# **Managing Credit Discussion Guide (for use during or after reading)**

1. What is credit and how do people use it? (Introduction, p. 4-7)
   1. Credit is the ability to obtain goods or services before payment, based on the trust that payment will be made in the future.
   2. People use credit because it is convenient when they do not have money or cash on hand. In addition, people use credit to make large purchases such as houses, cars, and college education.
2. Why are people charged interest on their credit card purchases? (How Credit Works, p. 8-9)
   1. People are charged interest on their credit card purchases because it is considered a small fee for letting you borrow that money right now. The credit card company is essentially loaning you the money to make that purchase.
3. What is collateral? (A Brief History of Credit, p. 10-13)
   1. Collateral is something of value that can be used to repay a loan if the borrower does not have the money to repay it.
4. Discuss the components you should consider when applying for a credit card. (Getting a Credit Card, p. 14-15)
   1. Minimum payment – what you will need to pay off no matter what each time you get a credit card bill. Look for minimum payments you can afford.
   2. Annual fee – an amount of money you need to pay the lender each year. You do not get to use this money as credit.
   3. Cash back and other rewards – Sometimes credit cards offer this benefit. It allows you to earn some extra money when you purchase goods and services with your credit card.
   4. Interest rate – all credit cards charge interest. Look for low interest rates when possible.
   5. Credit limit – the maximum amount you can borrow. Your first card will likely have a low limit but if you continue to be responsible with your credit, this can likely be increased. In addition, you can also earn more benefits like higher cash back.
5. Why do you need to provide information about your employment and income on a credit card application? (Getting a Credit Card, p. 14-15)
   1. You often need to provide information about your employer and your income in order to prove to the credit card company that you will have the money to pay back anything you borrow.
6. How can you be safe using a credit card on the internet? (Using a Credit Card, p. 16-19)
   1. According to the text, Credit Card (CC) suggests only using your credit card on the internet when you know the site you are purchasing from is reputable. This will help you avoid thieves or hackers trying to steal your credit card information, use your card without your permission, or commit identify theft.
7. What advice does CC give for paying off your credit card bill when you receive it? Why should you do this?
   1. CC suggests you pay off your credit card bill in full each time you receive one. This will help you avoid paying extra in interest and will help you build or maintain good credit.
8. Discuss the differences of credit history, credit reports, credit score, and credit bureau. (Maintaining Good Credit, p. 24-29)
   1. Credit history – a record of a person’s debts and demonstrated responsibility in repaying them.
   2. Credit report – a lengthy report that includes information about accounts you have opened and closed, what you might owe, any defaults (such as for not paying on time), and your credit score.
   3. Credit score – a number that depicts a person’s creditworthiness. The higher the score, the better a borrower looks to potential lenders.
   4. Credit bureau – a company that collects information relating to the credit ratings of individuals and makes it available to credit card companies and financial institutions.
9. When you take out a loan, you will have an interest rate. How do financial companies determine the interest rate on your loan?
   1. Financial companies will consider the type of loan as well as a borrower’s credit when determining the interest rate, as well as the term and instalments, for repaying the loan.
10. What does CC suggest is the most important rule when borrowing money?
    1. CC suggests that you should always have a good plan to pay back anything you borrow in full and on time.