



To Your Credit
Volunteer Instructor Notes

KEY

*****	Slide Separators To help you know which bullet points are for which slides.
	Facilitation Tips Use these tips to help guide the lessons and deliver the activities.
	Workbook Activities & Resources All activities and resources are located in the student workbooks.
	Important Notes Review these before presenting in a classroom.

Technology: Educators should have the Prezi loaded and projected on a screen when you arrive at the classroom. If they don't, you can access the links in your Confirmation Email or through the Resource Library.



Videos: Test the videos and the speakers before you begin your presentation. If they don't load quickly or if the speakers don't work, skip the videos. If you feel like you may not have enough time to cover the whole lesson, skip the videos. If you feel like they aren't a good fit for the students or your presentation style, skip the videos! All of the content in the videos is covered in the slides.



Name Tents and Surveys: If you do not have these items in your packet, then you do not need them. Sometimes we choose not to include them due to a variety of factors. If they are in your packet, consider handing them out to the students as they walk in the room. This may save you a little time.



Cell phones in the Classroom: Cell phones in the classroom can be a distraction, but they are common. Each school and organization has a different policy and we must respect their rules. Unfortunately, we cannot require students to put away their phones if that isn't the organizational policy. Discuss this with the educator before presenting and request that they manage students' usage according to their policy.



**Use the guidelines below to help you time out your presentation.
These times are also listed with each section on the following pages.**

To Your Credit – Full Lesson	Minutes	Page
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To Your Credit – Condensed Lesson	Minutes	Page
Introduce self, set ground rules, pre-survey (SKIP SURVEYS)	5	3-4
Lesson opening and objectives	5	5-6
Credit cards & their vocabulary <i>*important activity</i>	6	7-8
Credit card statement	4	9-10
Responsible credit card use (SKIP VIDEO)	2	11-12
Minimum payments	3	13-14
Benefits of credit card use		
Comparing credit card offers <i>*important activity</i>	5	17-18
Credit card tips	2	19-20
Good vs bad credit - auto loan example	3	21-22
Credit scores and credit reports	2	23-24
What's on a credit report (SKIP VIDEO)	2	25-26
Review a credit report		
Credit scores (SKIP VIDEO)	3	29-30
What is and isn't in a credit score	2	31-32
Mortgage example		
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Building good credit		
Go Do It Now checklist, post-survey , evaluation (SKIP SURVEYS)	5	39-40
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To Your Credit



Let's complete the Pre-Survey
so we're aware of what you already know...



This presentation is based in part of FDIC MoneySmart 

Survey Instructions

- 1 Fill out the identifier code.

Identifier Code Instructions: This code will help us to match up your pre and post surveys. Please write your first initial, last initial, month of birth (as a two digit number) and day of birth (as a two digit number). For example, Cheryl Thompson, who was born on March 13th, would write **C T 03 13**.

First Initial: _____ Last Initial: _____ Month of Birth (2 digit number): _____ Day of Birth (2 digit number): _____

Today's Date: _____ Name(s) of Instructor(s): _____

- 2 Try your best, but don't guess!

Survey Instructions: Answer each of the following questions. If you do not know the answer, select "I don't know."
Don't guess at the answer.

Introduce Yourself

3 min

 **Pass out the name tents and have the students clearly write their names on them. Do your best to call students by their names throughout the lesson.**

- Introduce yourself in a welcoming manner and make students feel comfortable.
 - Who are you? What do you do?
 - Why do you volunteer for SecureFutures?
- What is SecureFutures? An organization that...
 - delivers financial education to high school students.
 - provides teens with the financial education and tools needed to form good financial habits that get them ready to live independently.
- Explain why financial education is important and that you will be teaching a financial education lesson to them.

Set Ground Rules

2 min

 **Share these, or your own, expectations for student behavior:**

- Participate: ask and answer questions. Be curious!
- Listen when others are talking. Don't interrupt.
- Raise your hand if you have a question or comment.

 **Ask the students if they have any other ground rules they would recommend.**

 **Discuss how to earn participation incentives (if you're offering one). Ex: raffle, candy, money.**

Distribute Pre-Surveys

5 min

 *Surveys will be completed at the beginning and end of the lessons to gauge what students know before and after participating. This is important because it allows us to measure program outcomes, effectiveness, and impact.*

 **Explain the purpose of the survey and let them know they will be taking another one at the end of the lesson.**

- Ask students to read the "Informed Assent" box at the top of the survey before completing it.
- Completion of the survey is voluntary. If they do not want to complete it that is okay. They can still participate in the lesson.
- Reassure them that it is not a test.
- If students don't know an answer, they should select "I don't know" rather than guess.

