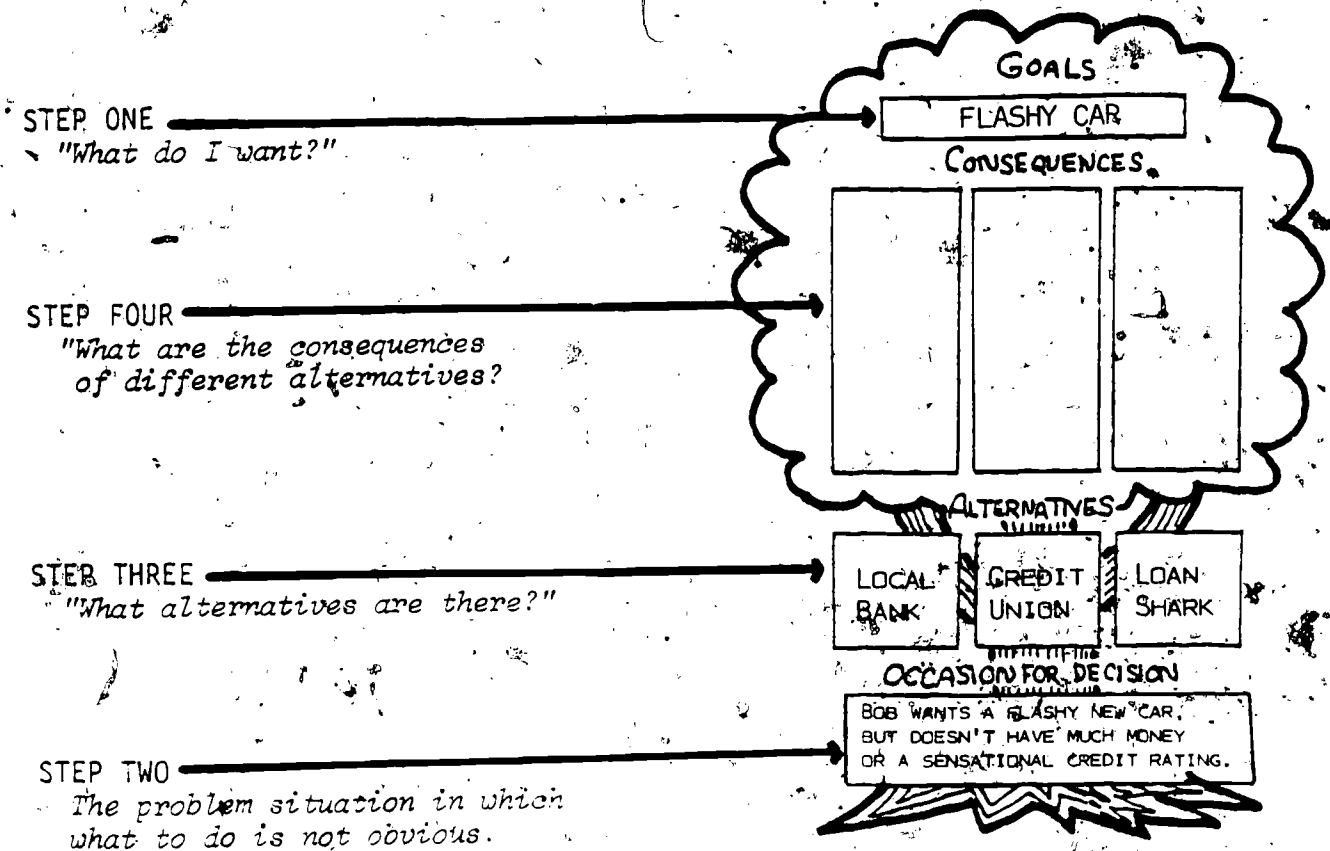
CON

 BANK	VARIETY OF LOAN SERVICES	STRICT QUALIFICATION REQUIREMENTS
 CREDIT UNION	LOW INTEREST CHARGES	NOT EVERYONE CAN BELONG TO A CREDIT UNION
 FINANCE CO.	SMALL LOANS READILY AVAILABLE	HIGH INTEREST RATES
 LOAN SHARK	NO QUALIFICATION OR SECURITY REQUIREMENTS	EXTREMELY HIGH INTEREST RATES
 PAWNSHOP	IMMEDIATE CASH	HIGH INTEREST LOW APPRAISED VALUE ON ITEMS USED FOR SECURITY
 SAVINGS & LOAN	MAKES HOME OWNERSHIP & IMPROVEMENT POSSIBLE	DIFFICULT TO QUALIFY
 INSURANCE	LOW INTEREST LOAN NEED NOT BE REPAID	LOAN DECREASES VALUE OF POLICY

Bob wants a new, flashy car. But he does not have much money or a solid credit rating. He thinks he has three alternatives (of course, he has four--he could refrain from buying a flashy, new car!)

