



MODULE  
02

# BORROWING:

Use—Don't Abuse



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# Using Credit

TODAY YOU WILL  
EXAMINE REASONS WHY PEOPLE USE CREDIT.

# Good or Bad

When is it OK  
to borrow money?

When is borrowing money  
not a good idea?

# Preview

Answer these questions:

- Why do people borrow money?
- When is it acceptable and unacceptable to use credit?
- How does borrowing impact spending power?

Use what you learn to recognize situations when it makes sense to either use credit or to avoid using credit.

# Meet Mariah and Jesse

## Mariah – junior

- Lives at home
- Part-time job
- Responsible for own expenses
- Saving for college
- Wants her own credit card

## Jesse – sophomore

- Lives at home
- No job now
- Saving to buy a truck when he gets license



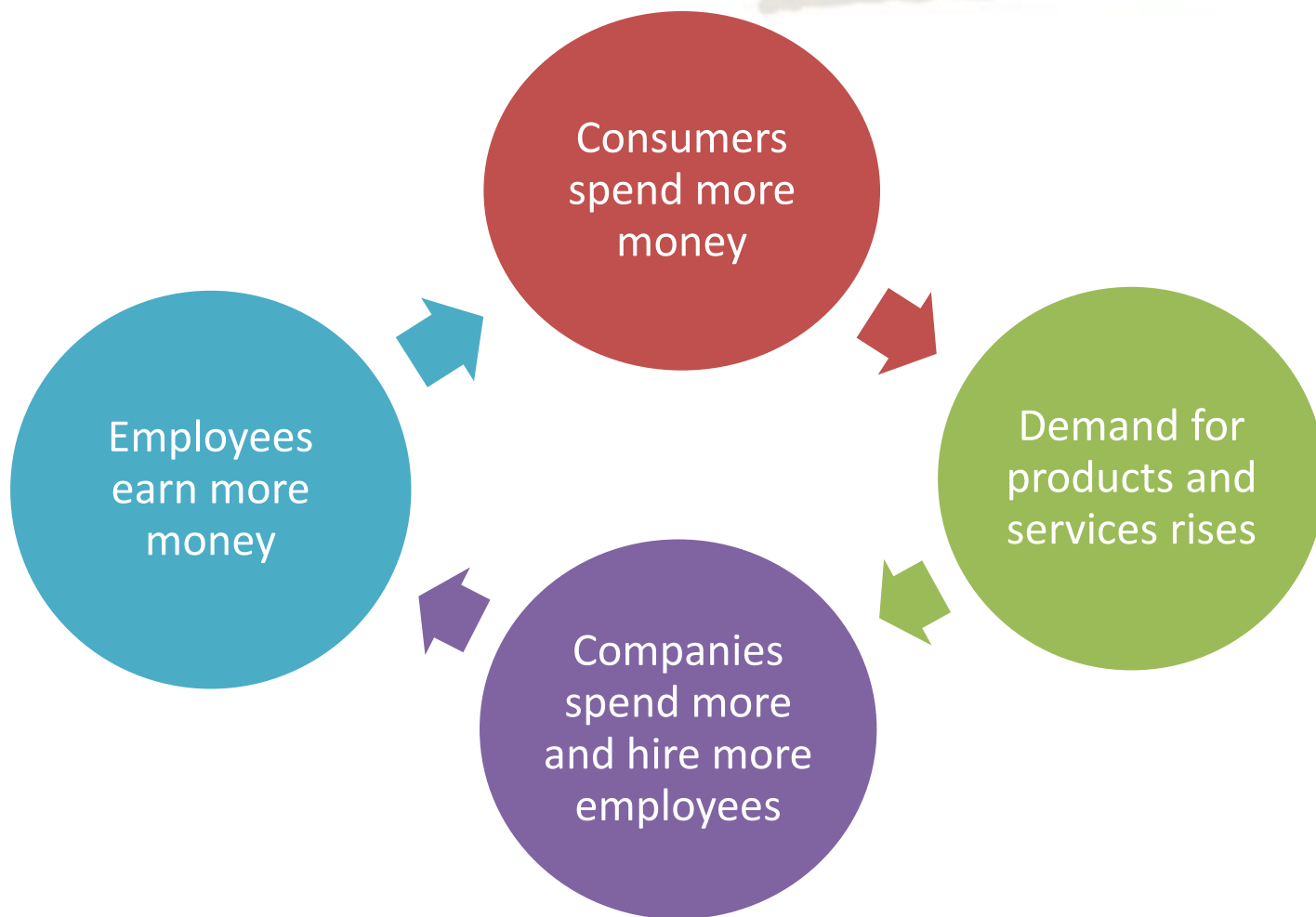
# Using Credit

## Credit

Buy something now; pay for it later

How we **use** credit is what's good or bad

# Credit in the Community



# Credit Options

- **Revolving credit** (example: credit card)
  - Borrow for multiple purchases without going over credit limit
  - Repay what is owed each month
- **Installment credit** (example: car loan)
  - Borrow a specific amount of money to buy something now
  - Make regular payments to repay over time by a set date
- **Cash loans**
  - Borrow a specific amount of cash to repay later by a set date
- **Service credit** (example: cellphone, electricity)
  - Promise to pay for services used each month



# Jesse's Plan

## Jesse's Monthly Plan With No Loan

Expense	Amount
Food	\$ 50
Clothes	\$100
Entertainment	\$100
<b>TOTAL EXPENSES</b>	<b>\$250</b>

## Jesse's Monthly Plan With Loan

Expense	Amount
Truck Loan	\$200
Food	\$ ?
Clothes	\$ ?
Entertainment	\$ ?
<b>TOTAL EXPENSES</b>	<b>\$250</b>

# Now or Later

- **Instant Gratification**

An unwillingness to give up something now in return for something later

- **Delayed Gratification**

A willingness to give up something now in return for something later

# Stop Drop and Think Before Using Credit Test

Do I need this or do I want it?

If I don't need it, why do I want it?

Exactly when will I use (or wear) it?

Can I find it for less somewhere else?

What will I have to give up or put off by using credit to buy this now?

# Role Play

Take on the role of Mariah or her mother to role play a conversation about whether or not Mariah should have her own credit card.

# Reflection

Review your responses to the Borrowing Fitness Test.

- How do you rate your ability to be a responsible borrower?
- What changes can you make for improvement?

# Analogy

Mariah's mom is not sure she even understands what credit is and asks Mariah to compare it to something else. Mariah has a difficult time coming up with a comparison. Help her out.

Complete the following analogy:

*“Credit is like a car because ...”*

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