

Understanding Credit Lingo

Extension Activity for *Credit Connects* Presentation

Grade Level:

- Grade 9

Learning Objective:

This extension activity, along with the *Credit Connects* presentation should help students:

- define words commonly associated with using credit

Materials Needed:

- whiteboard
- whiteboard marker
- *Understanding Credit Lingo* worksheet (1 per student)

Lesson Plan:

1. Write the following words on the whiteboard prior to starting the lesson:
 - credit
 - borrower
 - principal
 - interest amount
 - credit history
 - collateral
 - credit card
 - annual percentage rate (APR)
 - credit limit
 - minimum payment – credit card
 - grace period
 - credit card rewards
 - cash advance
2. Read the words aloud and ask students if they have ever heard of any of these terms before
3. Explain to students all the terms relate to credit
4. Go through each term and ask students what they know about it. Write correct responses on the whiteboard
5. Share the following definitions with students:

credit	a payment option. Gives the person the ability to buy something now with somebody else's money (i.e. financial institution) and pay for it later
borrower	person or organization that takes out a loan under an agreement to pay it back later, usually with interest
principal	the initial amount of money borrowed
interest amount	a fee for borrowing money. The amount of this fee is expressed as a percentage rate.
credit history	a person's history in regards to borrowing and returning money
collateral	something pledged as security for repayment of a loan. For example, Bob borrowed money, from a financial institution, to buy a car. He signed a document indicating, if he did not pay back the amount of the loan, the financial institution had the legal right to take the car
credit card	a card issued by a lender that gives the cardholder the ability to borrow money by making purchases at the store or a cash advance
annual percentage rate (APR)	the yearly interest rate charged on a credit product
credit limit	the maximum amount of money you can borrow on a credit card
minimum payment- credit card	the smallest amount of money a cardholder can pay to remain in good standing with the credit card company. The amount is either a fixed amount or a percentage of the total amount owing (whichever is greater) plus any fees or accrued interest
grace period	the amount of time you are given to pay your balance in full before you are charged interest on what you owe
credit card rewards	incentives such as air miles, cashback, etc.
cash advance	credit cards allow cardholders to withdraw cash from an ATM or financial institution, up to a certain limit. The interest is often higher than with other credit card transactions and interest calculations usually start immediately

6. Distribute the *Understanding Credit Lingo* worksheet to students
7. Review the answers with students after they have completed the worksheet

Understanding Credit Lingo

Instructions: match each term to its definition

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|---------------------------------|-------------------|----------------------------------|------------------------|
| a) borrower | b) credit history | c) credit limit | d) principal |
| e) credit | f) collateral | g) cash advance | h) credit card rewards |
| i) credit card | j) grace period | k) minimum payment – credit card | l) interest amount |
| m) annual percentage rate (APR) | | | |

1. _____ person or organization that takes out a loan under an agreement to pay it back later, usually with interest
2. _____ a fee for borrowing money. The amount of this fee is expressed as a percentage rate
3. _____ a card issued by a lender that gives the cardholder the ability to borrow money by making purchases at the store or a cash advance
4. _____ the yearly interest rate charged on a credit product
5. _____ the maximum amount of money you can borrow on a credit card
6. _____ the smallest amount of money a cardholder can pay to remain in good standing with the credit card company. The amount is either a fixed amount or a percentage of the total amount owing (whichever is greater) plus any fees or accrued interest
7. _____ the amount of time you are given to pay your balance in full before you are charged interest on what you owe
8. _____ incentives such as air miles, cashback, etc.
9. _____ a person's history in regards to borrowing and returning money
10. _____ a payment option. Gives the person the ability to buy something now with somebody else's money (i.e. financial institution) and pay for it later
11. _____ the initial amount of money borrowed
12. _____ something pledged as security for repayment of a loan. For example, Bob borrowed money, from a financial institution, to buy a car. He signed a document indicating, if he did not pay back the amount of the loan, the financial institution had the legal right to take the car
13. _____ credit cards allow cardholders to withdraw cash from an ATM or financial institution, up to a certain limit. The interest is often higher than with other credit card transactions and interest calculations usually start immediately

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3. i a card issued by a lender that gives the cardholder the ability to borrow money by making purchases at the store or a cash advance
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