

Credit and the Law

Chapter Objectives

After completing this chapter, you will be able to:

▶ Section 27.1 Credit Laws

- **Discuss** state and federal regulation of credit.
- **Describe** federal laws that protect consumers.

▶ Section 27.2 Solving Credit Issues

- **Identify** sources of credit fraud and precautions that can prevent it.
- **Discuss** ways to repair credit problems.

Ask

STANDARD Bulls, Bears, and Crashes & POOR'S

Q: How does the stock market fluctuate?

A: Various terms are used to describe fluctuations in the stock market. A bull market is a prolonged period of increasing stock prices. While there's not a true definition of a bull market, it's generally thought of as a time when major stock indices increase by 20% or more. The opposite is a bear market, and as people who have been through a number of market cycles can tell you, for every bull there will be a bear around the corner. A bear market is generally referred to as a decline of 20% from peak to trough. However, it is always a time when stock prices decline over a long period. A stock market crash is perhaps the most dramatic occurrence an investor will experience. Generally, it's a quick and severe downward movement in stock prices, often occurring in a compressed time period so as to magnify the decline's impact. Crashes generally refer to declines of at least 15–20% over a short period.

Mathematics Suppose you are analyzing a graph of stock prices during a bear market in the 1970s. You would like to estimate the difference in stock prices between the worst quarter and the highest quarter. The actual numbers are as follows:

Worst quarter: Fourth quarter of 1974 = \$73.46 a share

Highest quarter: First quarter of 1973 = \$114.81 a share

Estimate the difference between these numbers in whole dollars.

CONCEPT

Estimation by Rounding If the digit to the right of the place to which you are rounding is 5 or higher, round up. If it is lower than 5, round down.



● **Protecting Your Rights** The government regulates the credit industry to protect consumers. **What would you do if you had a complaint about credit?**

Credit Laws

Reading Guide

Before You Read

Think about the role governments play in helping consumers deal with credit.

Read to Learn

- Discuss state and federal regulation of credit.
- Describe federal laws that protect consumers.

The Main Idea

Federal and state governments both provide assistance and protection to consumers who use credit. Laws indicate the rights and responsibilities of consumers as debtors and of businesses as creditors.

Key Concepts

- State and Federal Regulation of Credit
- Federal Credit Laws

Vocabulary

Key Terms

usury law collection agent
credit report

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

comprehensive error
plus remove

Graphic Organizer

In a figure like the one below, write the names of the federal laws that regulate fair credit in the left column and the purpose of the laws in the right column.

Federal Law	Purpose
1.	
2.	
3.	
4.	
5.	



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

Mathematics

Measurement Apply appropriate techniques, tools, and formulas to determine measurements

State and Federal Regulation of Credit

To protect consumers, both federal and state governments control and regulate the credit industry. Most states have set a maximum on the interest rates that may be charged for certain types of credit. A law restricting the amount of interest that can be charged for credit is called a **usury law**.

The Federal Trade Commission (FTC) is the U.S. agency that enforces credit laws and helps consumers with credit problems and complaints. Many city and local governments also have consumer credit protection agencies. Several states have banking or consumer protection departments that deal with credit issues. **Figure 27.1** shows a page of consumer information from the FTC's Web site.



Reading Check

Identify What is the federal agency that enforces credit laws and helps consumers with credit problems?

