

Name: _____

Understanding Credit and Debt

Watch the two videos and answer the following questions.

BrainPOP Debt (5 min) https://youtu.be/jl1RGuvZ7_Y
A lesson on credit and debt (< 4min) <https://youtu.be/62Tf35ne4jl>

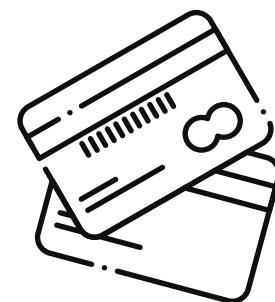
1. What is **debt**?

2. If you want to buy something, like a bike, but you don't have the money for it now, what are two ways you can get the bike?

3. Your friend says, "Credit card is free money!" What would you say?

I would say...

4. When you use a credit card, who are you really borrowing from?



5. a) When you are old enough to get a credit card, should you use it to buy everything and anything you ever wanted? b) Why or why not?

6. What is **interest**?



7. What are some examples of necessary loans?

8. How can you pay back your debt, loan, or credit card?

9. What does your credit history show? (Hint: it is related to the concept of **risky borrower**)



Understanding Credit and Debt

Word Wall

Debt

Interest

Loan

Interest rate

Credit

Default

Credit card

Credit history

Risky borrower

Understanding Credit and Debt

Teacher's Answer Key

BrainPOP Debt (5 min) https://youtu.be/jl1RGuvZ7_Y
A lesson on credit and debt (< 4min) <https://youtu.be/62Tf35ne4jl>

1. What is **debt**?

Debt is money owed to someone else.

2. If you want to buy something, like a bike, but you don't have the money for it now, what are two ways you can get the bike?

1) You can save for it;

2) You can borrow money, like using a credit card.

3. Your friend says, "Credit card is free money!" What would you say?

I would say...That's not true. Credit card is *not* free money. Whatever you use the credit card to buy, you will have to pay it back later. For advanced students: the amount you pay back may be even higher because credit cards charge interest.

4. When you use a credit card, who are you really borrowing from?

The bank



5. a) When you are old enough to get a credit card, should you use it to buy everything and anything you ever wanted? b) Why or why not?

a) No.

b) Because you can fall into financial troubles, including a large amount of debt. It will take a long time to climb out of a debt like that.

6. What is **interest**?

Interest is a fee for borrowing money.

Note to teachers: It is not the same as interest rate, which specifies the amount of interest charged on the borrower.



7. What are some examples of necessary loans?

House loans (mortgage), car loans, student loans

8. How can you pay back your debt, loan, or credit card?

Some ways include getting a job or earning an income, saving to repay debt, making choices (as the BrainPOP video says: you might have to skimp on the things you want.) It takes time, effort, and discipline.

9. What does your credit history show? (Hint: it is related to the concept of **risky borrower**)

Credit history shows whether you are a reliable or risky borrower. If you almost never pay your credit card/loan on time, it might be harder to borrow more money in the future, and you will be charged a higher interest rate. If you always pay your loan on time, then it will be much easier to apply for other loans in the future.

