Borrowing Choices

Uses, costs, and risks of borrowing.

SS8E3.d "Describe the uses of debt and associated risks."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each use of debt and circle each risk or risk-lowering action, so you can compare why people borrow with what they must consider.

Using Debt Wisely

1 Debt is money that a person, business, or government borrows and promises to repay. A Georgia family might use a loan to buy a reliable car needed for work. A student might borrow for college or technical training. Businesses may borrow to buy equipment, open a new location, or manage costs before sales arrive. Governments can borrow to build long-lasting public projects, such as roads, schools, or water systems. In each case, borrowing lets the buyer use something now while paying over time.

2 Debt also has costs and risks. Lenders usually charge interest, which is the extra amount paid for using borrowed money. The longer a borrower takes to repay, the more interest may add to the total cost. Missing payments can lead to late fees, damage a borrower's credit history, and make future loans harder or more expensive to get. With some loans, such as a car loan or home mortgage, the lender may take the property if the borrower does not repay as agreed.

3 Borrowing can be useful when the expected benefit is worth the full cost and the payments fit a realistic budget. A borrower should compare loan offers, including interest rates, fees, payment amount, and repayment length. Reading the agreement helps reveal penalties and whether property is collateral. Borrowers can lower risk by borrowing only what they need, making payments on time, and keeping some money for emergencies. Debt becomes especially risky when payments consume money needed for food, housing, transportation, or other basic expenses.

2 ANSWER WITH EVIDENCE

Use the passage

1. Identify one use of debt from the passage. Explain how borrowing helps the borrower in that situation.

2. How can a longer repayment length affect the total cost of a loan?

3. A borrower misses payments. Describe two risks the borrower may face.

4. What extra risk is connected to some car loans and home mortgages?

3 YOUR TURN

Your own words

Create a realistic borrowing plan for a Georgia resident who needs something for work, school, or a business. In 4 or 5 sentences, state what the person borrows for, explain the benefit, name two risks, and describe one action that lowers risk.

Borrowing Choices

PART 1 · READ AND MARK

Underline each use of debt and circle each risk or risk-lowering action, so you can compare why people borrow with what they must consider. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Identify one use of debt from the passage. Explain how borrowing helps the borrower in that situation.	**A family may borrow to buy a reliable car for work. Borrowing lets the family use the car now while paying over time.**
2	How can a longer repayment length affect the total cost of a loan?	**A longer repayment period can add more interest to the total cost.**
3	A borrower misses payments. Describe two risks the borrower may face.	**The borrower may pay late fees and damage their credit history. Future loans may also be harder or more expensive to get.**
4	What extra risk is connected to some car loans and home mortgages?	**The lender may take the car or home, which is collateral, if the borrower does not repay as agreed.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Nia, a Georgia resident, borrows money to buy tools for her new repair business. The tools can help her earn income before she has saved enough cash. Interest will raise the total cost of the loan. If she misses payments, late fees could grow and her credit history could be damaged. She will borrow only the amount she needs and choose a payment that fits her budget.

Accept any accurate use of debt, risk, and risk-lowering action supported by the passage. In Part 3, the response should include a clear purpose, a benefit, two valid risks, and at least one practical action to reduce risk.