

Credit Cards, Loans, and Debt

Pre-Reading

A. Warm-Up Questions

1. Do you have any credit cards? Which ones?
2. How often do you use your credit cards?
What do you buy with them?
3. Is there a good time to use a credit card?
4. Do you have any loans? What were the terms?
5. Do you have any ideas about
how people can avoid debt?

B. Vocabulary Preview

Match the words on the left with
the correct meanings on the right.

- | | |
|----------------------|---|
| _____ 1. booming | a) cost |
| _____ 2. transaction | b) yearly |
| _____ 3. retail | c) to move from one to another |
| _____ 4. credit | d) gifts |
| _____ 5. balance | e) acceptance |
| _____ 6. minimum | f) least |
| _____ 7. reward | g) amount owed |
| _____ 8. annual | h) exchange of goods |
| _____ 9. transfer | i) appropriate |
| _____ 10. approval | j) exceedingly well |
| _____ 11. reliable | k) money given that will have to be paid back |
| _____ 12. suitable | l) sales |
| _____ 13. fee | m) dependable |



Reading

CASH OR CREDIT?

1. “Will that be cash or credit?” is a question heard during most purchasing **transactions** at stores around the world. Consumers generally have two choices when buying a **retail** product—pay cash or pay with a credit card. It seems that credit has become the choice of most. **Credit** is a system of payment made with a plastic card that doesn’t take money directly from a consumer’s bank account, but rather carries a **balance** and lets the consumer pay later.
2. The credit card business is **booming**. Some of the most popular credit cards used around the world include MasterCard, Visa, and American Express. Many credit card companies offer different versions of credit cards for individuals, businesses, and students. Some even have cards available for people who have limited or poor credit history.
3. Credit cards allow carriers to make purchases and pay later. If a carrier can’t pay the whole balance when the credit card statement is due, then they can make a **minimum** payment and carry a balance. The credit card company charges an interest rate on a balance owing.
4. Credit card companies also offer a variety of **rewards** programs for users. Some have a cash-back bonus which gives the owner a certain percentage in cash. Others have travel rewards. For example, the amount spent on the credit card can be traded for frequent flyer miles on airlines or rooms at hotel chains. Others have merchandise or gift card reward programs. Still others reward with gasoline, restaurants, or movie tickets.
5. Some credit cards require an **annual fee** that the holder must pay to keep the credit card. Annual fees, like interest rates, vary. Companies compete for new users and offer special deals like no annual fees, special balance **transfer** rates, and instant **approvals**.
6. It can be challenging to pick the most **suitable** credit card for your needs. Choose a good company that is **reliable**. Check the fees and see if there are any service charges or monthly fees. People should also find out in advance what the minimum payment will be each month. It’s also best to confirm that the places frequented accept the card in possession. Cards like MasterCard, Visa, and American Express are used in many countries so people can use those for domestic and international vacations and business trips.

Vocabulary Review 1

A. Credit Cards

Name credit cards that you are familiar with.

1. _____ 2. _____ 3. _____

B. Connotations

What vocabulary words from the Word List do you think have a good connotation? Which are more negative?

Positive Connotation	Negative Connotation

Word List:

- booming
- credit
- balance
- asset
- debt
- minimum
- debit
- reward
- approved
- suitable
- fee

Pair Work (Partner A)

A. Reading

Read the short article to the right, but do not show it to your partner. Your partner will ask you questions about your article.

LOANS

A loan is something borrowed. Although a person can borrow all sorts of things—big and small—many people associate a loan with money. A loan is often a formal agreement between a bank or financial institution and a borrower. The borrower can use the money for anything, but must be able to pay it back. The terms of the loan outline how much money is being lent and how long the borrower has to pay it back. The sum of the money borrowed can be paid back in regular installments, but often comes with an interest rate so that the borrower actually pays back more money than originally borrowed. One of the most common types of loan is a mortgage loan for which people use the money to buy a house. The bank that gives the loan holds a lien so the title of the house doesn't go to the owner until after the loan is paid back. Secured loans, like the mortgage loan, are secured because the borrower offers collateral. Unsecured loans are different because the borrower doesn't offer any assets. Unsecured loans include money owed on credit cards. People need to carefully examine the terms before entering into any financial commitments like loans. After all, a loan is really a form of debt.

