

Credit Card Pros and Cons

	<p>Students are asked to brainstorm words that they associate with CREDIT.</p> <ol style="list-style-type: none"> 3. After a web is completed, the teacher will edit the list to focus on the goals above. (#1) 4. Teacher will survey the class with the question: I sometimes pay for things with a credit card. How do you usually pay for things? 5. Next Teacher will divide the board in 2 and label sections "Pro"/Yes and "Con" /No <p>Do you think that credit cards are a good way to pay for things? Students' responses will be written in appropriate column. Teacher will complete the columns with additional information regarding pros & cons. (see attached teacher guide to pros & cons of using credit cards)</p> <ol style="list-style-type: none"> 6. Students will access credit card ads with comparable rates on line at www.creditcardguide.com. Teacher will pose questions about the offers. (interest rate, payment schedule, fines and penalties, credit limits) Teacher will also ask students to choose a plan that works for their situation. 7. To conclude, teacher will ask the students to compare and contrast Credit and Debit cards.
Assessment/ Evidence	<p>Teacher will then pose the question: When is using a credit card a good way to pay? When is it a bad way to pay? These questions will check students' understanding of the Pros & Cons list</p> <p>Final assessment will be a short written quiz. (attached)</p>
Reflection	<p>Most students had a good understanding of the differences between debit and credit cards. The area that was new to them was the part about credit history and credit scores and what impacts them. Some students gained an understanding of the finance charge and late fees. A lot of the vocabulary was new to the students.</p>

Credit Card Pros and Cons

Teacher's Guide for Discussion Terms to define for students:

balance: total amount of an account

cash: coins and paper money that you use for paying for things

credit card - a card used to buy something and pay for it later

credit history or credit report - a record of a person's past borrowing and repaying.

credit limit - the total amount of money a person is allowed to charge on a credit card or borrow from a bank.

credit report: an official report collected by 3 major agencies that includes a record of a person's credit history, status of credit lines, loans, employment, addresses and social security number.

credit score: a number between 300 and 900 that represents a person's credit worthiness. A credit score is used to determine a person's ability to repay a loan and is based on a person's financial history and current situation.

A credit score will contain the following information:

- bill paying history
- number of accounts the person has
- any history of late payments
- any collection actions
- outstanding debt
- the age of a person's accounts

A credit score greater than 700 is very good. This person is likely to be granted a loan at a good interest rate.

660 - 699 is a good score but may get a higher interest rate

620 - 659 average score and may require a higher interest rate

580 - 619 poor rating. Very difficult to get a loan

579 or below - very poor - not likely to be given a loan or a credit card.

Finance charge: a fee you pay for borrowing money

Credit Card Pros and Cons

revolving credit account: a credit account that can be used repeatedly up to a certain amount (credit limit).

installment credit account: full balance due at the end of each month

payment: 1. The act of paying. *Late payment of this bill will result in a fine.*

2. The amount of money you pay. *My last credit card payment was \$50.*

Penalty or fine: an amount of money you pay for not following the rules or agreement

Stolen: past participle of steal

Pros of having a credit card:

1. Can buy now, pay later
2. Every store takes them
3. They are convenient. It's easy to carry.
4. It's secure. It's safer than carrying large amounts of cash.
5. If it's stolen or lost, you can replace it - not so with cash
6. If you pay it off in a timely manner it helps you build a good credit history.

Cons of having a credit card.

1. If you don't pay the full balance each month, you pay interest.
2. There may be late fees.
3. The company can increase the interest rate or minimum payment.
4. You can spend more than you can afford
5. If you do not follow the rules and are responsible, you can damage your credit rating/score.

Credit Card Pros and Cons

Credit card: Every time you use a credit card, you are actually borrowing money.

You use your credit card, the institution or bank pays the debt to the vendor then you pay back the money that you borrowed to the institution.

When you sign up for a credit card, you agree to pay back the money that you borrowed in addition to the interest on the amount you borrowed.

Debit Card: (ATM card or bank card) debit cards that are issued by your bank. When you use your debit card money is taken directly from the money you have in your bank account. It is similar to using a check. There is no interest charge.

If you use the card as a debit card, you must sign the receipt.

It is very convenient because you can shop at many places. It provides instant access to your money and it is accepted worldwide.

If you use your debit card like credit card, the store swipes your card and you sign the receipt. You don't have to show a picture ID and there is usually no PIN* number.

*Personal Identification Number

Credit Card Pros and Cons

Review of Credit Card Terms

Draw a line to match the word in Column A to its definition in Column B

Column A

1. loan
2. cash
3. credit card
4. balance
5. payment
6. credit history
7. credit score
8. penalty

Column B

- A. The total amount of a bill or account
- B. A record of a person's borrowing and repaying money.
- C. Money you borrow from a bank or a person.
- D. Amount of money you pay
- E. A number between 300 and 900 that tells a person's ability to repay a loan.
- F. A card used to buy something and pay later
- G. Extra money you pay for not following the rules.
- H. Coins or paper money

True or False: Read each sentence. Write T for True or F for False on the line.

- ___ 1. When you don't pay your credit card bill on time, you will pay a late fee.
- ___ 2. Interest is extra money you pay if you don't pay the balance on your credit card every month.
- ___ 3. Everyone must have a credit card.
- ___ 4. You must have a good credit history to get a loan from a bank.
- ___ 5. If you pay your credit card balance each month, you won't pay any interest.
- ___ 6. If you don't make a payment every month you must pay a finance charge.
- ___ 7. 400 is a good credit score.
- ___ 8. When you use a credit card you don't have to pay the money back.
- ___ 9. It's always good to use a credit card.
- ___ 10. A credit card always has a picture