ANALYZE: Categorizing Credit

Part I: Categorize Different Types of Credit

- **Teacher Tip:** There is substantial overlap between the content of this worksheet and another game called MOVE: Credit Musical Chairs. We recommend using only one of the two. Or, if you choose to play the game in-class, this activity could be used with absent students.

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

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.

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

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

If you're unsure where a type of credit belongs, you can use these links as a resource:
- Types of Consumer Credit & Loans - Debt.org
- The Difference Between Secured and Unsecured Debts - About Money
- Fixed and Variable Rate Loans: Which Is Better?- Investopedia

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

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 = variable F = fixed CBE = 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?

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

3. 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?

4. 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.

Ways to Modify This Activity:

1. **Gamify!**
   Instead of filling out a worksheet, students can hold up a sign or signal to indicate the characteristic that the type of credit has. (Ex: cards with the letters printed or written on them, white boards, hand / arm signals, etc). Then, use the reflection questions to facilitate a whole class discussion.

2. **Jigsaw**
   Have students break up into 7 groups (one group per type of credit) and research the characteristics for their assigned type of credit. Then, each group presents to the whole class as they take notes.