Please help Bob by working out the consequences for the four alternatives, and recommend a *decision* for him (What should he do?).

DECISION-TREE FOR BOB



Mary wants to purchase a stereo set and she has chosen one in her price range. She can make a one-third downpayment, but needs to "borrow" the rest of the purchase price. She can borrow the money from her bank, she can go to her credit union where she works, or she can use the store's 90-day credit plan and pay the remaining price in three payments spread over three 30-day periods. The store does not charge interest for this plan.

Use the "TREE" to fill out Mary's alternatives. Fill in the consequences of each alternative as you see them. Then, make a recommendation to Mary about what she should do.

DECISION-TREE FOR MARY

STEP ONE

"What do I want?"

STEP FOUR

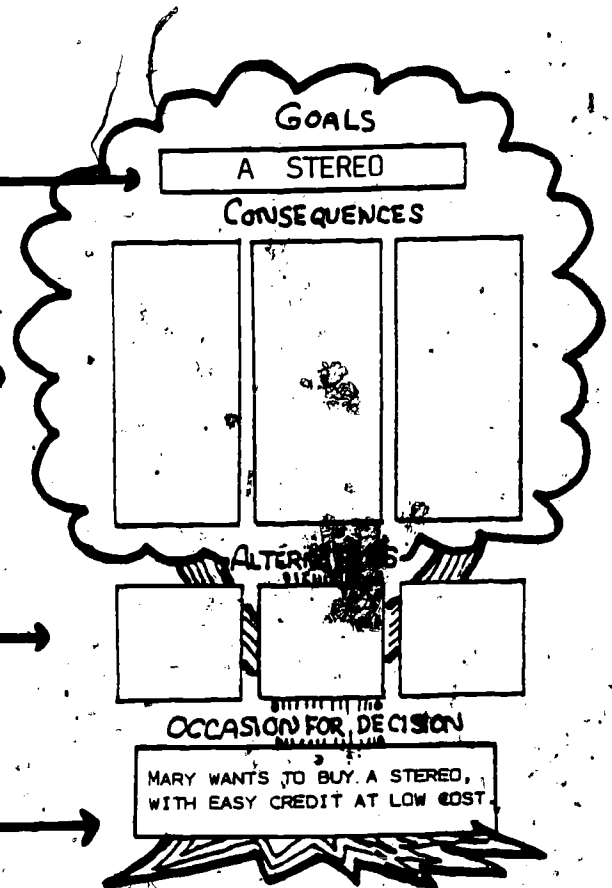
"What are the consequences of different alternatives?"

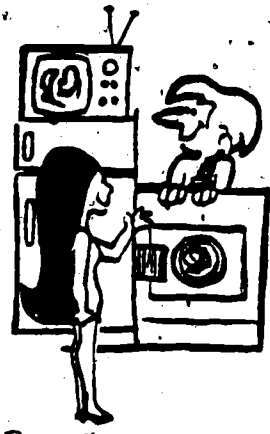
STEP THREE

"What alternatives are there?"

STEP TWO

The problem situation in which what to do is not obvious.





WHAT IS CREDIT?

1. Write a definition of credit: _____

2. Name the 2 major types of credit: (1) _____

(2) _____

3. Identify the source of credit you would use in each situation:

_____ THE LOCAL DEPARTMENT STORE ALLOWS YOU TO "CHARGE IT"

_____ THE HOME OF YOUR DREAMS IS FOR SALE

_____ YOU NEED \$25 NOW, BUT YOU WON'T BE NEEDING YOUR CAMERA FOR 3 MONTHS

_____ YOUR GAS TANK READS "E"

4. Name what you consider the greatest ADVANTAGE of credit: _____

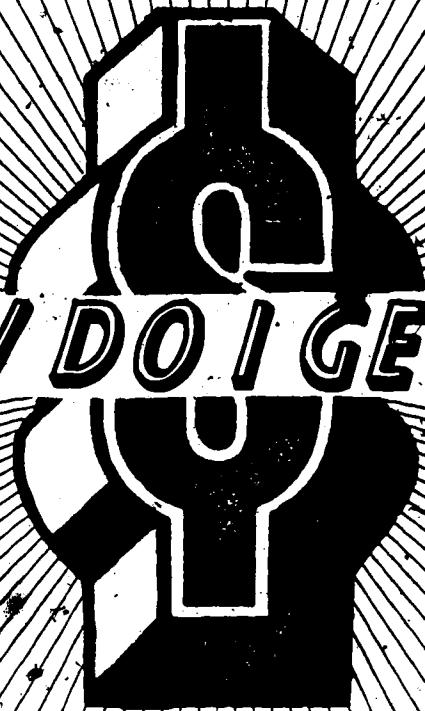
Name what you consider the greatest DISADVANTAGE of credit: _____

