

Name:

**In this lesson, you will learn to:**

- Differentiate between amortized installment loans and revolving credit lines
- Read an amortization table and understand how the payments are structured
- Consider whether taking out a loan is a good or bad idea in a given circumstance

Resources	Questions
<p><b>1</b> <a href="#">DATA CRUNCH: Is It Easy to Get a Loan?</a> In the past two lessons, we learned specifically about credit cards. Now, let's take a look at other lines of credit you can apply for -- loans. Use the chart to answer the 5 questions on this Data Crunch.</p>	<p style="text-align: right;"><i>Estimated time: 10 mins</i></p>
<p><b>2</b> <a href="#">Understanding How Loan Payments Work</a> Unlike credit cards, where you ultimately decide how much of the monthly balance to pay off each month, most loans are amortized. Watch this video to learn how most installment loans work and answer the following questions.</p>	<p style="text-align: right;"><i>Estimated time: 5 mins</i></p> <ol style="list-style-type: none"> <li>1. When loan payments are amortized, the total amount you owe every month _____.</li> <li>2. Why does the amount of INTEREST you pay decrease every month?</li> <li>3. What happens to the principal paid over time?</li> </ol>
<p><b>3</b> <a href="#">ANALYZE: Understanding Amortization</a> Now that you've learned a little about amortized loans, you should dive into the math to understand the topic a little deeper. Follow the directions on the sheet to complete the activity.</p>	<p style="text-align: right;"><i>Estimated time: 20 mins</i></p>

*Estimated time: 5 mins*

#### 4 [Preparing Your Child to Make Borrowing Decisions](#)

Credit cards and loans each come with their own advantages and disadvantages. And taking on some credit and using it responsibly helps you build a solid credit history for the future. But, what should you consider before taking on debt? Watch this video and answer the question.

1. The video suggests you consider these 4 things before deciding to take out a loan: Is it necessary? Do the monthly payments fit in your budget? Could you save instead of borrow? Is it worth the added interest?

If you were trying to decide whether to take out an auto loan for \$6500 to buy your first car, thereby allowing you to commute for an impressive summer internship program next year, would that loan meet the requirements?

*Estimated time: 5 mins*

#### 5 [Exit Ticket](#)

1. In the early repayment phase of an amortized loan, your monthly payment is...
  - a. All interest and no principal
  - b. Mostly interest and a little principal
  - c. Evenly split between interest and principal
2. It's time for Ronda to start repaying her student loans, which are amortized over the next 10 years. Her first month's payment due is \$396. How much should she expect to pay next month?
3. Name two types of amortized loans.