B. Sharing Information

Work with your partner. Ask the questions to the right about your partner's reading. Write the answers in your notebook.

1. Who receives the amount of the bond at maturity?
2. What is a bond?
3. When might war bonds have been popular?
4. Where might a high-risk investor put money?
5. Why are bonds considered safe?

Pair Work (Partner B)

A. Reading

Read the short article to the right, but do not show it to your partner. Your partner will ask you questions about your article.

BONDS

In the world of finance, there are many kinds of debt. One type is a bond. An authorized issuer of bonds owes the bond holders a debt and must repay the amount and the interest at a specified time in the future. This future date is called maturity. When the bond matures, the holder will receive the amount of the bond plus the interest it earned. Bonds are issued for a long-term fixed period of time. The issuer, like a government, finances other investments with the money. There are many types of bonds. A fixed-rate bond remains constant the entire life of the bond. High-yield bonds are riskier, but investors think they'll yield more money in the end. Perpetual bonds have no maturity date. A less common type is the war bond that is used by a country to fund a war. Most professionals in the finance field will agree that bonds are safe because they often make money while other investments, like the stock market, can fall more easily. A lot of people will have a mix of higher-risk investments and safer-risk investments in their financial portfolio. Potential bond owners should carefully evaluate the terms of the bond before committing.

B. Sharing Information

Work with your partner. Ask the questions to the right about your partner's reading. Write the answers in your notebook.

1. Who might need a loan?
2. What is a mortgage loan?
3. Where can a borrower get a loan?
4. When are loans paid back?
5. Why are unsecured loans different?

Based on your notes from the main reading and the pair work readings, write a narrative paragraph about yourself. Write about one of your experiences with a credit card, loan, or debt and discuss how you felt.

[illegible]

Vocabulary Review 2

Fill in the blanks with the best vocabulary words from the list to the right.

One day I decided to buy a house. To do so, I needed to _____ from
a bank. The banker said he could _____ the money to me in the form
of a _____ loan. I am in _____, but I am the proud
owner of a house! Well, I almost own the house. Because I owe the bank money for the
_____, they put a _____ on the house. The house
is the only _____, and I'm using the title as _____.
The _____ of the loan are good: it's a _____ rate
so I do not have to worry about the numbers changing. Plus, I arranged to pay
in _____ so I don't have to pay the entire amount back at the same
time. I have to pay _____ on the amount, so I'll pay more than the
original amount I borrowed, but I think the _____ I Invested in will
be helpful since they are usually a safer investment than stocks. All in all, I'll have a
nice financial _____ in a few years when I own my house and my
bonds have hit their _____ dates.

Word List:

- lend
- mortgage
- loan
- borrow
- lien
- bond
- debt
- collateral
- maturity
- installment
- asset
- fixed
- interest
- terms
- portfolio

Group Work

A. Survey

Talk to ten of your classmates or other students at the school. Find out what credit cards are most popular and analyze reasons for credit card use.

Questions:

1. Which credit card(s) do you have?
 - a) MasterCard
 - b) VISA
 - c) American Express
 - d) other
 - e) I don't have a credit card.
2. Do you have any rewards programs with your credit cards? If so, which ones?
 - a) travel
 - b) dining and entertainment
 - c) cash back
 - d) other
3. Do you carry a balance on your credit card, or do you pay in full each month?
4. What do you think about annual fees?
5. What items do you purchase with your credit card?
6. How many credit cards do you have?
7. Is there anyone who should not have a credit card?
8. Is there anyone who really needs a credit card?

B. Display Your Data

Collect your data from Part A, Question 1 and create a chart or graph that details your results.

Example:

