OCLF FECO

Activities for Learning About Credit in Canada

CLB 4+

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I- What Would You Do?

Instructions: Work in small groups. Choose two of the following scenarios and discuss the situation and possible solutions based on what you learned in this workshop.

- Mario came to Canada 6 months ago and after one month, got approval for a credit card with a limit of $500. He spent all this credit limit of $500 the first month but could not pay more than $50. What should he do now?

- Amir has applied for and received four credit cards since he moved to Canada because he understood he needed to build a credit history. He has never used any of them because he does not like the idea of paying interest. He prides himself on paying cash for everything. Amir and his wife are thinking about buying a house. They will soon go to the bank to apply for a mortgage. Do you think he has a good credit history now?

- Sara has four credit cards, a Hudson's Bay credit card and a cell phone contract. Her friends had told her it is a good idea to have different types of credit. She has a part time job and does not make enough money to pay her bills on time. Moreover, she has not been able to pay more than the minimum on two of her credit cards, mainly because she finds herself buying things (such as shoes, clothes, accessories…) she really does not need. What kind of advice would you give her to manage her credit history?

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- Alex has a credit card with a limit of $5,000. Every month he spends $5,000 on his card and makes the full payment on time. Is this behavior good for his credit score? Why or why not? How can he improve his credit score?

- Alex has just joined his wife in Canada. He does not have a credit card, but he always uses his wife's credit cards in order to establish a credit history. Will this work for him? Why or why not?

- Diana is 18 and plans to go to college in a different city next year. Do you think she will need credit history? Why or why not? How can she start building a good credit history?

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II- Loan Words

Instructions: Work with a partner. Write the definition of each of the following words. You can use a dictionary.

Down Payment	
Principal	
Interest Rate	
Term	
Payments	
Fees	

Instructions: Use each of the loan words in a sentence.

1- _____

2- _____

3- _____

4- _____

5- _____

6 -_____

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III- Do's and Don'ts of Credit

Instructions: Your friend has asked you to give them some advice on how to improve their credit history. Complete this table. If done as a group activity, the group that comes up with more tips will be the winner.

DO	DON'T

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IV- Multiple Choice

Instructions: Choose the best answer for each situation. Discuss your answers with a partner.

1. When will a bank check your credit report?

a. When you want to open a checking account

b. When you apply for a credit card or a loan

c. When you are not able to pay your balance

2. Hillary and Stephanie have both borrowed $15,000 from the same lender to buy the same model of a new car. Hillary's credit score is 732 and Stephanie's credit score is 400. Who is likely to pay a lower interest rate?

a. They will have the same interest rate because they have the same lender

b. Hillary

c. Stephanie

3. Which one is an advantage to having a credit card?

a. You can spend money and you can pay whenever you want

b. You can use it for large purchases

c. You can pay only the minimum and there will never be an interest rate

4. To improve your credit score:

a. You should spend over 40% of your available credit

b. You should only make minimum payments all the time

c. You should keep your account open for as long as possible

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5. Your credit report includes all the following EXCEPT

a. Your credit score

b. Your mobile phone account

c. Your employment record

d. Credit checks by lenders

6. Missed payments generally stay on your credit report

a. Forever

b. For 10 years

c. For up to 6 years

7. Which of the following is NOT associated with borrowing?

a. Credit card

b. Debit card

c. Mortgage

d. Auto loan

8. Which of the following counts as credit?

a. Visa debit

b. Cell phone contract

c. Pre-paid credit card

d. Pay day loans

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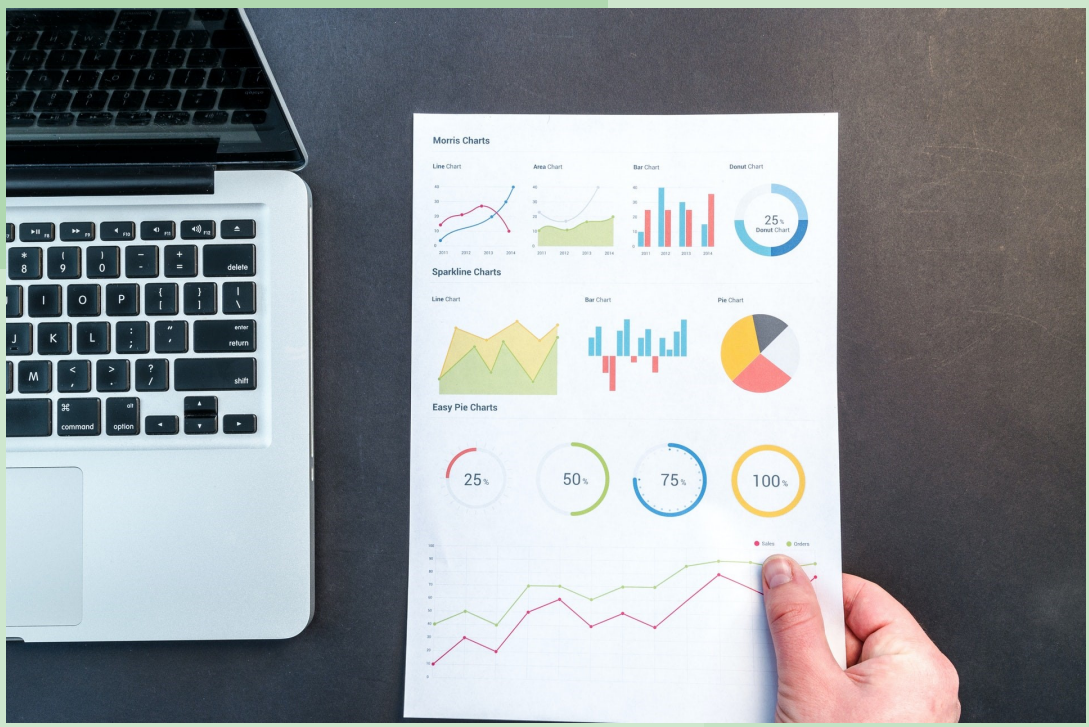

9. Which of the following statements is true?

a. When it comes to credit scores, the lower the number, the better

b. You can order your credit report by mail for free

c. To build a credit history, you should apply for any kind of credit you can get your hands on

10. Which of the following factors have the greatest impact on your credit score?

a. Number of inquiries

b. Amounts owed

c. Payment history

d. Length of credit history

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V- High Risk or Low Risk?

Instructions: Read the following scenarios and decide if each of these people are high credit risk or low credit risk from the point of view of lenders (banks or other institutions).

Scenario	High Risk or Low Risk
Diana has a credit card and she uses it all the time. She owes between $500 and $1,000 and pays the minimum each month. She has been late five times in the last year with her payment.	
Mohammad has lived in the same apartment for three years and always pays his rent and other bills on time.	
Max has had a credit card for three years, but he has only used it once.	

VI- Good or Bad for Your Credit History?

Instructions: Determine how the scenarios below might impact your credit score. Remember, it can go up or down. With a partner, explain your reasoning and how you can fix any negative impacts.

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.

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2. You have been eager to buy a new cell phone for months, and now you are 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.
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 do not have to pay your loan back until you graduate, you have saved enough by the end of the semester and you will pay off the loan in full.
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 have bought a TV, a couch and a dining room table. When you get the credit card bill, you realize you have spent your full credit limit of $4,000.

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