



# Borrowing Money

## Comprehension Questions

Complete the following questions to demonstrate your understanding.

1. Fill in the blanks using the word bank below:

- Loans
- cards
- interest
- lender
- repaying
- financial

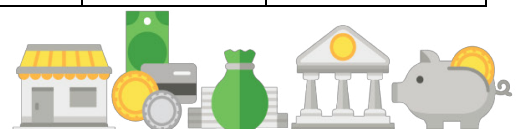
Borrowing money means sourcing money from a \_\_\_\_\_ institution or other lender with the intention of \_\_\_\_\_ it. \_\_\_\_\_ and credit \_\_\_\_\_ are the most common forms of borrowing. The borrower is obliged to make repayments to the \_\_\_\_\_ and is charged \_\_\_\_\_ over and above the total amount borrowed.

2. Interest rates charged on credit cards are usually:

- a) about the same as those charged for loans
- b) higher than those charged for loans
- c) less than those charged for loans
- d) negotiated by the borrower and lender

3. Identify whether each of the following statements refer to an advantage or disadvantage of borrowing money.

Statements	Advantage	Disadvantage
a) Interest rate charges mean you can pay back a lot more than the amount you initially borrowed.		
b) It provides instant gratification in that you can buy something without actually having the money immediately available to spend on it.		
c) As long as you are able to meet the repayments, you can make a major purchase such as a house or car.		
d) If you fail to meet repayments it may result in a negative credit rating, which makes it harder to borrow money in the future.		
e) Debts on loans and credit cards can take many years to pay off.		
f) Credit cards are a convenient way to purchase goods online.		
g) Easy access to borrowed money can lead to overspending.		
h) If borrowed money is repaid in full quickly, interest charges can be avoided.		





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4. Indicate whether the following descriptions refer to housing loans, credit cards, overdrafts, personal or business loans.

Descriptions	Housing Loans	Credit Cards	Overdrafts	Personal or Business Loans
a) An arrangement where an individual or business may run their bank account below zero.				
b) A loan taken over a long period of time where the lender has a mortgage over your property until the loan is fully repaid.				
c) Money is borrowed for a specific purpose at a higher interest rate and repaid over a shorter period of time.				
d) Smaller amounts of money are repaid on a monthly cycle with high rates of interest charged. Restrictions are placed on the total amount that can be borrowed.				

5. Which of the following are NOT recognised loan providers?

- a) banks
- b) credit unions
- c) real estate agents
- d) building societies
- e) finance companies