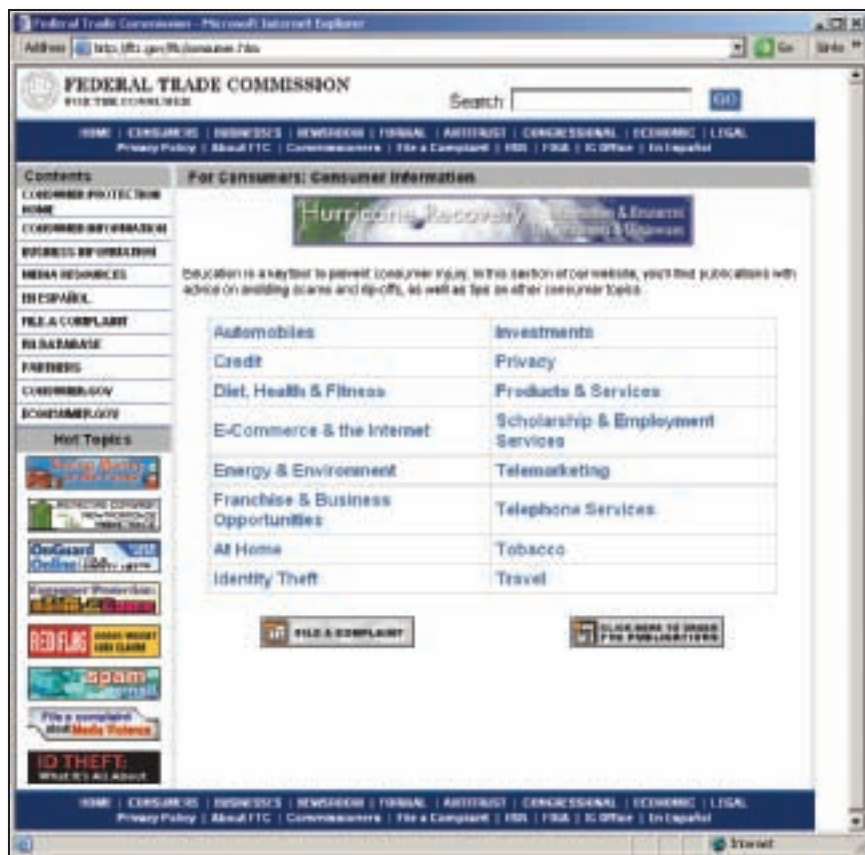
Real World

Debtors and Creditors A creditor is an entity (a bank, finance company, credit union, business, or individual) to which money is owed. A debtor is a person or business that owes money. Businesses and people can be both creditors and debtors. *In what ways have you been both a debtor and a creditor?*

Federal Credit Laws

A number of federal laws help inform consumers about the costs of credit and set rules concerning the credit application process, credit history information, privacy, and debt collection.

Figure 27.1 — **Consumer Information**



Preventing Consumer Injury The Federal Trade Commission offers many tips to help consumers. **What is the role of the Federal Trade Commission in regulating credit?**

Information Collection

- **Critical Reading** Life is full of important decisions. Think about the kinds of decisions you make as you read the question.

You are the owner of a small business that has been open for one year. You have only been dealing in cash sales since you opened, but are now looking into credit card machines to make things more convenient for your customers. You have researched a number of providers and have narrowed it down to two. One company charges slightly more than the other for its service, but the majority of customers use credit cards issued by the second company.

- **Decision Making** Would learning that the lower cost provider offers a discount for giving it detailed information about the purchases your customers make affect your decision? Explain your answer.

As You Read

Think about some reasons a person might be denied a credit card.

Consumer Credit Protection Act

To make comparing credit costs easier, Congress passed the Consumer Credit Protection Act. The Consumer Credit Protection Act (also called the Truth in Lending Act) is a federal law that requires creditors to inform consumers about the costs and terms of credit. The law provides other protections. If your credit card is lost or stolen and someone else uses it, your payment for any unauthorized purchases will be limited to \$50. Also, companies are not allowed to send a credit card to a consumer who did not request it.

The law states that advertisements for credit must communicate a fair and reasonably **comprehensive** indication of the nature and true cost of the credit. Ads must note the number of payments, the payment amount, and the period of payments if the amount of the down payment is given. The law requires that lenders inform borrowers regarding

- the cost of credit, or the total finance charge that includes the total interest **plus** required fees.
- the annual percentage rate (APR) so the borrower can compare interest rates.
- the credit terms and conditions. For instance, what happens if a payment is late?

Equal Credit Opportunity Act

The Equal Credit Opportunity Act is a federal law stating that credit applications can be judged only on the basis of financial responsibility. No person can be denied credit on the basis of marital status, gender, age, ethnicity, religion, or receipt of public assistance. The law allows only three reasons for denying credit: low income, large debts, and a poor payment record. A person who is denied credit must be given a written statement listing reasons for the denial.

Fair Credit Reporting Act

Each consumer with credit has a credit report. A **credit report**, also considered a credit history, is a record of an individual's past borrowing and repayments. It includes information about late payments and bankruptcy. You have the right to know what is in your credit report. The Fair Credit Reporting Act is a federal law that allows individuals to examine and correct information used by credit reporting agencies. Only authorized people and businesses can see your credit report. Lenders rely heavily on credit reports when they consider loan applications.

In the United States, most credit report information is collected and kept by three credit bureaus: Experian®, Equifax®, and TransUnion®. The credit bureaus are required to provide each consumer a free copy of his or her credit report upon request each year. Consumers should order their credit report and check it annually for mistakes. If a consumer finds an **error** on a credit report, then he or she should take steps to **remove** it. This involves writing the credit bureaus that are reporting the incorrect information. **Figure 27.2** shows what to do if you are denied credit.

