



LifeSmarts U Personal Finance Lesson Credit: Credit Scaffold Worksheet

Credit

Definition:

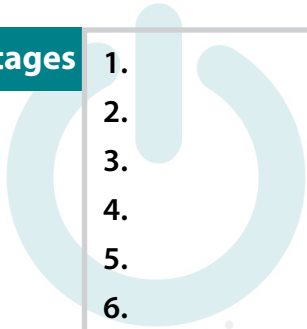
Advantages

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.



Disadvantages

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.



Identity Theft

- Dumpster Diving -
- Pretexting -
- Phishing -
- Skimming -



The 3 C's

- Character -
- Capacity -
- Capital -



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Consumer Credit	
Open Credit	
Closed Credit	
20/10 Rule	
Consumer Protection	
TILA	
FCRA	
FCBA	
ECOA	
FDCPA	





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Credit

Definition: Borrowing money to use now with a promise to pay back later.

Advantages

1. Don't need to carry cash.
2. Proof of purchase
3. Record of Spending
4. Convenience
5. Emergency Fund
6. Credit card companies help with consumer disputes

Other options:

Allows purchase of big ticket items
Quick personal loan
Purchase with future income

Disadvantages

1. Purchase with future income
2. Finance charges
3. Easy to overspend
4. Fees
5. Property can be repossessed
6. Unwise use can affect credit rating

Other options:

Identity theft

Identity Theft

- **Dumpster Diving** - thieves take personal documents from trash
- **Pretexting** - a request for credit card information based on a false premise
- **Phishing** - email that resembles legitimate correspondence requesting personal information
- **Skimming** - a device attached to a POS terminal that steals information

The 3 C's

- **Character** - history of repaying debt
- **Capacity** - income or earning power
- **Capital** - assets that can be sold to repay debt



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Consumer Credit	Cash credit, a simple loan, a 30-day charge account
Open Credit	Revolving credit, a charge account you use throughout the month and then pay an amount or in full at the end of the billing cycle, such as a department store credit card
Closed Credit	Installment credit, a loan with fixed payments such as a car or house payment
20/10 Rule	No more than 20% of annual take home for credit debt, or monthly payments more than 10% of take-home pay
Consumer Protection	Federal and state laws passed to protect the consumer from unfair business practices
TILA	Truth in Lending Act
FCRA	Fair Credit Reporting Act
FCBA	Fair Credit Billing Act
ECOA	Equal Credit Opportunity Act
FDCPA	Fair Debt Collection Practices Act