5. With which of the following statements do you most nearly agree:



_____ Credit lets you get it.

_____ Credit? Forget it!

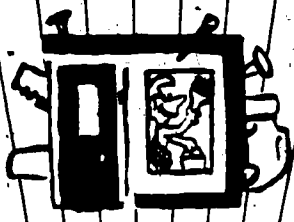


HOW DO I GET IT?

2



CREDIT APPLICATIONS
CREDIT ELIGIBILITY
CREDIT BUREAUS
LOAN SOURCES





passwords ...

2 HOW DO I GET IT?

CAPACITY

Ability to pay obligations

CAPITAL

Financial resources; money and property

CHARACTER

Reputation

CHATTEL

Any property other than real estate

CHATTEL MORTGAGE

A loan secured by personal property or goods and chattels

COLLATERAL

Anything of value which guarantees the payment of a debt; security

CREDIT-ABILITY

An individual's willingness and ability to meet his financial obligations

CREDIT APPLICATION

A form completed by the consumer when he wants to use credit

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CREDIT BUREAU

A clearing house or reporting service which provides information as to the credit worthiness of consumers

CREDIT RATING

An evaluation of a consumer's qualifications to receive credit; based in large measure on past records of meeting credit payments;

CREDIT RECORD

A history of credit performance

CO-SIGNER

A person who agrees in writing to pay a debt if the borrower does not

DEBTOR

One who owes money

SECURITY

Collateral; something of value pledged

3 C's of CREDIT

The basis of credit worthiness or credit-ability; character, capacity, capital

Ready to Move On ?

Do You Know the Passwords ?

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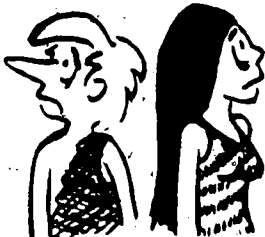
HOW DO I GET IT?

Today's consumer is "sold" on credit. Over 100 million Americans borrow money regularly. Everyone seems to have credit cards, charge accounts and monthly payments to make. It seems so easy, why not join everyone else and say "chargé it" whenever you want something or when there is a *real* need to purchase or borrow with a promise to pay at some later date.

Unemployment, an accident, a pile-up of unpaid bills, a serious illness--any of these may create a real credit need.

Many young consumers are shocked to find it is not as easy as they had thought it would be to join the credit generation. It seems as difficult to get that first credit account as it is to get that first job. The same significant item seems a necessity--experience:

THE BETTER JOBS SEEM TO GO TO THOSE WITH EXPERIENCE, BUT HOW DO YOU GET EXPERIENCE IF YOU CAN'T GET HIRED FOR THAT FIRST JOB?



THE BETTER CREDIT RATINGS GO TO THOSE WHO MEET THEIR CREDIT OBLIGATIONS ON TIME, BUT HOW DO YOU MEET YOUR CREDIT OBLIGATIONS ON TIME IF YOU CAN'T GET THAT FIRST CREDIT ACCOUNT?

The young consumer may find it necessary to try some of the following approaches to establish his credit standing in the community:

BY TAKING A SERIOUS ATTITUDE TOWARD YOUR FINANCIAL AFFAIRS, YOU START YOUR CREDIT HISTORY.

OPEN A CHECKING ACCOUNT AND MANAGE IT WISELY.
OPEN A SAVINGS ACCOUNT, EVEN THOUGH IT MAY BE SMALL.

IF YOU HAVE NO WORTHWHILE PROPERTY TO PLEDGE OR A CO-SIGNER TO SIGN FOR YOU, A BANK MAY NOT GRANT YOU CREDIT.

NOT EVERYONE CAN JOIN A CREDIT UNION, BUT--
APPLY FOR A SMALL 6-MONTH LOAN FROM A CONSUMER FINANCE COMPANY.

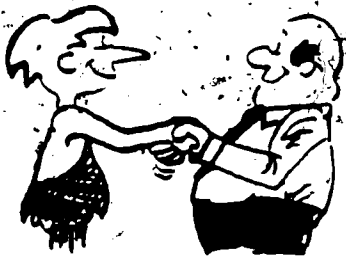
BY GETTING A CASH LOAN AND BUILDING A CREDIT RECORD, YOU ARE PURCHASING YOUR OWN GOOD CREDIT REPUTATION.

