

Scenario Three

Charles is a high school student with a part-time job at a local grocery store. He is making payments on a fairly new car, his pride and joy. Charles is one of the few kids in his crowd at school with a car. He is able to easily go places with his friends, while other kids he knows must rely on their parents for transportation. Charles' parents agreed he could have the car but that he must pay for all his car expenses, such as the car payment, gasoline, and insurance.

Charles had to focus more time on his school assignments, so he cut back his work hours at the grocery store. His paychecks are smaller, and he doesn't have enough money to pay his car payments, insurance, and gasoline bills.

Charles has a credit card that his parents have given him. The card is in his name, although they co-signed on the card for him. Charles has used the card only for emergencies and pays the credit card bill himself. He has always paid all his bills on time. However, in just two months, Charles has charged so much on the card that he has reached the spending limit allowed by the bank.

Charles receives a credit card application in the mail from another company. He completes the application and soon has a second credit card. He continues to make payments on the first card, but also begins making purchases on the new card. The hours he works at the grocery store have not increased, so his income has remained the same while his monthly expenses have increased. Charles finds himself in a difficult situation, unable to pay the bills he is getting.

1. If not managed well, how can Charles' increasing debt affect the rest of his life?

2. Will Charles' situation affect his parents' credit? Explain.

3. Why was it so easy for Charles to get the second credit card?

4. Will it be as easy for Charles to get credit in the future if he doesn't pay the bills he currently has?

5. What are some solutions to Charles' difficult situation?
