

Name: _____

Bubble-Credit Connection Exercise

Directions: The sentences below describe the effects of the housing bubble on the credit market. Put the following sentences in the correct order by placing a number between 1-5 in front of each statement.

- ___ The housing bubble bursts.
- ___ Homeowners use their houses as collateral to buy big-ticket items.
- ___ The housing bubble begins.
- ___ Housing prices drop, and many homeowners are unable to repay their debts.
- ___ People purchase overvalued homes.

Directions: Choose the correct word from the word bank to complete the following sentences.

Word Bank: credit expansion, mortgage payments, more, collateral, loans

1. People take out _____ to pay for big-ticket items, like houses, cars, and college tuitions.
2. When people take out home loans, they repay them by making _____.
3. Suppose Ben is unable to repay his car loan. As a result, the lender takes back the car. In this case, the car was _____ for the loan.
4. Ayala owns a house worth \$200,000. Her friend owns a \$150,000 home. Based on the values of their homes, Ayala can most likely borrow _____ money than her friend.
5. During the housing bubble, rising home prices contributed to people borrowing more money. This helped fuel the _____.