

10-12 – Extension Activity for *Borrowing Basics*

Specific Outcome(s)

- Career and Life Management
 - R8. Evaluate the advantages and disadvantages of credit
 - Describe the need for credit, the forms of credit and the procedures for obtaining credit

At the end of this extension activity, students will be able to identify and explain various forms of credit (e.g., credit cards).

Materials Needed

- Internet connected devices (e.g., Chromebooks)

Materials Provided

- Forms of Credit handout

Logistics

- Ensure each student will have an internet connected device.
- Photocopy the Forms of Credit handout 😊
 - Print enough copies for each student.

Procedure

- Explore what students know about credit and what interests them about credit.
- Then, review the definition credit with students. Additionally, highlight key concepts related to credit.
 - “Credit is borrowed money. It is not extra income!”
 - “Let’s say you borrow money from someone; they’re your lender.”
 - “You’ll have to repay the principal, which is the amount of money you borrowed, plus interest, which is the amount you pay to use the money you borrowed.”
 - “Credit is neither good nor bad. However, it must be used wisely.”
- Remind students that there are many forms of credit. Then, have them research the forms of credit listed on the provided handout.
 - They may work independently, in partners, or in groups.
 - They must explain how the form of credit works.
 - They may use the link provided as a starting point for their research.
 - Circulate and help students as needed.
- After most students have finished their research, review the answers with them. Thank them for their hard work.

Forms of Credit

Form of Credit	How It Works
Personal loan	A loan from your financial institution (e.g., bank) directly to you
Line of credit	
Overdraft protection	
Auto company loan	
Student loan	
Mortgage	
Credit card	
Deferred payment plan	
Rent-to-own contract	
Payday loan	
Secured credit card	

Informal loan	
High-risk or approved loan	

Source: <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-2/3.html>

Forms of Credit

Form of Credit	How It Works
Personal loan	A loan from your financial institution (e.g., bank) directly to you
Line of credit	A type of pre-approved loan that allows you to borrow money when you need it, up to a maximum amount
Overdraft protection	Allows you to temporarily access additional funds beyond what you have in your chequing account
Auto company loan	A loan for the purchase of a vehicle arranged through the car dealer's financing company
Student loan	A bank loan for education costs with a special rate and special repayment terms for students
Mortgage	A type of loan often used to buy a home or other property
Credit card	<p>When you make a purchase, you borrow money from the credit card issuer to pay the vendor, and you must pay back the money you've borrowed by a due date</p> <p>If you do not pay the purchase balance in full each month by the payment due date, you incur interest charges</p> <p>You may also use your credit card for cash advances; interest on cash advances is charged right away</p>
Deferred payment plan	A purchase plan in which you can delay paying for a purchase for a specified time, usually by paying the amount in instalments, with interest
Rent-to-own contract	A type of loan in which you rent an item for a defined period of time and have the option to purchase the item by continuing to pay the rental fee over time or by paying a lump sum
Payday loan	A short-term loan that you promise to pay back from your next paycheque
Secured credit card	A card that requires you to provide the card issuer a security deposit before the card is issued

Informal loan	Money that you borrow from a family member or other individual
High-risk or approved loan	A type of unsecured loan that you may apply for if you are turned down for a personal or other loan by a financial institution

Source: <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-2/3.html>