

Credit Decisions

Scenario One

Megan will start college soon. She will move out of her parents' house and move into a dormitory on campus. Megan will have many bills. Her parents want to be able to keep track of her expenses while making spending convenient for her. Megan's parents have co-signed on a credit card for her use. They expect her to use the card to pay for tuition, books, and living expenses.

Megan is enjoying school and has made several new friends. Megan's friends in the dorm invite her to go to dinner at local restaurants a couple of times a week. She goes shopping with her roommate on the weekends. Megan also joins a movie club with some other students. They see the latest movies once a week.

Megan doesn't have a job to earn her own money, but she is given a monthly allowance from her parents. The allowance isn't always enough to cover the things she wants to buy. Megan has begun to use the credit card her parents gave her. Megan's parents gave her the card to use for college expenses; they did not expect her to use the card for entertainment and shopping. Before long, Megan has spent more on the card than allowed by the bank. Her parents receive the bill and are concerned about the hundreds of dollars on the card that they did not expect. Megan and her parents meet to discuss the situation.

1. What does it mean to co-sign for a credit card?

2. Why did Megan's parents have to co-sign on the credit card for her?

3. Why was it easy for Megan to spend using the credit card, yet not realize she had spent so much money?

4. What will happen if Megan or her parents do not pay the credit card bill on time?

5. How will the large credit card debt affect other spending by Megan and her parents?
