

GUIDED READING Activity 4-2

For use with textbook pages 88–94

SOURCES OF LOANS AND CREDIT

FILLING IN THE BLANKS

Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once.

commercial banks	savings banks	credit
credit union	finance companies	charge account
regular	annual percentage rate	revolving
past due balance	previous balance	debit card
installments	loans	credit card
interest rate	finance charges	

Introduction/ Types of Financial Institutions

There are two main types of **1** _____—using credit cards and borrowing money from financial institutions. **2** _____ control the largest amount of money and offer the widest range of financial services. Savings and loans make many mortgages and typically offer a lower **3** _____ than larger banks. **4** _____ were established to serve small savers who were overlooked by commercial banks. Members of unions and company employees often can borrow money from a **5** _____. Retailers use **6** _____ to avoid the risks of lending money directly to consumers.

Charge Accounts/Debit Cards

A **7** _____ allows a customer to buy goods or services from a company and pay them later, with interest. With a **8** _____ charge account, consumers must pay off their bill at the end of a 30-day period. **9** _____ charge accounts allow consumers to continue to purchase items even if their debt is not paid in full. Consumers may also pay off charge accounts in equal payments or **10** _____.

Credit Cards

Unlike a charge account, a **11** _____ may be used at a variety of stores, restaurants, hotels, and other businesses. Credit cards usually charge consumers a high **12** _____. Competition has brought some credit interest rates down; however, bad **13** _____ by credit card companies still keeps rates relatively high.

Finance Charges and Annual Percentage Rates/Debit Cards

14 _____ take into account interest costs plus other charges related to credit. The four basic methods to compute finance charges are **15** _____, adjusted balance, average daily balance, and **16** _____. The **17** _____ is the cost of credit expressed as a yearly percentage. Unlike a credit card, a **18** _____ electronically transfers money directly from a person's bank account to the business where they are purchasing goods.