

## LifeSmarts U Personal Finance Lesson

### Credit: Credit Scaffold Teacher Prompt

#### Credit

**Definition:** Borrowing money to use now with a promise to pay back later.

#### Advantages

1. Don't need to carry cash.
2. Proof of purchase
3. Record of Spending
4. Convenience
5. Emergency Fund
6. Credit card companies help with consumer disputes

#### Other options:

Allows purchase of big ticket items  
Quick personal loan  
Purchase with future income

#### Disadvantages

1. Purchase with future income
2. Finance charges
3. Easy to overspend
4. Fees
5. Property can be repossessed
6. Unwise use can affect credit rating

#### Other options:

Identity theft

#### Identity Theft

- **Dumpster Diving** - thieves take personal documents from trash
- **Pretexting** - a request for credit card information based on a false premise
- **Phishing** - email that resembles legitimate correspondence requesting personal information
- **Skimming** - a device attached to a POS terminal that steals information

#### The 3 C's

- **Character** - history of repaying debt
- **Capacity** - income or earning power
- **Capital** - assets that can be sold to repay debt



## LifeSmarts U Personal Finance Lesson Credit: Credit Scaffold Worksheet

<b>Consumer Credit</b>	Cash credit, a simple loan, a 30-day charge account
<b>Open Credit</b>	Revolving credit, a charge account you use throughout the month and then pay an amount or in full at the end of the billing cycle, such as a department store credit card
<b>Closed Credit</b>	Installment credit, a loan with fixed payments such as a car or house payment
<b>20/10 Rule</b>	No more than 20 percent of annual take home for credit debt, or monthly payments more than 10 percent of take-home pay
<b>Consumer Protection</b>	Federal and state laws passed to protect the consumer from unfair business practices
<b>TILA</b>	Truth in Lending Act
<b>FCRA</b>	Fair Credit Reporting Act
<b>FCBA</b>	Fair Credit Billing Act
<b>ECOA</b>	Equal Credit Opportunity Act
<b>FDCPA</b>	Fair Debt Collection Practices Act