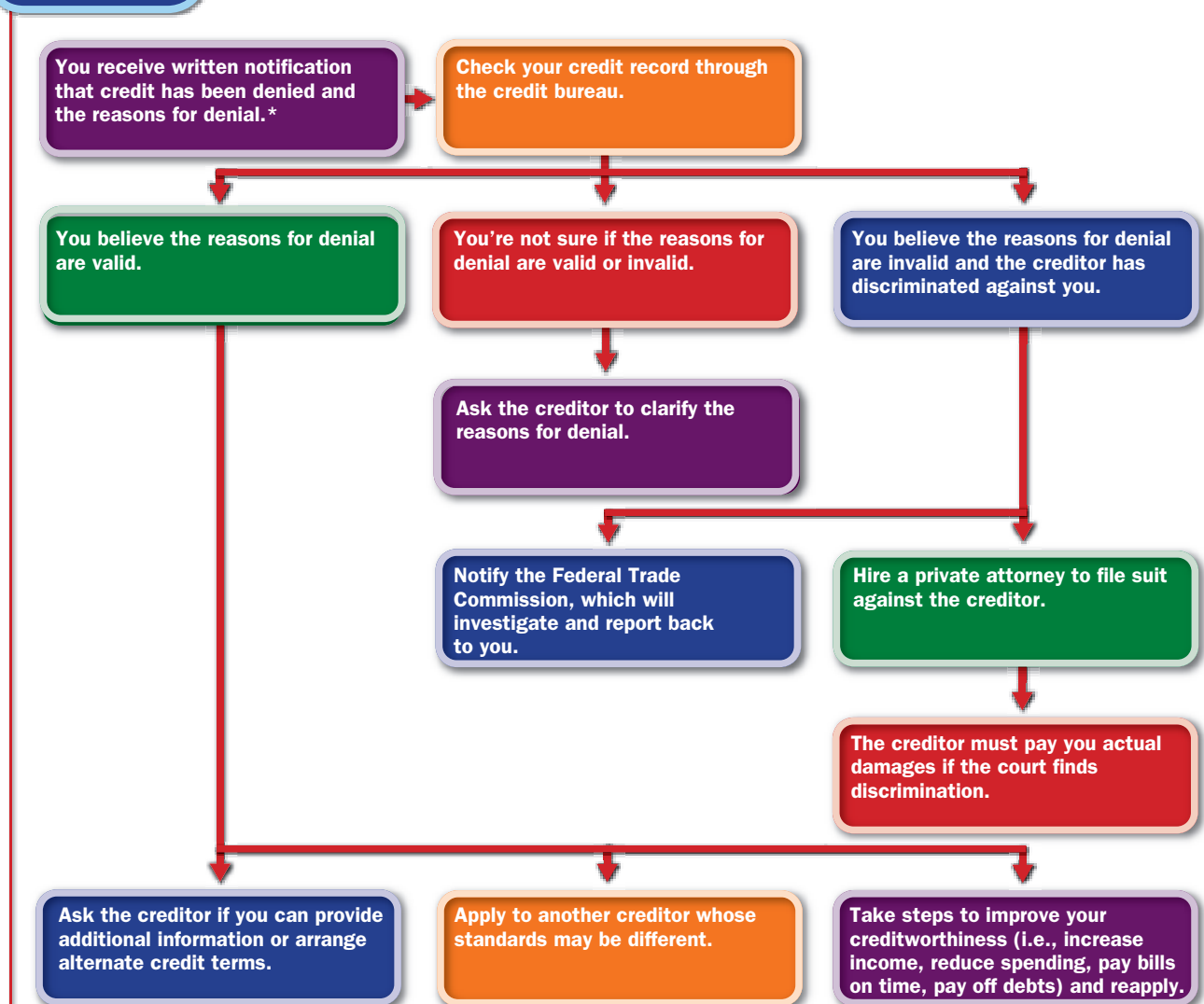
Real World

OCC The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks that issue credit cards, such as Bank of America. Can you think of any other regulatory agencies that are like the OCC?

Reading Check

Analyze What can you do if information on your credit report is incorrect?

Figure 27.2 – What to Do if You Are Denied Credit



*If a creditor receives no more than 150 applications during a calendar year, the disclosures may be oral.

Source: Federal Trade Commission

Applying for Credit People can be denied credit because of information in their credit report. **How can a consumer get a copy of his or her credit report?**

Fair Credit Billing Act

The Fair Credit Billing Act is a federal law that requires creditors to correct billing mistakes that are brought to their attention. The law also requires that consumers be informed of the steps they need to take to get an error corrected. To do this, the consumer must notify the creditor in writing. The creditor must either correct the error or explain in writing why the account is correct. If the creditor made the mistake, the consumer does not have to pay any finance charge on the incorrect amount. If there was no error, the consumer usually must pay interest plus the fee for any late payments.

As You Read

Think about what you have done in previous situations to get a mistake corrected.

