SCENARIO 2: PAYING OFF LANCE'S CREDIT CARDS

Name_____________________________ Hour______________

Lance attends college on student loans and scholarships. His parents are paying on his student loan until he graduates. To help him with other living expenses, he has three credit cards. He has paid off one credit card completely and owes a total of $2,000 on the other two credit cards.

Lance receives $700 in scholarship money monthly. He also earns another $800 from a part-time job. He rides his bike around college and does not own a car. His monthly expenses are around $200 for a cell phone, food, and utilities. His apartment costs only $200 because he shares it with a roommate.

1. *Without his credit card debt, what is Lance's current DTI (debt-to-income) ratio?*

   To determine Lance's debt-to-income ratio **without his credit card debt,** students must add his monthly expenses ($200) and apartment cost ($200) to calculate monthly debt and then add his scholarship income ($700) and work income ($800) to calculate monthly income. To calculate the DTI as a percentage, it is 400/1500 which is around 26%.
   The maximum ideal debt-to-income ratio is 36%, so Lance can use 10% more of his total income to pay off his credit cards, or another $150, without going over his DTI.

2. *How much can Lance pay toward his credit cards without going over the maximum target DTI of 36 percent?*

   $150.00

3. *Is his debt manageable? Should he go to a credit counseling agency for help?*

   Answers will vary. His debt is manageable. Lance might want some credit counseling from a non-profit agency just to understand how to budget his expenses better and avoid further credit card debt, but he does not need any interventions.

4. *Based upon what you have learned, what advice would you give Lance about managing his credit cards, money, income, or debt?*

   This is an opinion by the student, but it should have themes of budgeting, saving, not opening more credit card accounts or charging on existing ones, etc.