## 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)	<b>5-15%</b>	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

		expense for businesses: buyout/residual amount to pay at the end
credit card cash advances	20-29%; plus fee; interest as soon as you take the money (ATM); CHARGED UNTIL CARD PAID IN FULL TO \$0	Financial emergencies, cash outage; desperate situations (find another way to get money instead of this)

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- a. Secured
- b. Unsecured
- c. Revolving
- d. Installment loan

- 3. Explore how the following shape one's attitude towards credit:
  - a. family perspectives
    - spending parents have reflect on kids- either do what they do or the OPPOSITE (depending on the example they set).
      - View on debt affects a child's view debt
  - b. Culture
    - some cultures don't like debt; credit card use low among some cultures (17% c/c

## 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)