The Fair Credit Billing Act also permits consumers to stop a credit payment for an item that is damaged or defective. Before stopping payment, however, consumers must attempt to resolve the problem with the company that sold it.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act (FDCPA) is a federal law that serves to regulate collection agencies. The purpose of the FDCPA is to prevent deception, harassment, and other unfair debt collection practices by collection agents. A **collection agent** is a person or business that collects payments for overdue bills. The FDCPA requires that collection agents respect debtors' privacy and identify themselves to debtors when they call.

Section 27.1

After You Read

Review Key Concepts

1. Identify some government laws that protect consumers.
2. What three things are creditors required to tell consumers under the Consumer Credit Protection Act?
3. What are the only three reasons a person can be denied credit according to the Equal Credit Opportunity Act?

Academic Skills

4. **Mathematics** The Equal Credit Opportunity Act requires that all credit applicants be informed of whether their application has been accepted or rejected within 30 days. If you submitted your application for credit on February 1 in a year that is not a leap year, what is the deadline for the response?

CONCEPT

Adding Calendar Dates Since the number of days in a month varies, it is often helpful to look at a calendar when adding calendar dates.



For math help, go to the Math Appendix.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Solving Credit Issues

Reading Guide

Before You Read

Think about some actions you would take if you developed credit problems.

Read to Learn

- Identify sources of credit fraud and precautions that can prevent it.
- Discuss ways to repair credit problems.

The Main Idea

The main credit problems that consumers face are credit card and identity theft, and overuse of credit. There are specific steps to take to resolve each issue.

Key Concept

- Preventing Credit Fraud

Vocabulary

Key Terms

identity theft consolidation loan
 credit counselor bankruptcy

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

pose overall
 restore instances

Graphic Organizer

In a figure like the one below, write notes about the things people can do to prevent identity theft.

	Identity Theft Prevention	



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

- NCTE 1** Read texts to acquire new information
- NCTE 11** Participate as members of literacy communities
- NCTE 12** Use language to accomplish individual purposes

Science

Content Standard F Students should develop understanding of science and technology in local, national, and global challenges

As You Read

Have you ever lost something of value or had it stolen? What steps did you take to get it back?

Preventing Credit Fraud

Credit card theft, the misuse of credit information, and identity theft are increasing problems. Fortunately, there are ways to deal with them.

Dealing with Credit Card and Identity Theft

The first step a consumer should take when he or she gets a credit or ATM card is to write down the card issuer's phone number and other contact information. The information should be kept in a separate place from the card. This makes it easier to contact the company quickly if the card is lost or stolen.

A stolen credit card can lead to identity theft. **Identity theft** occurs when someone steals another person's financial information with the intention of committing fraud under that person's identity. People who commit identity theft often steal someone's

BusinessWeek Reader and Case Study

Stopping a Scam from Spreading

Thwarted by bigger banks, ID thieves are taking aim at smaller financial institutions. One credit union provides a model for fighting back.

Jim Nichols, a manager at Numerica Credit Union, knew something was amiss when the customer missed his first payment. The card user, whom Nichols didn't name, looked ideal on paper, mailing in a pay stub and driver's license photocopy and boasting an impeccable credit history. And then, within days of receiving a card, the person spent up to the \$5,000 limit.

When the account became delinquent, Nichols sprang into action. Nichols, the accounts control manager at Spokane, Washington-based Numerica, mailed notices to the address listed on the application and left unreturned messages at home and work numbers.

Finally, after a more thorough credit check and deeper database probe, Nichols tracked down the person whose details were used and learned the "customer" had never tried to open a Numerica account. His identity had been ripped off.

Identity theft is becoming an all-too-common problem for managers like Nichols and midsize companies like Numerica. Last year, for the first time, Numerica suffered large enough losses from ID theft that it qualified for reimbursement by its insurance policy. Nichols says a growing number of clients are getting scam e-mails from phishers or having their online résumés pillaged for names, addresses, and other personal data.



CASE STUDY Go to the *Introduction to Business* Online Learning Center through glencoe.com for the *BusinessWeek* Reader Case Study.

Active Learning

Research your own identifying documents. Prepare a chart of people and institutions with whom it would and would not be appropriate to share information about each document. Write an e-mail to your teacher giving recommendations about the security attention people should pay to each document.



● Credit Counseling

Credit counselors can be very helpful for people who are over their heads in debt. **What kinds of services do credit counselors provide?**

credit cards and Social Security numbers. They can **pose** as the person to get loans or more credit cards or to make purchases. People who discover that their identity has been stolen should take the following steps:

- **Contact the Credit Bureaus** The credit bureau will flag the file with a fraud alert that will prevent new accounts from being opened without permission.
- **Contact the Creditors** Creditors should be informed about fraudulent activities immediately by phone and in writing.
- **File a Police Report** A copy of a police report is important, in case creditors need proof of the crime.