 **Students SHOULD NOT put their names on the surveys. Rather, they should fill out the "Identifier Code" box with their first and last initial, month of birth and date of birth (as two digit numbers).**

- For example, Cheryl Thompson who was born on March 13th would right: C T O3 13
- They will put the same code on their post-survey, which allows us to match them up.
- We cannot collect student names due to federal regulations around student privacy.

 **Collect the surveys when complete. Do NOT review the answers with the students.**

Transition: Let's see what we are going to cover in this lesson...

What we'll accomplish...

In this lesson, you'll:

- Learn about credit & why it's so important to use it wisely.
- Find out how to understand credit card offers, so you can pick the best one for you.
- Discover what a credit score is, how you get one & why you need to monitor it regularly.
- Identify ways to build & improve your credit score for future success.



So... what is credit?



- It's money that is loaned to you
- It's paid back with interest when payments are made over time
- It's a way to buy now and pay later
- Availability is based on your borrowing history



Discussion: Lesson Opening & Objectives

2 min

- Review the “What we’ll accomplish...” slide.
- **ASK:** Which of these topics is most interesting to you?



Activity: What Is Credit? (PG 2)

3 min

- **ASK:** What is credit?
- Have students review the incomplete sentences in their workbooks and see if they can guess any of the missing words.
 - **MONEY** that is **LOANED** to you
 - **PAID BACK** with **INTEREST** when payments are made over time
 - A way to **BUY** now and **PAY** later.
- After getting a few responses, reveal the answers.
- Have the students complete the sentences in their workbooks.
- **ASK:** Have you ever borrowed money from someone else? Did they set any terms for repayment?
- **ASK:** Have you ever loaned money to someone else? Did you charge them interest?
- **ASK:** Would you loan money to that person again? Why or why not?

Stories, Examples & Notes

Transition: Let’s take a look at a common way that people use credit...

Credit Cards



When you use a credit card,
it's like taking out a **LOAN**
from the issuer of the card.

Credit Card Vocabulary

8.5% 15% 9.5%
3% 2.5% 20%
10% **11%** 14.5%
4% 22% 7.5% 1%
19% 23% 2.5%



1. APR
2. Grace Period
3. Available credit
4. Late payment fee

Discussion: Credit Cards

2 min

- **ASK:** Has anyone ever used a credit card? How do they work?
 - If no one has a credit card, ask someone to describe how they think credit cards work.



U.S. credit card companies will not provide individual credit card accounts to minors because those under the age of 18 are not allowed to enter into legal contracts. However, a parent or guardian could add a child as an authorized user to the parent's account.

Summarize:

- When you use a credit card you are taking out a loan. You are using the credit card issuer's money to pay for something.
- Credit cards are different from debit cards. When you use a debit card you are using the money in your checking account to pay for something.
- A credit card issuer is a company or financial institution that offers credit cards.
- American Express, Visa, Discover, and MasterCard are not credit card issuers.



Activity: Credit Card Vocabulary (PG 2)

4 min



Refer to page 1 in the workbook. Start with the first term on the left. Ask which of the definitions from the list on the right matches the term.



Once they identify the correct definition, have them draw a line between the term and the definition. Continue onto the next term.

- **APR** is the annual rate that is charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.
- The **Grace Period** is the number of days between a consumer's credit card statement date and payment due date when interest is not charged.
- A **Late Payment Fee** is charged if the minimum payment is made after the payment due date. Usually \$25 - \$35!
- **Available Credit** is the amount that you have available to spend. This is based on the credit limit less the current balance less any pending transactions. The credit limit is the amount of credit available on your card account. You can spend up to this limit. If you exceed your limit you will likely be charged an over-limit fee, commonly \$25.

Stories, Examples & Notes

Transition: Let's take a look at how these terms come into play on a credit card statement....

Sample Credit Card Statement



CARD Statement

Account Number 1234 1234 1234 1234
 Statement Closing Date 07/28/18
 Credit Limit \$2,100.00
 Available Credit \$1,600.00

3 TERESA TORRES
 123 ANY STREET
 CITY, CA 12345 4

Account Summary
 Previous Balance \$ 500.15
 - Credits \$0.00
 - Payments \$ 500.15
 + Purchases & Other Chgs \$225.20
 + Cash Advances \$0.00
 + FINANCE CHARGE \$0.00
 + New Balance \$225.20

Late Payment Warning: If we do not receive your minimum payment by the due date listed above, you may have to pay a late fee of up to \$25.00 and your APR will be subject to increase to our maximum penalty APR of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each month, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make an estimate (based on the current and past months)	You will pay off the balance (based on the statement balance)	And you will have paid (based on the statement balance)
24 months	18 months	\$225
36 months	12 months	\$225

Payment Information
 New Balance \$225.20
 Scheduled Minimum Payment \$20.00
 Scheduled Payment Due Date 08/01/18

Rate Information

YOUR PAYMENT MUST BE SUFFICIENT TO PAY THE MINIMUM PAYMENT AND TO COVER ALL FEES AND CHARGES. YOU WILL BE RESPONSIBLE FOR PAYING THE BALANCE IN FULL AT ANY TIME.

