Name______________________________ Date______________

Lesson 9—Handout 1

Guided Notes

Vocabulary

Credit—The granting of money or something else of value in exchange for a promise of future repayment.

Debt—A liability and represents money owed.

Revolving credit—Access to a capped limit of funds that may be used repeatedly after partial or total repayments have been made.

Installment credit—Borrowing of funds with a fixed payment and schedule for a specified time.

Service credit—A type of credit with service providers and requires full payment for each period.

Peer-to-peer lending—Lending money through online services by matching borrowers with investors.

Payday loan—A type of short-term loan taken out against the borrower's paycheck. In exchange for money, the borrower writes a post-dated check.

Auto title loan—A type of short-term loan that requires your car as collateral to borrow money. If you don't pay the loan back, the lender can repossess (take) your car.

Loan—A sum of money lent with interest.

Principal—The unpaid balance on a loan.

Interest—A fee for the use of money over time.

Interest rate—The percentage charged for a loan.

Annual percentage rate (APR)—Annual rate that is charged for borrowing. The APR includes any fees or additional costs associated with the loan.

Finance charge—A fee charged for the use of credit. It may be a flat fee or a percentage of borrowings. It can include: transaction fees, account maintenance fees or late fees.

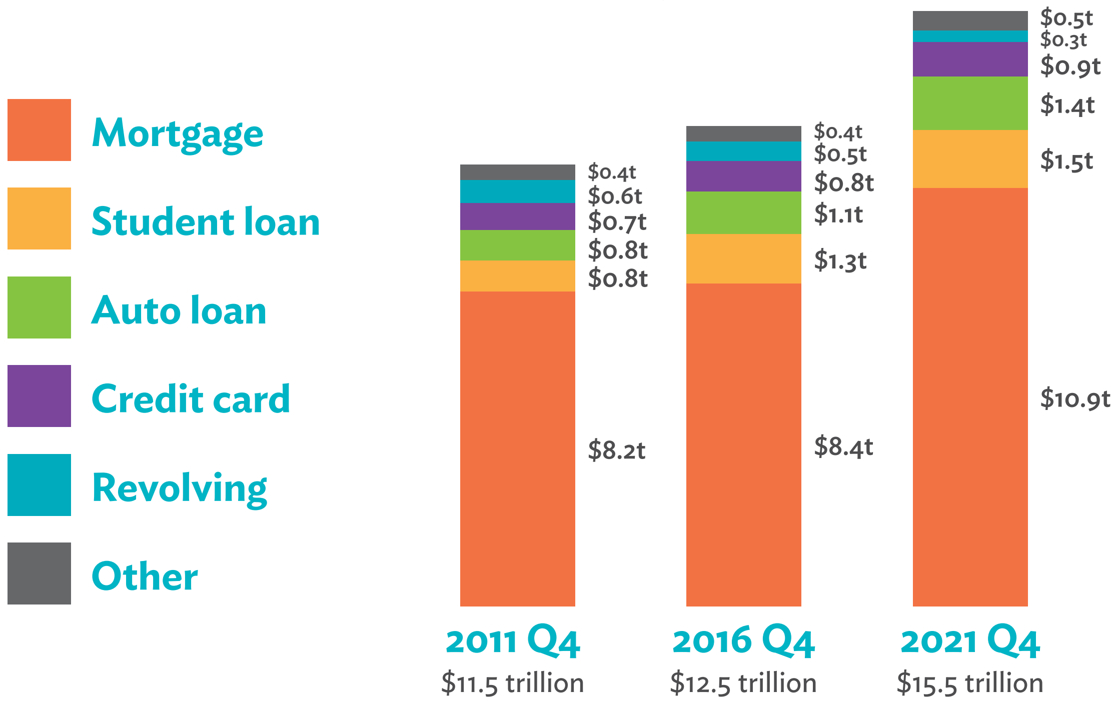
Prepayment penalty—A fee charged for paying back the loan before the end of its term.

Name______________________ Date______________

Lesson 9—Handout 1

Guided Notes (Cont.)

Household debt and its composition:



What is the first thing that stands out to you?

What else did you observe?

What new questions do you have?

Name______________________________ Date______________

Lesson 9—Handout 1

Guided Notes (Cont.)

Fill in the blank:

Revolving credit is when people can access a capped limit of funds that may be used repeatedly after partial or total repayments have been made.

- ______________________________
- ______________________________

Installment credit is when people borrow funds with a fixed payment and schedule for a specified time.

- ______________________________
- ______________________________
- ______________________________

Service credit includes types of credit with service providers and requires full payment for each period.

- ______________________________
- ______________________________
- ______________________________

Peer-to-peer lending involves lending money through online services by matching borrowers with investors. The borrower never deals directly with the investor; rather a peer-to-peer provider handles all the transactions. Features of peer-to-peer lending include:

- ______________________________
- ______________________________
- ______________________________

What additional costs should you consider before purchasing a car?