

Money Moves

How loans, credit, and financial rules affect the economy

SS.7.E.1.2 "Discuss the importance of borrowing and lending in the United States, the government's role in controlling financial institutions and list the advantages and disadvantages of using credit."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline benefits of borrowing, lending, or credit. Circle government actions that control financial institutions, then number each disadvantage of using credit.

When Money Is Borrowed

- ① On Saturday, Maya's family wants to replace a broken refrigerator. They do not have enough cash saved, so they apply for a bank loan. Borrowing lets people use money now and repay it later, usually with interest, the fee paid to the lender. Lending matters because banks and other lenders can earn interest while helping families buy homes, cars, or needed goods. Loans can also help businesses buy equipment, hire workers, and expand. In these ways, borrowing and lending move money through the economy.
- ② Because lenders hold people's deposits and make many loans, the government sets rules for financial institutions such as banks and credit unions. Federal and state agencies examine institutions, require certain protections for deposits, and enforce laws against unfair or dishonest practices. The Federal Deposit Insurance Corporation, or FDIC, insures eligible bank deposits up to legal limits if an insured bank fails. Rules cannot prevent every loss or poor choice, but oversight can build trust and help keep the financial system stable.
- ③ Credit is an agreement to receive money, goods, or services now and pay later. A credit card may be useful in an emergency, make an online purchase possible, or help a person build a positive credit history when bills are paid on time. However, credit is not free money. A borrower may pay interest and fees, and missed payments can damage a credit history. Interest may accrue on unpaid balances even with on-time partial payments. Buying more than can be repaid may lead to unmanageable debt. Before using credit, compare costs, read terms, and plan how to repay.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 How can loans help both families and businesses? Give one example for each.

2 What are two ways federal or state agencies control financial institutions?

3 What does the FDIC do when an insured bank fails?

4 State one advantage and one disadvantage of using credit.

3 YOUR TURN _____ Your own words

Invent a realistic purchase or emergency that costs money. Write exactly 4 sentences that explain whether using credit is a sensible choice, include one advantage and one disadvantage, describe a repayment plan, and explain one way government oversight could matter.

PART 1 • READ AND MARK

Underline benefits of borrowing, lending, or credit. Circle government actions that control financial institutions, then number each disadvantage of using credit. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	How can loans help both families and businesses? Give one example for each.	Families can use loans to buy needed goods, homes, or cars. Businesses can use loans to buy equipment, hire workers, and expand.
2	What are two ways federal or state agencies control financial institutions?	They examine institutions, require protections for deposits, and enforce laws against unfair or dishonest practices. Any two.
3	What does the FDIC do when an insured bank fails?	It insures eligible bank deposits up to legal limits.
4	State one advantage and one disadvantage of using credit.	An advantage is that credit can help pay for an emergency, make an online purchase, or build credit history when paid on time. A disadvantage is interest and fees, damaged credit from missed payments, or unmanageable debt from borrowing too much.

PART 3 • YOUR TURN (SAMPLE ANSWER)

Jordan could use a credit card for a car repair if Jordan can repay the \$300 by the due date. Credit would let the repair happen now, but carrying an unpaid balance could add interest. Jordan should read the card terms and budget to pay the full \$300 by the due date. Government agencies enforce rules against dishonest lending practices, which can help Jordan receive fair information.

Accept equivalent examples and wording that match the passage. For the open response, check for exactly four sentences, a clear credit decision, one benefit, one cost or risk, a repayment plan, and a relevant government oversight detail.