

COMPARE: Making Credit Decisions

In the following scenarios, the individuals are trying to decide how to pay for an unanticipated expense, using various options available to them. For each option, create a bulleted list of pros and cons and note any additional questions the individual should ask before making that decision.

Eddie just landed his first job out of college, and he’s excited about the position. However, Eddie needs to be dressed up every day and has no appropriate clothes right now. Eddie figures it will cost about \$1250 to start a professional wardrobe.

1. OPTION 1: Open a 0% (for the first 6 months) credit card

| PROS | CONS |
|------|------|
| | |

What questions should Eddie ask before deciding on this option?

2. OPTION 2: Use \$1250 of the \$1500 he has saved in an Emergency Fund

| PROS | CONS |
|------|------|
| | |

What questions should Eddie ask before deciding on this option?

3. OPTION 3: Get a loan from Lending Club at an APR of 24.99%

| PROS | CONS |
|------|------|
| | |

What questions should Eddie ask before deciding on this option?

Selena is about to enter her senior year of college, when all of a sudden she realizes her school raised the tuition cost, and she's short \$6600 in her financial aid package.

4. OPTION 1: Charge the payments on the joint credit card account she shares with her mom, at a 14.99% APR

| PROS | CONS |
|------|------|
| | |

What questions should Selena ask before deciding on this option?

5. OPTION 2: Apply for a Federal Student Loan to cover the cost

| PROS | CONS |
|------|------|
| | |

What questions should Selena ask before deciding on this option?

6. OPTION 3: Get a private college loan from her bank, Wells Fargo, which is currently offering fixed rates between 5.94% and 10.92%

| PROS | CONS |
|------|------|
| | |

What questions should Selena ask before deciding on this option?

7. OPTION 4: Ask her older brother, who's been out of college for 5 years now, for a loan

| PROS | CONS |
|------|------|
| | |

What questions should Selena ask before deciding on this option?

8. Why is it important to assess various credit options before making a decision on how to pay for items?