Type of Balance	Corresponding ANNUAL PERCENTAGE RATE	Daily FINANCE CHARGE RATE	Average Daily Balance
PURCHASE(S)	19.99%	0.5524%	\$2.00
CASH ADVANCE(S)	27.99%	0.7823%	\$2.00

Transactions

Trans Post	Reference Number	Description	Credits	Charges
08/11 08/11	XXXXXXXXXXXXXXXXXXXX	MCDONALD'S		\$20.00
08/12 08/12	XXXXXXXXXXXXXXXXXXXX	AMAZON	1,000.00	

Account Number 1234 1234 1234 1234
 New Balance \$225.20
 Sched and Min Payment \$20.00
 Sched and Payment Due Date 08/01/18

Amount Enclosed \$

WIRECARD, INC.
 200 ANY STREET
 CANYON, CA, CA 12345678

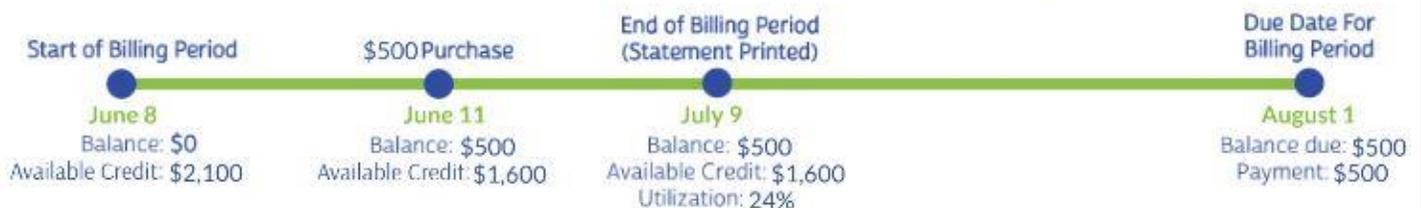
TERESA TORRES
 123 ANY STREET
 CITY, CA 12345



Timeline Of A Credit Card Balance

Billing Period

Grace Period (28 days)



Discussion: Credit Card Statement

4 min

 Review the credit card statement. As you advance the slide, it will zoom in to highlight the vocab terms.

 Students have a copy of this statement in their workbooks on page 3 to help them follow along.

 Review the billing cycle slide.

 Illustrate how the grace period works.

- **ASK:** These concepts can be a little confusing. Does anyone have any questions?

Stories, Examples & Notes

Transition: Now that we understand the terms, let's think about what responsible credit use looks like...

Video



Move mouse over screen & click to play

What's the Catch?

- Credit card companies require that a minimum payment be made each monthly, billing cycle.
- On average, minimum payments are around 3% of the balance (e.g. \$3 for every \$100).
- If what you owe is not paid in full and on time, you pay interest and finance charges on the balance.
- Interest owed is based on the annual percentage rate (APR). The APR may increase if a payment is late or missed.



Discussion: Responsible Credit Card Use

5 min

Play Video (OPTIONAL) – 3 min, 8 sec

- This video uses a real life scenario to explore responsible credit card use.



If the video doesn't work or you want to save time, it's okay to skip it. The concepts are covered in other slides.

- Paying the minimum may seem like a good way to get something you want, but you may end up making payments for many years and digging a hole that you never get out of.
- Most times you are better off saving for a purchase instead of charging it.

- **ASK:** How do credit card companies make money?
- You are entering into an agreement with the credit card issuer when you make a purchase with your card.

Review what can be expected out of this agreement with regard to payments and fees.

Summarize:

- Interest is based on the APR. Your APR may increase if a payment is late or missed.
- There are no additional costs if the full balance is paid on time.
- If you make a late payment, you must pay interest and finance charges.
- Borrowers can get into financial trouble by using a credit card to buy things they can't afford.
- Making minimum payments costs more in the long run.

Stories, Examples & Notes

Share: Your own example of learning how to use a credit card and or any mistakes you or someone you know have made using a credit card.

Transition: What happens if you pay the minimum amount?

If the minimum payment is made...

