

NOM: _____

DATE: _____

Web quest- Credit and You

<http://www.handsonbanking.org/htdocs/en/t/#/en/t/cr/index.html>

LESSON 1: INTRODUCTION

A) What does "credit" mean? _____

B) What does "Good Credit" mean? _____

C) What does "Bad Credit" mean? _____

LESSON 2: LENDING AND TRUSTWORTHINESS

A) Use the example of the boy borrowing money for pizza from his friend Alicia. Write your own example. _____

B) When will banks lend you money? _____

LESSON 3: CREDIT AND SPENDING LIMITS

A) How do you start establishing good credit history? _____

B) When you are old enough to get your own credit card, list two things the bank will need to show that you can pay your money back? _____

C) How does this information help the bank? _____

D) Credit cards have spending limits. What does that mean? And for your first credit card, is it likely your limit will be \$10 000? _____

E) On your monthly credit card bill, the bank will ask you to pay a certain amount. What is this called?

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F) If you pay that amount, what happens? _____

G) What happens if you do not pay that amount? _____

H) When you are borrowing money, what does "Interest" mean? _____

I) Interest rate for credit is expressed as APR. What does that stand for? _____

J) Name two OTHER fees that the bank may charge you. _____

Use the credit calculator online to help with these questions:

1. You charge \$100 on a credit card that has a limit of \$300. The card has an annual interest rate of 18%. Estimate how long it will take you to pay off the total charge if you pay \$20 a month.

2. At 18% a year, what will the interest be on the unpaid \$80 balance at the end of the first month?

3. On the \$100 charge, how much will your outstanding balance be at the end of the first month, if you only make a payment of \$5?

4. Alex is buying a game console for \$199 plus 6.5% sales tax. He decides to pay for it in 2 equal installments on his credit card over 2 months. If the interest on the credit card is 18% a year Alex will pay \$4.82 in interest. What is the real cost of the game console to Alex?

5. Angie is saving \$15 every 4 weeks in her college fund. If the bank pays 5% interest compounded monthly, how much interest will Angie have earned after 6 months?

K) Using credit cards can get very expensive. What should you do to avoid overspending and late fees?

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LESSON 4 : BAD CREDIT AND YOUR CREDIT HISTORY

A) List two ways you can get "bad credit": _____

B) What is one possible consequence for missing a credit card payment? _____

C) If you want a second credit card, what will the banks do before giving you another card? _____

D) List two benefits of having good credit. _____

LESSON 5 : THE COST OF CREDIT

Answer the questions online using the credit calculator.

LESSON 6 : LOANS

A) What is another type of credit the bank can help you with if you have good credit? _____

B) How are these different than credit cards? (list two differences) _____

C) How do credit cards work? _____

D) What should you do before you get a loan? Why? _____

E) What is the difference between interest on loans and interest on credit cards? _____

LESSON 7 : CONCLUSION

A) What can you do now that could help you get good credit in the future? _____
