



PROJECT ADVANCE

OVERVIEW

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Participants discuss the advantages and disadvantages of using credit to make everyday purchases. Participants will review the factors for obtaining credit and the importance of maintaining good credit.

OBJECTIVES: Participants will:

- Identify the costs and benefits of using credit.
- Understand the importance of maintaining good credit.
- Identify the advantages of buying goods and services with credit.

What is Credit?

INTRODUCTION

Greet participants. Ask,

- ◆ “What is Credit?”
Credit is defined as a form of trust between a lender and a borrower. It enables the borrower to buy now and pay later.
- ◆ Ask participants for the two major forms of personal credit.
The two major forms of personal credit are installment loans and credit cards.
- ◆ Discuss the two types of credit that lending institutions offer:
(1) **Secured;** *loans for mortgages or a car. Signifies that the money borrowed is secured by what was purchased with the loan. The property is used as collateral and will be repossessed if there is a failure to pay the loan.*
(2) **Unsecured;** *a credit card or personal installment loan is not linked to any property or bank account. These type of loans usually have a high interest are to compensate for high risk. Failure to pay these loans will result in damaged credit.*

ACTIVITY I

- ◆ Distribute credit card statement. Discuss the statement with participants and have them answer the questions on the handout.
- ◆ Ask participants if they can name some advantages and disadvantages of using credit cards to make purchases. List their ideas on the chalkboard. (*Advantages: immediate use of goods or services, ability to take advantage of good sales, safe /convenient alternative to carrying cash. Disadvantages: adds to one’s debt, finance charges, easy to overspend.*)

