

NAME: _____

DATE: _____

INSTRUCTION

Credit Structures

What + Why: Learn how credit products are structured so you can recognize how different types of borrowing work and how lenders manage risk.

Different credit products are designed in different ways depending on how money is borrowed and repaid. Two important ways to understand credit structure are how repayment works and how lenders manage risk.

How Repayment Works	
Revolving	Installment
Borrow up to a credit limit	Borrow a fixed amount
Balance changes as you borrow/repay	Repay through scheduled payments
Credit becomes available as balance is paid down	Loan ends once fully repaid

How Lenders Manage Risk	
Secured	Unsecured
Backed by collateral	No collateral
Lower risk for lenders	Approval based on credit history and income
Often lower interest rates	Higher risk for lenders

Instructions:

- For each credit product given, decide:
 - If the credit product is revolving or installment.
 - If the credit product is secured or unsecured.
- Discuss your reasoning as you decide, and be ready to discuss with the whole group.

Credit Product	Is it Revolving or Installment?	Is it Unsecured or Secured?	Reasoning
Credit Card	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Store Credit Card	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Personal Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Auto Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Mortgage	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Student Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Buy Now, Pay Later (BNPL)	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	

Key Terms

- **credit:** the ability to use borrowed money to buy goods or services and pay for them later, usually with interest to the lender
- **revolving credit:** a credit account that lets someone repeatedly borrow money up to a set limit and pay it back over time
- **installment loan:** a loan that is repaid in fixed payments over a set period of time
- **secured loan:** a loan that is secured by collateral, such as a car, house, or cash deposit; if the borrower fails to repay the loan, the lender keeps the borrower's collateral
- **unsecured loan:** a loan that doesn't require any type of collateral; unsecured loans are approved based on a borrower's creditworthiness
- **collateral:** something of value that a bank can repossess and sell if the customer defaults on a loan