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| NGPF_LG.png | NGPF Activity Bank*Types of Credit* |

ANALYZE: Categorizing Credit

**Part I: Categorize Different Types of Credit**

For each TYPE OF CREDIT listed in the first column, you’ll categorize it in the remaining three columns, using the following descriptions:

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| **Installment Loans** | **Revolving Credit** |
| used to finance a specific purchase for a specific amount of time. Regular payments are made to pay the interest and the principal. | an open line of credit that can be used for any purchases as long as you’re under the credit limit. Payment amounts vary each pay period based on the size of the debt. |

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| **Secured Debt** | **Unsecured Debt** |
| debt is tied to a specific asset that can be used as collateral and repossessed if borrower doesn’t make payments | debt is not tied to a specific asset; there is no collateral that can be repossessed if borrower defaults |

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| **Variable-Rate** | **Fixed-Rate** |
| interest rate can change during the duration of the loan based on the prime rate or an index rate | interest rate remains constant during the duration of the loan |

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| If you’re unsure where a type of credit belongs, you can use these links as a resource:* [Types of Consumer Credit & Loans](https://www.debt.org/credit/loans/) - Debt.org
* [The Difference Between Secured and Unsecured Debts](http://credit.about.com/od/credit101/a/securevunsecure.htm) - About Money
* [What Is the Difference Between Fixed- and Variable-Rate Financing?](http://www.consumerfinance.gov/askcfpb/757/what-difference-between-fixed-and-variable-rate-financing.html) - CFPB

If you can’t find the answer using the links above, you can do your own internet search to help you complete the work. |

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| **TYPE OF CREDIT** | **1. Installment Loans vs Revolving Credit**I = installment R = revolving CBE = could be either | **2. Secured vs Unsecured Debt**S = secured U = unsecured CBE = could be either | **3. Variable vs Fixed Rate**V = variableF = fixedCBE = could be either |
| Auto loan |  |  |  |
| Credit card |  |  |  |
| Mortgage |  |  |  |
| Payday loan |  |  |  |
| Personal loan (from bank) |  |  |  |
| Small business loan (from bank) |  |  |  |
| Student loan (Federal) |  |  |  |

**Part II: Reflection**

1. Why do people sometimes use credit to pay for items instead of just using cash?

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1. When applying for credit, is it preferable to receive a low interest rate or a high interest rate?

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1. Sometimes, lenders allow or require a downpayment before they extend you the loan. What would be the advantage to the lender? What would be the advantage to the borrower?

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1. What questions do you have about these different Types of Credit? Use the space below to note these questions and see if they are answered as you learn more throughout this unit.

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