Consumers can protect their identities by being careful with the way they handle their credit and ATM cards, checks, and Social Security number. Experts advise these precautions:

- Shred personal papers that contain your account numbers and Social Security number.
- Be careful when giving out your personal information.
- Watch what salespeople do with your credit or ATM card when you give it to them.
- Make sure your card is returned to you after purchases.
- Carry your checkbook, Social Security, ATM, and credit cards with you only when you expect to use them.
- When you make purchases online, read privacy policies and use a secure browser.
- Review your monthly bank and credit card statements for unauthorized purchases.

● As You Read

Think about some items that have your personal information on them, but that you always carry with you.

✓ Reading Check

Explain What can you do to protect your identity from being stolen?

Becoming a Credit Scientist

Credit card companies use sophisticated mathematical models to evaluate applicants' credit risks. So do banks and multinational corporations. This branch of mathematics, called statistics, provides a means of processing raw information to simplify decision making. In mathematics, using statistics to study the economy is called econometrics. The field of econometrics has grown significantly and is likely to continue to do so in the future. Scientists who study econometrics typically need a master's degree or Ph.D. They use computer models and may work alone or as part of a team to make decisions that affect everyone's credit futures.

Web Quest

Go to the *Introduction to Business* Online Learning Center through glencoe.com for links to Web sites to help you find careers in math and science. Then research the cost of getting a graduate degree. Write a paragraph or two about your findings and how you might finance becoming a scientist.

Repairing Credit Problems

Many consumers charge too many of their purchases and later realize that they cannot afford the monthly payments. To fix the problem, they have a few options to consider.

Contacting Creditors

The first thing a consumer should do is contact the creditor. Consumers can often work out a new payment plan to lower payments. They will still owe the original balances, plus more interest since it will take longer to repay the debts.

Talking to a Credit Counselor

Consumers who are unable to work out their credit problems should talk to a credit counselor. A **credit counselor** helps people work out a plan for getting out of debt. They also assist consumers with managing their money.

There are several different types of credit counseling services. Many credit counseling services charge a fee to “clean up” a poor credit report. However, they are seldom able to **restore** good credit to someone whose bad credit score is otherwise correct. Accurate reports of missed payments or bankruptcy cannot legally be removed from a person's credit report. If a consumer's credit rating has been unfairly damaged by inaccurate information, he or she can work with a credit bureau to correct the errors without the help of a counseling service.

Combining Debts

Another possible solution is a consolidation loan. A **consolidation loan** combines a consumer's debts into one loan with lower payments. If the interest rate on a consolidation loan is better **overall**, then a consolidation loan is a good idea. However, in some **instances**, the interest rate could be higher if the debtor has a poor credit history. Another problem is that some people begin to make charges again after they pay off their cards.

Filing Bankruptcy

The last resort is to declare bankruptcy. **Bankruptcy** is a legal process in which a borrower is relieved of debts after showing an inability to pay. One kind of bankruptcy involves selling most of the debtor's assets and passing the proceeds to the creditors. The debts are forgiven even though the creditors may not be paid in full. If the reorganizational form of bankruptcy is chosen, the debtor, the creditor, and a court-appointed trustee develop a plan to repay the debt on an installment basis. The debtor gets to keep more assets with this form.

People should avoid bankruptcy because it gives a debtor a bad credit record that can last for 10 years. This can make it difficult to obtain a home or car loan, buy major appliances, or get other forms of credit. People who have declared bankruptcy are charged higher interest rates because they are considered higher risks.



Bankruptcy Laws

In the United States, changes to bankruptcy laws have made it more difficult for debtors to declare bankruptcy. Before they can file, all debtors must get credit counseling. The declaration process also requires counseling on budgeting and debt management. *Do you think these laws are fair to debtors?*

Section 27.2

After You Read

Review Key Concepts

1. What are some credit problems that a debtor might face?
2. List some precautions to take to avoid identity theft.
3. What effect does declaring bankruptcy have?

Academic Skills

4. **English Language Arts** Write a brief summary explaining the content covered in this chapter. Then write a question about a concept that is either unclear to you or that you would like to know more about. Trade summaries and questions with a partner and write an answer to his or her question.
5. **English Language Arts** Zarina was recently denied a loan at a bank because her credit report included a statement about her non-payment of rent due to a lack of repairs that her landlord was obligated to make. On her behalf, draft a letter to the bank explaining the situation and requesting that her loan be approved.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Chapter 27 Review and Activities

Section 27.1 Summary

Credit Laws In the United States, federal and state governments have passed several laws to help consumers avoid or handle credit problems. The Federal Trade Commission is the primary federal agency that enforces federal credit laws. Laws that protect consumers include the Consumer Credit Protection Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, and the Fair Debt Collection Practices Act. Several states have banking or consumer-protection departments that deal with credit issues.

