

# Chapter 11 Credit and Debt

## Section 11.1 Understanding Credit



### Note Taking

**Directions** As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> <li>• Creditor: sells goods on credit or lends money</li> <li>• Security: a way for creditors to get money back in case borrower does not pay</li> </ul>	<p><b>CREDIT</b></p> <ul style="list-style-type: none"> <li>• Credit: arrangement to receive cash, goods, or services now and pay in the future</li> <li>• To obtain credit or loan: First, fill out application.</li> </ul> <p><b>SECURED TRANSACTIONS</b></p> <ul style="list-style-type: none"> <li>• Security interest created in two ways:</li> </ul>
<p style="text-align: center;"><b>Summary</b></p> <p>Open-end credit can be increased by continuing to make purchases.</p>	

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### Social Studies

#### Sequencing Events

**Directions** Read the information in the box below. Then complete the chart that follows on the sequence of events in obtaining credit.

#### UNDERSTANDING SEQUENCE

A sequence of events shows the order of how something happens. Sequence explains what happens in the first step or event, and how that leads to the next step, and the next. Sequencing words such as *first*, *before*, *next*, *after*, *finally*, and *last* give clues as to the order of events.

Person fills out an application for credit or loan.



Debtor pays off the credit.

Debtor defaults on the loan.

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#### Study Skills Revising Notes

**Directions** Read the tips below. Then develop a note-taking plan that will work best for you. Write your plan on the lines provided. Share it with a classmate and exchange ideas.

#### REVISING YOUR NOTES

Taking notes in class and while reading the text is an important study skill. You can make your notes more useful by revising them after class or after you have finished reading the text. Here is how:

**Recopy your notes.** This helps you better organize your notes into main ideas and details. It also gives you an opportunity to make your writing neater and easier to read. Recopying notes is more effective than just reading them over. The information gets to your brain through a different path—your sense of touch. You can also process the information auditorily by reading your notes aloud as you recopy them.

**Highlight or color code.** After you recopy your notes, develop a system to color code the information. Highlight main ideas in one color and supporting details in another color. Do the same for important vocabulary words: Highlight the words in one color and the definitions in another.

**Use graphic organizers.** Recopy your notes into diagrams or visuals that help you organize and remember the information. This helps you see how ideas and information are related.

**Use note cards.** Recopy your notes onto separate note cards. Put a main idea on one side and the supporting information on the other. Use them like flash cards when you study.

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#### Test Taking Rewarding Yourself

**Directions** Read the tips below. Then answer the questions by filling in the bubble next to the correct answer.

#### TIPS ON REWARDING YOURSELF

- When studying for a test, take a ten-minute break every hour. Reward yourself with a short call to a friend, playtime with a favorite pet, or a healthy treat.
- Set an alarm or keep an eye on your watch so you do not go more than ten minutes or so.
- Make plans for your next reward, which will come during the next study break.
- After you have resumed studying, reward yourself with mini-breaks. During these breaks, close your eyes, stretch, and take a few deep breaths.

1. An arrangement in which a person receives cash, goods, or services now and pays for them in the future is called
  - ☐ interest.
  - ☐ collateral.
  - ☐ default.
  - ☐ credit.
2. Property that is offered as a security interest is called
  - ☐ interest.
  - ☐ collateral.
  - ☐ default.
  - ☐ credit.
3. A fee charged for lending money is called
  - ☐ interest.
  - ☐ collateral.
  - ☐ default.
  - ☐ credit.
4. The failure to make timely payments on a loan is called
  - ☐ interest.
  - ☐ collateral.
  - ☐ default.
  - ☐ credit.
5. A creditor's right to use collateral to recover a debt is called
  - ☐ a secured loan.
  - ☐ a security interest.
  - ☐ an attachment.
  - ☐ an asset.
6. A person who agrees to pay off a debt when the debtor defaults on a loan payment is called
  - ☐ a secured party.
  - ☐ a creditor.
  - ☐ a guarantor.
  - ☐ a surety.

