

PEAK FINANCIAL ACTIVITY 4d:

Explore Various Loan and Credit Options (see answers on the last page)

Learn About The Different Kinds Of Credit Cards. Which Is Right For You?

Go Find It → **In the Online Course**, you'll find links to online resources to explore and learn more about credit cards. Take the time to go explore these options.

Go Find It → **In the Online Course**, you'll find links to an Online Calculator for the next set of questions.

Assume you have a credit card with a \$4,000 balance. The interest rate is 10 percent. The minimum payment required is only 2% of the balance, or \$80 per month.

1.) How long will it take you to pay off this credit card?

Calculate how long it will take to pay off the current balance with the following payments:

a. The minimum, \$80 _____

b. \$100 _____

c. \$200 _____

d. \$352 _____

Just because you are currently paying a high rate of interest doesn't mean you can't negotiate. As a consumer with good credit, the bank wants to keep your account. By calling the company you can ask for lower interest rates or other terms that would make the account more favorable for you. Be prepared to argue a good case.

For example, if they extended credit when you had a low credit score but you now have a much higher credit score, they should be open to offering a lower interest rate. After all, you could take your business to a new lender who only evaluates your current, high credit score.

Assume you have a \$4000 credit card balance at 18 percent. You want to negotiate a lower interest rate. The lender offers you 16 percent. How much will you save?

2.) Calculate the interest you will pay at 18% for the balance of \$4000 making the minimum payment of \$80 a month.

3.) How long will it take to pay off the balance?

4.) Calculate the interest you will pay at 16 percent, you keep making the minimum payments of \$80 per month.

5.) How much interest will you save if the lender reduces your interest rate to 16 percent?

Explore Personal Loans

Personal loans can be helpful in times of need, but they are also risky. Don't put important relationships at risk by missing payments or not keeping complete records.

6.) How can you prove that you have made payments as agreed on a private loan? (Select one)

- My private lender can write a letter saying I paid on time**
- I can provide a copy of the note**
- I can provide a copy of the note and a letter from my private lender saying I paid on time**
- I can provide a copy of canceled checks, a copy of the note, and a letter from my private lender**
- I can't prove that I made payments as agreed on a private loan**

**7.) What is the limit of a personal loan made between family members?
(Select one)**

- \$10,000 in a lifetime
- \$1,000,000
- The maximum depends on how much a private lender can commit to a loan
- None of the above

In your own words, how can a private loan from your parents affect your relationship with them? How might a private loan from your parents affect your relationship with other family members?

Explore Payday Loans - and NEVER Use One

Go Find It → *In the Online Course*, you'll find links to an Online Calculator for the next set of questions.

Assume that you have borrowed \$300 from a payday loan for a two week period. The fee is \$17. You pay it back right away. Enter the loan amount as \$300, the Extra Cost at \$17, the Interest Rate as zero, and the term as 1 month.

8.) Using the online calculator, what is your APR for this payday loan?

9.) Assume you have to roll over the loan for another two weeks. You are charged another \$17 fee. What is your new APR?

Write some thoughts to yourself on why a payday loan is a BAD idea:

ANSWERS to questions (DON'T PEEK!)

- 1.)
 - a. 65 months
 - b. 49 months
 - c. 22 months
 - d. 12 months
 - 2.) \$10,931.65
 - 3.) 508 Months
 - 4.) \$7328.69
 - 5.) \$3602.96
 - 6.) I can provide a copy of canceled checks, a copy of the note, and a letter from my private lender
 - 7.) The maximum depends on how much a private lender can commit to a loan
 - 8.) 68%
 - 9.) 136 % !!
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