Section 27.2 Summary

Solving Credit Problems The main credit problems consumers face are credit card and identity theft, and overuse of credit. Identity theft occurs when someone steals another person's financial information with the intention of committing fraud under that person's identity. It should be reported immediately to the proper authorities. When someone has overused credit and cannot repay it, the first step is to try to work out a new payment plan with the creditor. Credit counseling, debt consolidation, and bankruptcy are other possible solutions.

Vocabulary Review

1. On a sheet of paper, use each of these key terms and academic vocabulary terms in a sentence.

Key Terms

usury law
credit report
collection agent
identity theft
credit counselor
consolidation loan
bankruptcy

Academic Vocabulary

comprehensive pose
plus restore
error overall
remove instances

Review Key Concepts

2. Discuss state and federal regulation of credit.
3. Describe federal laws that protect consumers.
4. Identify sources of credit fraud and precautions that can prevent it.
5. Discuss ways to repair credit problems.

Critical Thinking

6. How can a truth-in-lending disclosure help protect consumers from credit problems?
7. People can now get free copies of their credit reports. Why do you think this change has occurred?
8. Why would a consumer need to use the Fair Credit Billing Act to stop a payment?
9. Why is it best to request changes of incorrect information in your credit report by letter rather than by phone?
10. What should a person do to correct errors on a credit report?
11. Some creditors will lower payments or interest, or even waive fees for debtors. Why do you think they are willing to make these changes?
12. Why would the Equal Credit Opportunity Act allow credit to be denied if a person has a poor credit record?

Write About It

13. Research the common ways identity theft occurs. Write a one-page paper on what you find.
14. Research credit counseling services. Write a one-page article for your school newspaper comparing and contrasting the services offered by two companies.
15. Research Chapter 7 and Chapter 13 bankruptcy. Write a report of at least 250 words discussing your findings.
16. In two or more paragraphs, describe how you could convince a credit manager that you are a good credit risk.
17. Write several reasons you might prefer using a credit card instead of cash, debit cards, or checks.
18. Write an essay about what you should do if your ATM card is stolen.
19. Research the process of filing and resolving a dispute at one of the three credit bureaus. Write a one-page report on your findings.

Technology Applications

Search the FTC's Web Site

20. The main mission of the Federal Trade Commission (FTC) is to promote consumer protection and the elimination and prevention of anticompetitive business practices. Explore the FTC's Web site. What major topics are found on consumer protection? Write a one- to two-page report summarizing your findings. Then give a brief presentation to the class.

Business Ethics

Making Credit Payments

21. Suppose you have had a difficult month financially. A couple of emergencies depleted your savings. However, you have two payments to make. One is for an installment loan on an appliance, for which you have two payments left. The other is for a credit card balance that has a minimum payment due. You can afford to make only one of the payments. What should you do?

Chapter 27 Review and Activities

Applying Academics to Business

English Language Arts

22. Paragraphs can be structured in various ways. For example, a paragraph may present a sequence of events or be organized around a statement followed by examples. Copy an example of each of these types of paragraph from this chapter. Then write a paragraph explaining the causes and effects of bankruptcy.

Mathematics

23. States regulate the maximum annual interest rate that may be charged for credit cards. The maximum in Connecticut is 19.8%; in New Jersey, it is 30%. Marika maintained a credit card balance of \$750 for a year, paying only finance charges. If she lived in Connecticut, how much would she pay in finance charges? How much would finance charges be if she lived in New Jersey?

CONCEPT **Percents and Decimals** To change a percent to a decimal, drop the percent sign and divide by 100 by moving the decimal point two places to the left.

English Language Arts

24. Using the local telephone book, compile a list of all the agencies that provide consumer credit counseling and protection in your community. Organize the list according to whether they operate at the local, state, or federal level.

Mathematics

25. The total number of personal bankruptcies rose overall over a five-year period. Records indicate that there were 1.4 million bankruptcies filed in U.S. courts at the beginning of the period. Five years later, there were 1.6 million filed. What is the percent increase in bankruptcies filed over the five-year period?

CONCEPT **Percent Increase** Percent increase is a ratio of the net change over time divided by the original value.

Active Learning

Consumer Awareness of Credit Laws

26. Interview family members about their knowledge of credit protection laws. Ask them specifically about the Truth in Lending Act, the Equal Credit Opportunity Act, and the Fair Debt Collection Practices Act. Ask them if they think the three reasons for denying credit under the Equal Credit Opportunity Act are fair. Would they add any others? Why or why not? Write a report about their responses.

Business in the Real World

Multipurpose Credit Cards

27. Interview a business owner who has a store that accepts multipurpose credit cards, such as Visa and MasterCard. Ask about dealing with the credit card companies. What are the requirements to be able to accept these cards from customers? What are the associated costs and billing procedures? Ask whether all multipurpose credit card companies work the same way. Summarize your findings and share them with the class.

