

## LESSON 6: Why Credit Matters



### Catch the Credit Crisis

You're holding the keys to a brand-new car, longing for a cell phone upgrade and planning a trip to Disney World. But wait... will doing these things affect your credit? Determine how the scenarios below might impact your credit score. (Remember—it can go up or down.) Justify your reasoning and offer a solution to any negative impacts.

**Scenario 1:** You want to purchase a new vehicle and you have your heart set on a brand-new SUV. You take out a loan to pay for the car, but after six months you begin to fall behind on payments and incur late fees.

**Does your credit score go up or down?**

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**Why does your credit score go up or down?**

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**If your score goes down, how can you fix it?**

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**Scenario 2:** You've been eager to buy a new cell phone for months, and now you're ready to make it happen. You use your credit card to purchase the phone and you set up automatic billing to pay the monthly expenses. At the end of each month, you pay the credit card bill in full.

**Does your credit score go up or down?**

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**Why does your credit score go up or down?**

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**If your score goes down, how can you fix it?**

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**Scenario 3:** Your first semester of college, you take out a small loan to help pay for books. Despite being busy, you get a part-time job. Although you don't have to pay your loan back until you graduate, you've saved enough by the end of the semester and you will pay off the loan in full.

**Does your credit score go up or down?**

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**Why does your credit score go up or down?**

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**If your score goes down, how can you fix it?**

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**Scenario 4:** You just got the keys to your first apartment. You also have a new credit card with a \$4,000 limit and you use it to furnish your new place. Before you know it, you've bought a TV, a couch and a dining room table. When you get the credit card bill, you realize you've spent your full credit limit of \$4,000.

**Does your credit score go up or down?**

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**Why does your credit score go up or down?**

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**If your score goes down, how can you fix it?**

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**Scenario 5:** You're planning a trip to Disney World with friends over winter break. You get a credit card offer in the mail that lets you earn airline miles for every \$1 you spend, plus bonus miles for opening a new account. Even though you opened three other credit cards this year, you jump on the opportunity and sign up immediately because you haven't bought your flight to Florida yet.

**Does your credit score go up or down?**

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**Why does your credit score go up or down?**

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**If your score goes down, how can you fix it?**

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