

# **Module 2**

## **Borrowing**

Complete:

Activity 2.7

Activity 2.9

Challenge 2-A

Challenge 2-B

Challenge 2-C

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

## Activity 2.7: Know the Limit

### The 20–10 Rule for Borrowing Limit

\$ Total of	Should Be LESS Than	of Your
Amount Borrowed*	20%	Annual Net Income
Monthly Payments	10%	Monthly Net Income

*\*Includes credit cards but not mortgages*

Directions:

- Use the 20-10 Rule to calculate the debt limits for Mariah's and Jesse's older siblings.
- If you earn any income now, also compute your debt limits.

Borrower	Annual Net Income	Maximum Total Debt (20% Annual Net Income)	Maximum Monthly Payments (10% Monthly Net Income)
Mariah's sister	\$6,500	\$1,300	\$54.17
Jesse's brother	\$24,750	\$	\$
Jesse's sister	\$35,800	\$	\$
Me	\$	\$	\$

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

## Activity 2.9: Rights and Responsibilities of Borrowing

Look at a credit card agreement, loan contract, or service agreement to find at least two rights and two responsibilities of the borrower and the same for the lender.

Type of Agreement or Contract:		
	Rights	Responsibilities
Borrower		
Lender		

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

## Challenge 2-A: DECIDE the Best Deal for You

**Directions:**

- A. Pick a situation where you or your family currently use or expect to use credit in the near future. For example, this might be a phone plan, car loan, school loan, or apartment rental.
- B. Gather information from two to three different businesses that provide credit for the situation.
- C. Use the DECIDE process to select the best option for your (or your family's) criteria.

	Action Steps	My Situation
1	<b>Define your goal.</b> What do you want to achieve?	
2	<b>Establish your criteria.</b> What are the features you absolutely must have? Which ones would you like to have?	
3	<b>Choose two to three good options.</b> Remove any options that don't meet your must-have criteria.	
4	<b>Identify the pros and cons.</b> Calculate what the total costs are for each option. If you have a lot of criteria and options, you may want to make a chart to quickly compare the features of each option.	
5	<b>Decide what's best.</b> Which option best matches your criteria?	
6	<b>Evaluate the results.</b> Afterward, note what you do and don't like about your choice.	

## Challenge 2-B: Building Creditworthiness

**NAME:**

**DATE:**

What actions can you take now to practice sensible borrowing habits and build a good reputation as a borrower? Use what you have learned about credit reporting and scoring to determine what you can do now as a teenager to prepare to make a good impression on a lender.

*To build a good reputation as a borrower, I will ...*

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

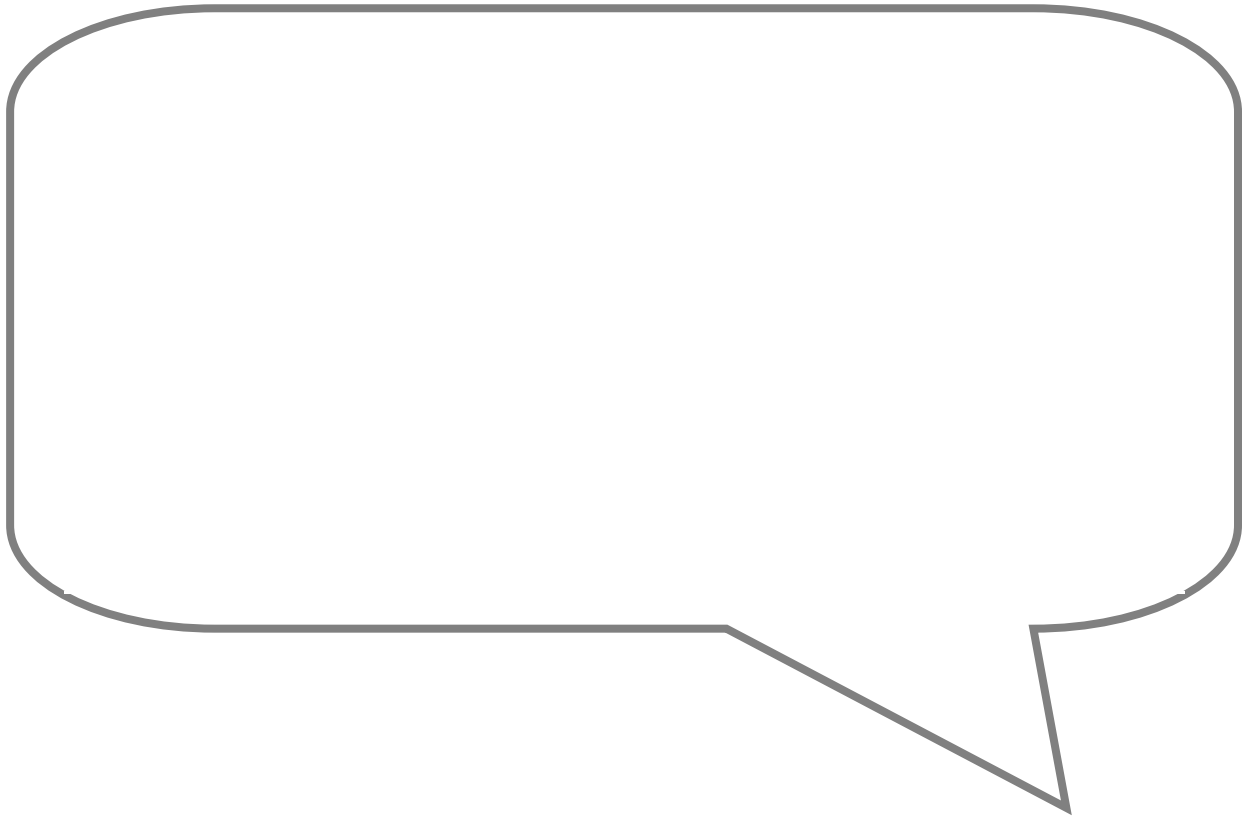
## Challenge 2-C: Credit Code of Behavior

Although you might not need or even be able to use credit now, you are on your way to developing the knowledge and positive habits that will help you avoid the pitfalls of debt problems. Consider how you will use what you learned about credit when you borrow, now and after you turn 18.

### Directions:

Write out a personal Credit Code of Behavior.

- Include guidelines you will follow before considering whether or not to use credit.
- Include self-imposed rules and habits you will apply as you take on the responsibilities of using credit.

A large, empty speech bubble shape with a rounded top and a pointed tail at the bottom right, intended for writing a personal Credit Code of Behavior.