Real LIFE skills

BEING INFORMED ABOUT CREDIT

28. Work with an adult family member to order a free copy of his or her credit report from one of the three U.S. credit bureaus. Then review the credit report. Is everything correct? Do any mistakes need to be corrected? Report what you did to get the credit report and the kind of information it presents.

COOL Business CAREERS

FIND YOUR DREAM JOB

29. Go to the *Introduction to Business* Online Learning Center through glencoe.com for a link to the Occupational Outlook Handbook Web site. Click on the "OOH Search/A-Z Index" link and enter the job category "financial analysts and personal financial advisors." Then write a one-page report about these types of occupations. Conclude your report with a list of things you could do now to prepare yourself to pursue the occupation.

Role Play

ADVOCATE FOR OR AGAINST A USURY LAW

30. **Situation** The state legislature is having a session on whether it should implement a new usury law to restrict the interest rates that can be charged.

Activity Choose between being a consumer advocate who wants a usury law or a member of the banking industry who does not want a usury law. Give a presentation to the state legislature.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Explain how usury laws work.
- Consumer advocate: Give reasons why a new usury law would benefit debtors and creditors.
- Bank industry representative: Give reasons there should be less regulation of interest rates.
- Project your voice and use correct grammar.

Standardized Test Practice

Directions Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

1. William is making interest-only payments each month on a debt he owes to a credit card company. The interest rate he pays is 18% per year, and he pays \$12. Which could be used to compute the principal?

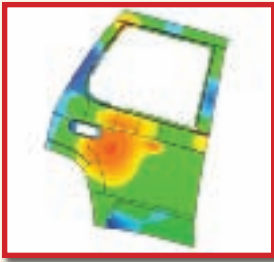
- A $\$12 \div (.18 \div 12)$
- B $\$12 \times (.18 \div 12)$
- C $\$12 \div 0.18$
- D $\$12 \times 0.18$



TEST-TAKING TIP If each item on a test is worth the same number of points, do not spend too much time on questions that are confusing.



READING Go to the *Introduction to Business* Online Learning Center through glencoe.com for a list of outside reading suggestions.



Ping Fu

Chairperson/President/CEO, Geomagic

Geomagic makes 3-D geometric modeling software for manufacturers, such as Toyota® and Fisher-Price®. The North Carolina company was co-founded by Ping Fu, who grew up in China during the Cultural Revolution. Her company allows large-scale customization of individualized products at the same cost as mass manufacturing.

Q & A

Describe your job responsibilities.

Ping: The majority of my work involves talking to and corresponding with our headquarters and offices around the world. I believe strongly in empowering people. My job is to clear obstacles and provide directions that help them meet and exceed their goals.

What skills are most important in your business?

Ping: Geomagic is a technology-driven company, so an understanding of technical matters is important. The ability to understand how technology can be applied and used to make good products and services that people want to buy is vital. A person must also have the vision and be willing to take risks to change a long-entrenched way of doing business.

What is your key to success?

Ping: Great people—I can't make the company successful by myself. I need people to help me, and it's this desire to work for the company and make a positive contribution to society at large that makes Geomagic successful. I look at business in terms of contribution, rather than success.

What advice would you give students interested in starting a business?

Ping: First, think about why you want to start a business and try to imagine what success looks like, not how much money you can make. Then try to write a business plan that will deliver the success that you imagined. You will learn a lot by writing a business plan. If you find writing a business plan is difficult, just remember, running a business is at least ten times harder. Second, maintain a balanced life, with time for outside interests, friends, and family. Respect, motivate, and love the people who work for you and with you, and they will consider themselves partners in the company's success.



Critical Thinking *How is launching and running a company like or unlike being a parent?*

Some Qualifications Needed to be the Owner of a Computer-Aided Design Company

Academic Skills and Abilities

Computer science; mathematics; information systems; computer programming; interpersonal skills; general business management skills; verbal and written communication skills; organizing and planning skills

Academic Skills Required to Complete Tasks at Geomagic			
Tasks	Math	Science	English Language Arts
Hold meetings			◆
Assign duties			◆
Determine client requirements	◆	◆	◆
Use CAD to visualize products	◆	◆	◆
Customer service			◆
Schedule employees	◆		◆
Remain technically up-to-date	◆	◆	◆
Analyze financials	◆		◆

Education and Training

Occupations in the computer-aided design (CAD) require a bachelor's degree in industrial design, architecture, or engineering. However, a master's degree or higher is preferred. Creativity and technical knowledge are crucial, as is a strong sense of the esthetic—an eye for color and detail and a sense of balance and proportion. Designers must understand the technical aspects of how products function. Despite the advancement of CAD, sketching ability remains an important advantage.

