

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?*
2. *How much can Lance pay toward his credit cards without going over the maximum target DTI of 36 percent?*
3. *Is his debt manageable? Should he go to a credit counseling agency for help?*
4. *Based upon what you have learned, what advice would you give Lance about managing his credit cards, money, income, or debt?*