5/30 Payday lending, pawn shops and other debt traps

Weekly activity

Activity

Is it worth it? Do the Math

Small loans
You borrow $500 at 24% interest for 12 months. Your payments are $47.28/month.
What are your total payments assuming you pay on time with no late penalty fees? How much did you pay in interest?

How much will your loan cost if you choose a 24-month repayment period of $26.44/month?

Payday lenders
You write a $550 check to a payday lender for a $500 loan that must be repaid in 2 weeks. How much money will this loan cost if you pay the entire amount in two weeks?

If you can't pay the entire amount, the lender collects the interest and agrees to flip your loan for another 2 weeks. You write a new $550 check. How much does the loan now cost you?

How much will it cost if your initial loan is flipped 4 times?

Pawning your car title
You pawn your car title ($1,000 value) to get a $500 loan. You pay weekly installments of $103.30 for 10 weeks. How much will this $500 loan cost you if you make all ten payments on time?

After 8 weeks of paying on time you miss the ninth payment and the lender takes your car. How much did this $500 loan cost you now?

Rent to Own
You feel you can't live without a TV but without cash to purchase it you visit a Rent to Own store. You agree to make 52 weekly payments of $18 for a 19-inch color TV ($300 if purchased at an appliance store. You will own it if you make all the payments on time. How much did you pay above the $300 value? How many TV's could you have purchased for the total amount you paid?

Make a budget and stick with it so you don't end up in these debt traps.

Newspaper Activity

Before you ever set foot in a Rent-to-own establishment know what local appliance stores or furniture stores charge for TV's and other items. Newspaper ads can help you keep track of current prices and special sales. Find ads from competing stores and compare the price of TV's or other items. Then look in the classified ads. People often sell items they no longer want or because they are moving. What are the advantages and disadvantages of buying used?

Quiz Question
5/30/08

By law, a lender must inform you of which of the following?

A. APR
B. Late payment fees
C. Pre-payment fees
D. All of these

Responses:
A. Incorrect. Yes, by law, a lender must inform you of the annual percentage rate (APR) you will be charged, but that's not all! Try again!
B. Incorrect. Yes, by law, a lender must inform you of any late payment fees associated with your account, but that's not all! Try again!
C. Incorrect. Yes, by law, a lender must inform you of any pre-payment fees associated with you account, but that's not all! Try again!
D. Correct! Under the Truth-in-Lending Act, the law requires a lender to disclose to the borrower information on the APR (annual percentage rate), and any late payment or pre-payment fees. In addition to other fees, it is possible for a lender to charge both late payment and pre-payment fees.

WEEKLY QUIZ Question: Visit www.cccr.psu.edu to play the S^3 Online Game - Save•Spend•Succeed. Your students can use the online game to practice for the Live S^3 Game Show available from JA and Penn State Behrend. Two teams will compete for prizes at Penn State Behrend during the year. They will be treated to lunch and will be given a tour of the college.

Each Friday except Friday 11/23, 12/28, 1/18, 3/21, and 4/18 you will receive newspapers from Erie Times-Newspaper in Education program paid for by our sponsors (see below)

Friday newspaper includes weekly financial literacy topics and weekly activities, your space for student writing, a S^3 trivia bonus question and newspaper activities to help students make the connections to the real world by using the newspaper as their resource.
See below for this week and for more resources.

Partner WEBSITES for more information

www.erie.ja.org
www.cccr.psu.edu
www.eriefcu.org
www.unitedwayerie.org

Financial Literacy Website Resources

NEFE – National Endowment for Financial Education
http://hsfpp.nefe.org/home/
http://www.nefe.org/pages/educational.html
www.smartaboutmoney.org
http://www.smartaboutmoney.org/nefe/pages/content.asp?page=1730#Top
http://www.cooperativalatina.org/education/curriculum.htm

NEFE – Teen Resource Bureau Website
http://www.ntrbonline.org/

The Jump Start Coalition for Personal Financial Literacy
http://www.jumpstart.org/

Money Instructor
http://www.moneyinstructor.com/
http://www.moneyinstructor.com/checks.asp

Financial Literacy in a Box
http://www.mcul.org/Financial_Literacy_In_A_Box_658.html

Pennsylvania Office of Financial Education – Pennsylvania Department of Banking
http://www.moneysbestfriend.com/

CUNA – Credit Union National Association
http://www.creditunion.coop/
http://www.precision-info.com/quiz/quiz.cgi?c=1056147613&t=coop
Thrive By Five - http://www.creditunion.coop/pre_k/

NCUA – National Credit Union Administration
http://www.mymoney.gov/

Money Matters

http://www.smartcredittips.com/

National Youth Involvement Board

http://www.nyib.org

www.eriefcu.org

Treasure Club Kid's Account - http://www.eriefcu.org/savings/treasure-club/

CU Succeed – For Teens 13 – 18 http://www.eriefcu.org/savings/financial-literacy/

Scholarships for college students - http://www.eriefcu.org/loans/student-loans/

"Guides to Independence" Online Interactive Educational Teen Program
http://www.eriefcu.org/savings/financial-literacy/