

Credit:

Credit: Allows the immediate use of products or services in exchange for a promise pay in the future

Annual Percentage Rate (APR): The cost of a loan over a full year, expressed as a percentage

Credit Rating: A rating based on how promptly a person pays his/her debts

Interest: Cost of credit

Collateral: Security on a loan

Cosigner: Second signer who will pay for the loan if the first party defaults

Default: Failure to repay the loan

Bankruptcy: Legally getting out of having to repay debts; destroy credit rating for seven years; admitting and accepting financial failure

Sales Credit: Sales credit is credit you receive when you make a purchase now and promise to pay later

Advantages of Credit:

Healthy economy, Economic system is built on credit and without the means of buying now and paying later, the economy would collapse. An example is the stock market. Allows us to meet emergencies

Convenient, Able to enjoy the item while paying for it and raise your standard living. Establish a credit rating.

Disadvantages of Credit:

Credit always cost money. Creates risk because you are spending your future income. Increases the cost of doing business. Encourages careless buying. Often increases family conflict.

Places to Borrow Money:

Commercial Bank, Savings and Loan, Mutual Savings Bank, and Credit Union

Credit Before: Your credit rating is based upon how promptly you have paid your debts,

No Credit Record: Other factors will be considered: Employment, your student or job status, your assets (Savings account, Car, etc.)

Have checking and savings accounts and manage them responsibly. Sometimes savings can be used as collateral for a loan

Get a cosigner for a loan (Parent, Relative, or Other Adult)