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★ **SUPPORT**

LOANS AND CREDIT

When you borrow money, you pay something extra for the privilege of borrowing. The amount you borrow is the principle and the extra you pay is the interest. The longer you take to pay back (the term), the more interest you pay. The interest rate, which is calculated as a percent, may vary from lender to lender.

 Credit can be good or bad, depending on how you use it. For each statement, circle + if it describes a good side of credit and – if it describes a negative side of credit.

+	–	Almost anyone can sign up for a credit card.
+	–	Buying on credit allows you to have a house or car during the time you are paying it off.
+	–	When you need credit, you can shop around for a credit card or lender that offers low rates and fair terms.
+	–	When you buy with a credit card or sign a finance agreement, you are buying with money you don't actually have.
+	–	You can take twenty years or more to pay off a loan or credit card.
+	–	Not being able to make payments can cause you to lose your home or car.
+	–	Making regular credit or loan payments on time shows that you can handle credit and may mean you will pay lower interest when taking out a mortgage.
+	–	The longer you take to pay off the loan or pay down the credit card, the more you pay in interest or fees, beyond the cost of the house/car/other item itself.
+	–	If you pay only the minimum due each month on your credit card bill, it could take years to pay off and you would end up paying more than twice what the items or services were worth.
+	–	Credit card companies and finance institutions can legally change the rates and terms after you sign up.




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 How good is your credit sense? Check the box that applies to you.

My Credit Sense	I Already Do	I Plan to Do
I don't miss any payments.		
I always pay at least the minimum due.		
I pay more than the minimum.		
I stay well under the limit.		
I cut expenses rather than adding charges on my credit card.		
I check over the transactions on my statement every month.		
I know the interest rate, annual fee, and late payment fee.		

Before you use credit or take out a loan, you should know your options and then make a wise choice that fits with your budget and your goals.

 Get started by circling T for the statements that are true and F for the statements that are false.

- | | | |
|----------|----------|---|
| T | F | 1. Credit card plans are all the same. It doesn't matter which you choose. |
| T | F | 2. Interest rates and fees on a credit card can be changed in a short time and you may not be aware of it. |
| T | F | 3. If you borrow \$180,000 to purchase a home and pay monthly mortgage payments of \$1,500 for 15 years, at a fixed rate of 5%, the total payout (the total you will have paid in principle plus interest) will be about \$256,000. |
| T | F | 4. If your income increases you should feel free to use credit more than ever: for example, buy a larger home, buy a new car, or replace all your appliances. |
| T | F | 5. It's good to pay the minimum amount due on your credit card each month. |
| T | F | 6. People tend to spend less when using cash rather than credit cards. |
| T | F | 7. If you have a large medical bill, you may be able to negotiate a low- or no-interest payment plan with the doctor or hospital rather than paying by credit card. |

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1. False. It matters a lot. Mega-banks, local community banks, credit unions, and independent credit card companies offer different rates, fees, and terms. Always shop around. Learn what questions to ask so you can compare.
2. True. Rates and fees can change quickly. If you can't get the answer to when and how often fees and rates can be changed, don't sign an agreement. Also, look over your credit card statement each month to catch any changes that took place.
3. True. Go to <http://www.mymoney.gov/calculators.shtml> where you will find a mortgage comparison calculator. You can compare different types of loans and decide what is a better choice for you.
4. False. If your income increases, and your spending increases equally or more, you aren't going to be saving or getting out of debt any faster. More income does not mean you should spend or borrow more. Always think about paying off your debts first and also consider your savings goals.
5. True. You should pay at least the amount due, and to reduce your total debt, you should pay more than the minimum.
6. True. Studies show that most people think more carefully about handing over cash than swiping a credit card. And they spend about 20 percent less with cash, especially for impulse purchases.
7. True. It always pays to find out what your options for payment are, and this is a good question to ask before you select a doctor. Some doctors and some hospitals will work with you to pay off a bill with no or low interest.