PLACE SMALLER ITEMS ON LAY-AWAY IN A LOCAL STORE.
A REGULAR PAYMENT RECORD SHOULD HELP IN OBTAINING A CREDIT OR CHARGE ACCOUNT.

IF LARGER STORES WILL NOT GIVE YOU CREDIT, TRY SMALLER ONES.

APPLY FOR A 30-DAY CHARGE PLAN INSTEAD OF A REVOLVING CREDIT PLAN.

ASK IF A STORE WILL ACCEPT A CO-SIGNER SUCH AS YOUR PARENT.



Sometime it may be absolutely necessary to get credit. It may be that you can't answer "yes" to such questions as:

Are you over 18?

Do you have a good job?

Have you had the job for 6 months?

Then it will be necessary for you to have a CO-SIGNER or CO-MAKER for your credit application to be approved.

This person will have to pay off the loan if you can't. Many young consumers must purchase their first car this way. Co-signers are often parents or very good friends. A co-signer's obligation is a big one. Don't ask someone to co-sign for you unless it is an absolute necessity. Realize your obligation should you ever be asked to co-sign for someone else.

Many types of loans require COLLATERAL to assure the creditor that if the loan is not paid, there will be some way for him to receive payment. Chattel mortgages and chattel notes are often used for this purpose. A chattel mortgage transfers the title of personal property to the creditor. Items mortgaged are automobiles, household property, or personal property. Chattel notes require the debtor to provide security for a debt.

The answer to the "How Do I Get It?" question often seems confusing, complicated or even embarrassing to the credit consumer. But the completing of a perhaps very detailed application form, answering some very personal questions, and having a personal interview concerning the need for credit are all part of the assurances needed that the money will be repaid. The credit consumer is requesting the use of someone else's money and must offer assurances that he can be counted on to repay that money on time and with interest.

HOW DO I GET IT? -- I get it by

- (1) Applying for credit.
- (2) Undergoing a credit investigation.
- (3) Being evaluated as credit worthy.

Before deciding to actually fill out forms, be interviewed, and make application for credit, whether it is to make a purchase or to borrow cash, decide for yourself if you qualify. Ask:

Do I have enough money left after paying other obligations to handle another payment?

Is my income likely to continue until the loan is paid?

Have I been prompt in paying my bills?

REMEMBER: The Right to Use Credit Must be Earned

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WHO CAN GET CREDIT? WHO SHOULD GET CREDIT?



TOGETHER TOM AND MARY HALPRIN MAKE A GOOD SALARY. THEY HAVE SAVED SEVERAL THOUSAND DOLLARS AND WANT TO BUY A HOME. AFTER LOOKING AT HOMES IN THEIR CITY, THEY SELECT ONE TO BUY IN AN OLDER NEIGHBORHOOD. THE MORTGAGE COMPANY FOUND OUT THAT THEY HAVE A GOOD CREDIT RATING AND ARE RESPONSIBLE PERSONS. HOWEVER, THE COMPANY IS RELUCTANT TO LEND THEM MONEY ON THE HOUSE THEY HAVE SELECTED. THE MORTGAGE COMPANY FEARS THAT THE NEIGHBORHOOD IS "GOING DOWNHILL." NEW PEOPLE ARE MOVING IN AND NOT KEEPING THE HOUSES UP. MANY HOUSES ARE RENTED OR DIVIDED INTO APARTMENTS. AND, RECENTLY, PROPERTY VALUES IN THAT NEIGHBORHOOD HAVE GONE DOWN.

Should the mortgage company refuse Tom and Mary a loan on this house?

Your Position: _____

Your Reasons:

1. _____
2. _____
3. _____

IRVING GARFEIN HAS A SUPERB BEFORE-SCHOOL JOB. HE GETS \$3.50 PER HOUR TO COOK EGGS EACH MORNING AT HAPPY HARRY'S BREAKFAST BAR ON ROUTE #17. IRVING WORKS FOUR HOURS EACH MORNING BEFORE GOING TO SCHOOL. HE HAS BEEN DOING THIS FOR TWO MONTHS. NOW, HE WANTS TO TAKE HIS EARNINGS, BORROW A THOUSAND DOLLARS, AND BUY A REALLY NEAT USED CAR. IRVING IS EIGHTEEN AND WILL COMPLETE HIGH SCHOOL IN SIX MORE MONTHS. HE GOES TO A LENDING INSTITUTION TO BORROW THE \$1,000.00.

