Use Now, Pay Later

Read closely to spot credit, repayment, and interest.

SS.4.FL.4.2 "Identify instances when people use credit, that they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each instance of credit, circle the words that tell what was received now, and number the words that tell how repayment will happen.

Luis Starts a Cart

1 Maya's uncle, Luis, wanted to start a weekend fruit-smoothie cart. He did not have enough savings to buy a blender and a cooler. A credit union lent him $600. Luis received the equipment right away, so he could begin selling smoothies. In return, he signed an agreement to repay the credit union $50 each month for 13 months.

2 The 13 payments would total $650. The extra $50 was interest, which is money Luis paid for using the credit union's money. The loan let Luis use something valuable now, the blender and cooler, while paying later. Luis planned the monthly payments carefully because missing a payment could cause a late fee under his agreement.

3 On Saturday, Luis bought strawberries with cash he had earned. That purchase was not credit because he paid at once and did not promise to repay a lender. Later, he used a business credit card to buy cups. The card company paid the store now. Luis agreed to repay the card company later, and interest could be charged if he did not pay the full balance by its due date.

2 ANSWER WITH EVIDENCE

Use the passage

1. Who lent Luis money for the blender and cooler, and what did Luis receive right away?

2. What repayment agreement did Luis make for the $600 loan?

3. Why would Luis repay $650 when he borrowed $600?

4. Explain why buying cups with the business credit card was using credit.

3 YOUR TURN

Your own words

Write two sentences about a person using credit to get something valuable now. Include the lender, what the person receives now, how the person will repay, and interest.

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PART 1 · READ AND MARK

Underline each instance of credit, circle the words that tell what was received now, and number the words that tell how repayment will happen. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Who lent Luis money for the blender and cooler, and what did Luis receive right away?	**The credit union lent Luis money. He received a blender and a cooler right away.**
2	What repayment agreement did Luis make for the $600 loan?	**He agreed to repay the credit union $50 each month for 13 months.**
3	Why would Luis repay $650 when he borrowed $600?	**The extra $50 was interest for using the credit union's money.**
4	Explain why buying cups with the business credit card was using credit.	**The card company paid the store now, and Luis agreed to repay the card company later. Interest could be charged if he did not pay the full balance by the due date.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Jordan borrows $200 from a bank to buy a used tablet today. Jordan agrees to repay the bank $210 in two monthly payments, including $10 in interest.

Accept any realistic credit situation that clearly names a lender, a present value received, a future repayment plan, and interest. The repayment may be one future payment or several payments over time.