

Credit Scenarios

Read the following scenarios carefully. In each scenario, find either one advantage of using credit or one disadvantage of using credit. Circle the advantages, and underline the disadvantages.

Scenario One

Bill and Sandy were buying their first home. Their real estate agent told them the sellers had accepted their bid on the amount they would pay. They waited eagerly, talking about how excited they were to be moving. Unfortunately, after checking into their credit history, the bank turned down their loan because of nonpayment of past credit card bills.

Scenario Two

Before the Gonzalez family went to Walt Disney World® for a vacation, Mom decided to put most of the money the family had allotted for the trip into a savings account and not carry it with her to the park. She then wouldn't have to worry about losing it or having it stolen. She would use her credit card to pay most of the expenses and then pay for the trip in one lump sum when the credit card bill came.

Scenario Three

Mario left for college and was excited to be on his own. He received several credit card applications and decided that having one card would be helpful while he was away. After receiving the card, Mario found it easy to use and was soon impulsively buying things he thought he really needed. Soon his bill was up to the limit, and someone had to pay it. His parents were not happy with him.

Scenario Four

Greg's father is a race car driver with a sponsor who pays most of his expenses. He is on the road frequently, going from race to race. He finds that using a credit card instead of cash is perfect for him because it allows him to keep a record of what he has spent. He then gives his well-kept records to his sponsor for reimbursement of funds.

Scenario Five

Ricardo bought a motorcycle with a small loan from his credit union. He made regular monthly payments of \$180 for three years until he had it paid off. When he received the motorcycle title and final paperwork and looked them over, he realized that with interest added he had paid the credit union \$140 more for his motorcycle than he would have if he had paid cash.

Scenario Six

Rolanda and her best friend were each given a trip to Europe when they graduated from college. They calculated their expenses and planned on taking a small amount of cash and paying for everything else by check. When researching further with their bank, they were told that a credit card would be a better option because it would be accepted for payment in many places that would not take personal checks.

Scenario Seven

Travis was so proud of his new convertible. He kept it clean and well-maintained. He felt certain his job was secure and didn't think twice about buying a car that was a little more than he could afford. Much to his surprise, his company went through some major changes and, quite unexpectedly, he was laid off. One morning, when he went out to get in his car to go look for a job, he found it gone. At first he thought someone had stolen it. He later found out the bank had repossessed it because he hadn't kept up his payments.

Scenario Eight

Jerri and her father love fishing and camping. They were preparing for their yearly fishing trip and needed a new tent and camp stove. To save time, they ordered these items by telephone from the catalog company and paid for them with a credit card. The items arrived two days later.

Scenario Nine

Randy had used his credit card to buy a watch that didn't work right. He returned it to the store and was given a replacement that also didn't work. He decided he wanted his money back instead of another watch of the same kind. He was told the problem could be easily taken care of because he had charged the watch. He was given full credit on his credit card account for the price of the watch.