# Chapter 11 Credit and Debt

## Section 11.2 Credit and You



### Note Taking

**Directions** As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> <li>• Need to know the following before purchasing a car:</li> <li>• Exact price of the car</li> </ul>	<p><b>BUYING A VEHICLE</b></p> <ul style="list-style-type: none"> <li>• When you are buying an automobile, you can pay cash to avoid paying interest, or you can borrow money to finance the car.</li> </ul> <p><b>USING CREDIT CARDS</b></p> <ul style="list-style-type: none"> <li>• Used for borrowing money, but with a high interest rate and late-payment fees</li> </ul> <p><b>STUDENT LOANS</b></p> <ul style="list-style-type: none"> <li>• Federal government provides loans for students based on need.</li> </ul> <p><b>WARNING SIGNS OF DEBT PROBLEMS</b></p> <ul style="list-style-type: none"> <li>• Can make only minimum payments on credit cards</li> </ul>
<p style="text-align: center;"><b>Summary</b></p> <p>Before purchasing a car, you should know the price of the car, the amount you are borrowing, the finance charge, the APR, and the total sales price.</p>	

# Chapter 11 Credit and Debt

## Section 11.2 Credit and You



### Mathematics Drawing Conclusions

**Directions** Read the information in the chart below about purchasing a car. Then answer the questions that follow.

Purchase Price	\$25,000
Down Payment	\$7,500
APR	6.5%
Payment Period	4 years
Monthly Payment	\$415.01

1. Imagine you are buying a car using the information above. What is the amount you will need to borrow to purchase the car? \_\_\_\_\_
2. What is the total cost of the loan for purchasing this car? \_\_\_\_\_
3. What is the finance charge for borrowing this amount? \_\_\_\_\_
4. What percent does the finance charge represent on the total cost of the loan?  
\_\_\_\_\_

5. How could you reduce the finance charge?  
\_\_\_\_\_  
\_\_\_\_\_

6. Do you think it is fair that it will cost you \$2,420.48 more to purchase this car? Explain your reasons.  
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# Chapter 11 Credit and Debt

## Section 11.2 Credit and You



### Test Prep Motivating Yourself

**Directions** Read the tips below. Then take the practice test that follows.

#### MOTIVATING YOURSELF

- Instead of studying for a test because you *have to*, focus on why you *want to*. Why do you want to study the material? You may want to study the material in order to learn more about an interesting subject, to get an A in the class, or to know enough to pass the test.
- Brainstorm and make a list of reasons you want to pass the test. Write down as many reasons as you can think of.
- Visualize the reward you will receive for passing the test.
- As you begin studying, take a moment to visualize your reward.
- Visualize the reward again during study time to motivate you to keep studying.

1. The cost of a loan in dollars and cents is called the
  - ☐ annual percentage rate.
  - ☐ interest rate.
  - ☐ finance charge.
  - ☐ total sales price.
2. The true interest rate of a loan is called the
  - ☐ annual percentage rate.
  - ☐ security interest.
  - ☐ finance charge.
  - ☐ total sales price.
3. Before purchasing a car, you should know all of the following except
  - ☐ the exact price of the car.
  - ☐ the amount you are financing.
  - ☐ how long it took you to save money for the down payment.
  - ☐ the APR.
4. All of the following are warning signs of debt problems except
  - ☐ missing loan payments.
  - ☐ making only minimum monthly payments.
  - ☐ paying the entire balance each month.
  - ☐ borrowing money to pay off old debts.



# Chapter 11 Credit and Debt

## Chapter Content Vocabulary



### English Language Arts Writing

**Directions** Fill in each blank with the correct vocabulary term.

annual percentage rate	collateral
credit	creditor
debtor	default
finance charge	interest
secured loan	security interest

- \_\_\_\_\_ is an arrangement in which you receive cash, goods, or services now and pay in the future.
- A(n) \_\_\_\_\_ is a person who buys goods or services on credit.
- \_\_\_\_\_ is the fee a creditor charges for lending money.
- A(n) \_\_\_\_\_ is one which is backed up by property that the creditor can take if the loan is not repaid.
- A(n) \_\_\_\_\_ is a person who sells goods or services on credit.
- \_\_\_\_\_ is failure to make timely payments on a loan.
- A(n) \_\_\_\_\_ is a creditor's right to use collateral to recover a debt.
- \_\_\_\_\_ is property that is offered as a security interest.
- A(n) \_\_\_\_\_ is the cost of a loan in dollars and cents.
- The \_\_\_\_\_ is the true interest rate of a loan.

# Chapter 11 Credit and Debt

## Chapter Academic Vocabulary



### English Language Arts

#### Reading Skills

**Directions** Match each term with its definition. Write the letter of the term on the line next to its definition.

- a. assets
- b. acquired
- c. effective
- d. involve
- e. unauthorized
- f. subsidized

- 1. \_\_\_\_\_ not given permission
- 2. \_\_\_\_\_ obtained or became the owner of
- 3. \_\_\_\_\_ helped by means of making a grant of money
- 4. \_\_\_\_\_ in force or active
- 5. \_\_\_\_\_ anything owned that has value
- 6. \_\_\_\_\_ include or be part of