Career Path

Commercial and industrial designers usually receive on-the-job training and normally need 1 to 3 years of training before they can advance to higher-level positions. Experienced designers in large firms may advance to chief designer, design department head, or other supervisory positions. Some experienced designers open their own design firms.

Preparing for a Career Self-Assessment Checklist

Use this self-assessment checklist to help determine ways you can improve your ability to work productively with others.

- ✓ Exhibit a professional attitude by listening attentively when others speak to you.
- ✓ Take accurate notes during meetings and conference calls.
- ✓ Write succinct and direct e-mails and memos, always remembering to check for errors before sending any communication.
- ✓ Avoid office gossip that can harm others and hurt your reputation.
- ✓ Show initiative by responding to concerns clearly and politely so that others know you understand problems and will do all you can to solve them.
- ✓ Never blame someone else for your mistakes.
- ✓ Treat all coworkers as skilled, competent associates.
- ✓ Be aware of your body language and facial expressions when responding to speakers.

Making Credit Decisions

Credit used wisely is a helpful way to buy large products, such as a vehicle or house. Smart consumers only use credit to buy things they need, not things they want.

Thematic Project Assignment

In this project you will write and give a speech that describes how to obtain credit and use it wisely. In your speech you also should discuss the misuse of credit and the consequences of using credit unwisely.

Step 1 Brainstorm Skills You Need to Complete This Activity

Your success in writing and delivering a speech will depend on your skills. Preview the activity, then brainstorm a list of the skills you will need to use to complete the activity and describe how you will use them. Skills you might use include:

Academic Skills reading, writing, and interpersonal skills

Basic Skills speaking, listening, and thinking

Technology Skills word processing and keyboarding



SKILLS PREVIEW Go to the *Introduction to Business* Online Learning Center through glencoe.com for a graphic organizer you can use to brainstorm the skills you will use to complete the project.

Step 2 Choose a Purchase You Would Someday Like to Make

Think about the cost of the item you want to buy. Is it a vehicle? A DVD player? A sound system? Then think of how you will pay for the item on credit, and how this can help you or hurt you.

Step 3 Build Background Knowledge

Preview information on making credit decisions.

Buying on Credit

Most consumers buy on credit, which can work for them or against them. Credit cards come in handy when you want to buy a new CD or even a player for it. Using credit cards too much gets young people into trouble. When many young people get their first taste of credit, they feel free to buy all those things that they could not afford before. That is a mistake. Having a credit card does not mean you suddenly have more money.

Protect your credit by using credit cards and making sure you pay them each month when they become due. Pay more than the minimum payment. Someday you will want to use credit for a large purchase, such as a car. Using a credit card wisely will help you get credit for large purchases. Misusing credit will keep you from getting more credit in the future.

Step 4 Connect with Your Community

Interview two adults in your community about their experiences with credit. Ask the adults what steps they take to help them obtain and then maintain credit. Think about how important it is to maintain a good credit history.

Step 5 Research How to Obtain Credit

Use library and Internet resources to research how you can obtain credit and what you need to do to maintain good credit. Also, research what happens when people misuse credit. Use the checklist as a guide to your research. Keep records of your sources of information.

Step 6 Develop Your Oral Presentation

Use word-processing software to develop a short speech that includes all of the information described in the project checklist.

Making Credit Decisions

- ✓ Make a list of main ideas and supporting details that you want to cover in your speech. Then give your speech to your class.
- ✓ Have three main points in your speech: (1) how to obtain credit, (2) how to maintain good credit, and (3) what happens if you misuse credit.
- ✓ Write an introduction for your speech by opening with one of the following: (1) an interesting idea about credit, (2) a fact, such as how many people use credit cards, or (3) a story about how you have or someone you know has used credit.
- ✓ Include details that support your three main points.
- ✓ Create a chart that illustrates what a monthly payment will be on a \$1,000 loan at 12.99% interest. Use this chart to show how to maintain good credit as well as what happens if you do not make the payment each month.
- ✓ Wrap up your speech with one of the following: (1) an interesting idea about credit, (2) a fact, such as how many people use credit cards, or (3) a story about how you have or someone you know has used credit.
- ✓ Practice your speech at least five or six times in front of an adult. Ask him or her to help you make your speech better.

Self Connections

- ✓ Discuss the results of your research with the adults you interviewed.
- ✓ Describe how the adults obtain and use credit.
- ✓ Explain what the investigation and its results mean to you.

Step 7 Evaluate Your Presentation

@ **RUBRIC** Go to the *Introduction to Business* Online Learning Center through glencoe.com for a rubric you can use to evaluate your final report.

