

Chapter 25 The Basics of Credit

Section 25.1 Credit Essentials

Section Summary with Key Terms and Academic Vocabulary

Credit Essentials Credit is an agreement to get money, goods, or services now by promising to pay later. Creditors charge a fee (interest for using their money). Consumers, businesses, and the government use credit extensively. Consumers find that credit is convenient, useful in an emergency, and helps to establish a credit rating and to keep track of one's spending. It also contributes to the growth of the economy. However, it costs more to buy items on credit, commits future income, can lead to overspending, and if handled improperly, may lower your credit rating.

Key Terms _____

credit An agreement to get money, goods, or services now in exchange for a promise to pay in the future.

creditor Person or organization that lends money or provides credit

debtor Person who borrows money or uses credit

interest A fee charged for the use of money

consumer credit Credit used by people for personal reasons

commercial credit Credit used by businesses

credit rating A measure of a person's ability and willingness to pay debts on time

Academic Vocabulary _____

military Of or relating to soldiers, arms, or war

contribute To play a significant part in bringing about an end or result

constant Continually occurring or recurring

commit To pledge or assign