

FINANCE - MODULE 22 TYPES OF CREDIT Name _____

1. Identify the characteristics of each of the following type of credit

	The average annual interest rate	Describe situations when one might use various credit products
credit cards- REVOLVING	19% (15-30%)- Interest FREE if paid in 21 days (grace period)	Online shopping, short term cash needs, emergencies, build good credit
lines of credit- GIVEN amount of credit (with a set limit) REVOLVING	3-5% (no set repayment)	Unexpected expenses, emergencies (managing your own borrowing) non-card credit card
personal loans- secured & unsecured CAR LOAN - INSTALLMENT (set amount & pay to zero)	5-15%	Medical bills, personal needs, house maintenance, consolidation (payout credit cards)
student loans- government (portions are forgivable)	INTEREST FREE WHILE IN SCHOOL UP TO 6 MOS AFTER GRADUATION Prime + 2 to 5% (6-8%)	Finance post-secondary, prove enrollment; no pmt/no int until done school; based on family need
student lines of credit- bank provide; parent likely needs to cosignor	INTEREST CHARGED WHILE IN SCHOOL; int rate dependent on cosignor	Don't qualify for government student loans, no savings
Mortgages (need 5% of purchase price down)	1.84-5%	Home ownership, investment property, land
home equity lines of credit (HELOC)	2.95-3.95%	Borrow money, up your credit limit (backed by your main residence) up to 80% of your homes value
payday loans worst (\$7.2BILLION INDUSTRY) (prey on people without 3 C's of credit)	Fees which amount to \$15-20/\$100 loan = 391-521% per year	Never a good idea- used to advance before paycheck; emergencies, reg expense
Leases (tax deductions for businesses)	6-9% (over longer period of time to "keep payments low" in the end more expensive	To "rent" equipment to keep lines of credit for emergencies to help maintain cash flow (finance a purchase instead of using cash; Tax deductible

use in Japan

- not every culture believes in debt or accumulation of wealth
- sharing culture instead of debt or huge investments

c. community influencers

- Celebrities might advertise products/ loans which influences how their supporters & followers see those products
- some influencers and celebrities take on tons of debt/ spend beyond their means
- facade of false wealth

d. personal experiences

- The way you have dealt with credit in life (good or bad) will impact how you take on debt
- Bad experiences- might be afraid to take on debt / live with less; take a long time to recover from (bankruptcy will impair ability to live & grow for a long time)
- Good experiences- received of what debt can provide (home, schooling, travel opportunities)