

Credit Choice Check

Analyze costs, protections, and trade-offs before borrowing.

SS.8.FL.4 "Identify and analyze the benefits, risks, associated fees, and laws that consumers should consider when choosing to buy on credit."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline each benefit of using credit, circle each risk or fee, and write 1 beside each law or legal protection. These marks will help you compare the advantages, costs, and consumer protections of a credit offer.

Jordan's Laptop Decision

- ① Jordan needs a laptop for school and sees a store offer: "Buy now, pay later." Credit lets a consumer receive an item now and repay the lender over time. This can help when a needed purchase cannot wait, and on-time payments may help build a positive credit history. Before agreeing, Jordan should compare the cash price with the total amount paid on credit. Borrowing can make a purchase cost more than paying cash, even when the monthly payment looks small.
- ② A credit plan may charge interest, often shown as an annual percentage rate, or APR. A higher APR usually means more interest over time. Some plans also have annual fees, late fees, balance-transfer fees, or returned-payment fees. Missing a payment can add a fee, increase the cost, and harm a consumer's credit history. A low monthly payment may seem affordable, but a longer repayment period can cause more interest to add up. Read every fee listed in the agreement.
- ③ Federal laws give consumers information and protections. The Truth in Lending Act requires disclosures that vary by credit type. For a covered installment loan, lenders disclose the APR, finance charge, payment schedule, and total of payments before the borrower becomes obligated. Credit card statements generally show how long repayment could take with only minimum payments. The Fair Credit Reporting Act gives consumers the right to see their credit reports and dispute inaccurate information. These laws do not erase debt, so consumers still need to read terms and pay on time.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 Why should Jordan compare the cash price with the total amount paid on credit?

2 How can a low monthly payment lead to a higher overall cost?

3 Name two fees that a credit plan might charge.

4 Which law requires disclosures for the covered installment loan, and what are two terms disclosed?

3 YOUR TURN _____ Your own words

Choose a purchase you might want, such as shoes, a game system, or a phone. In 3 or 4 sentences, state whether you would pay cash or use credit, explain one benefit of credit and one risk or fee, and name two credit terms or protections you would check before deciding.

PART 1 • READ AND MARK

Underline each benefit of using credit, circle each risk or fee, and write 1 beside each law or legal protection. These marks will help you compare the advantages, costs, and consumer protections of a credit offer. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	Why should Jordan compare the cash price with the total amount paid on credit?	Borrowing can make the purchase cost more than paying cash.
2	How can a low monthly payment lead to a higher overall cost?	A low payment can extend the repayment period, allowing more interest to add up.
3	Name two fees that a credit plan might charge.	Answers may include annual fees, late fees, balance-transfer fees, or returned-payment fees.
4	Which law requires disclosures for the covered installment loan, and what are two terms disclosed?	The Truth in Lending Act. For the covered installment loan, terms include the APR, finance charge, payment schedule, and total of payments.

PART 3 • YOUR TURN (SAMPLE ANSWER)

I would pay cash for a \$180 pair of headphones because I can save until I have enough money. Credit would let me take them home sooner, but interest or a late fee could raise the cost. For an installment loan covered by the Truth in Lending Act, I would check the APR and total of payments.

Accept equivalent explanations that connect a credit benefit, a cost or risk, and relevant disclosures or protections. For the open response, students may choose either cash or credit if they support the choice with accurate details.