Item	Price	Interest Paid	Total You End Up Paying	Minimum monthly payment (3% of balance)	Total Years to Pay Off
TV	\$500	\$199	\$699	Start at \$15	4
Computer	\$1,000	\$699	\$1,699	Start at \$30	8
Furniture	\$2,500	\$2,198	\$4,698	Start at \$75	13

And this is how people end up
DROWNING IN DEBT!



The benefit of paying MORE than the minimum payment

Original Balance	Total Amount Paid	Monthly Payment	Total Years to Pay Off
\$2,500	\$4,698	Minimum (Starts at \$75)	13
\$2,500	\$3,173	\$100	2.75
\$2,500	\$2,500	\$2,500	0

Discussion: Minimum Payments

3 min

- **ASK:** If you only make the minimum payment, how long do you think it will take to pay off the TV? The computer? The furniture?

 **Have students guess. Click to reveal the answers.**

- It takes a lot more time and money to pay off purchases when you're only making the minimum payment.
- Consider whether the purchase will be outdated by the time you pay it off (ex: cell phone, computer, gaming system).
- The minimum monthly payment is 3% of the outstanding balance, so it will decrease as the balance decreases.

- Credit card companies hope that people make the minimum payment and stay in debt, so they can make money by charging interest over very long periods of time.
- Credit card companies aren't trying to help you by accepting a minimum payment, they are trying to make money.

 **Illustrate the benefits of paying more than the minimum each month.**

 **Stress how much money is saved by paying more than the minimum or the full balance.**

- **ASK:** How could you make large purchases like these *without* using a credit card?
- Create a budget and savings plan. Saving \$500 or \$1,000 before making a purchase will likely take less time than making minimum credit card payments.

Stories, Examples & Notes

Transition: Using a credit card doesn't have to be scary!

What are the benefits of using a credit card?

- Convenience, no need to carry cash
- Make one payment at the end of the month for several purchases made during the month
- Using a card responsibly helps you build a good credit history
- Can be used in emergency situations to cover an expense that has to be paid now

Discussion: Benefits of Credit Cards

2 min

- **ASK:** What are the benefits of using a credit card?

 After getting responses, reveal the answers on the slide.

Stories, Examples & Notes

Share: How you use your credit card responsibly, if you have more than one card for different purposes, has having a credit card ever helped you out in an emergency.

Transition: Let's take a look at a few different credit cards and compare them.

Compare Credit Card Offers



Comparing Credit Card Offers



	 Card A	 Card B	 Card C
Application Fee	none	\$30	none
Annual Fee	\$20	\$35	none
Introductory Rate	1.9% for 6 months	0% for 1 month	1.9% for 12 months
Interest Rate	15.9%	22.9%	16.0%
Grace Period	20 days	25 days	25 days
Late Payment Fee and Terms	\$25 and APR is increased to 24.9%	\$35	\$25
Over-the-Limit Fee	\$25	\$35	\$25



Activity: Comparing Credit Card Offers (PG 4)

5 min

- **Have students work in pairs or small groups to compare the offers to determine which is best and why.**
 - If you feel that it suits the group best to have them work individually, then choose that option.
- **Tell students to circle which card has the best feature for each category to help guide their decision.**
 - Clarify concepts like application fee, annual fee, interest rate, grace period, late payment fee, and over-the-limit fee, if necessary.
- **Have groups share their answers with the whole class.**
 - Card C is the best offer.

Stories, Examples & Notes

Transition: To wrap up this section, let's look at some credit card tips.

Credit Card Tips



- Avoid carrying a balance
- Don't use your card for cash advances



- Think before you buy.
If you can't pay cash for it now,
will you be able to pay for it when
the bill comes?

END PART 1

Discussion: Credit Card Tips

2 min

- Avoid carrying a balance.
 - Some cards charge 20% or more in interest, and your interest rate can be raised at any time, even if you've never made a late payment.
- Be sure to read the fine print before accepting a credit card offer.
- Don't use your credit card for cash advances – they usually don't qualify for a grace period before interest begins to accrue on the balance, and the interest rate on cash advances is typically higher than the rate for purchases. Sometime there is also an extra fee for cash advances.



These tips are listed in the student workbooks on page 5.

END OF PART 1: If you are teaching a two part lesson and you still have time, continue onto the next slides and get as far as you can.

Stories, Examples & Notes

Transition: Credit cards are only one piece of the puzzle. Let's look at credit reports and credit scores now.

So, how's your credit?



Good vs. Bad Credit

Why does it even matter?

New Auto Loan



5-year loan for \$20,000

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	4.67%	\$374	\$2,463
690-719	5.98%	\$387	\$3,190
660-689	8.25%	\$408	\$4,475
620-659	11.18%	\$437	\$6,201
590-619	15.85%	\$485	\$9,084
500-589	17.08%	\$498	\$9,875
< 500		DENIED	

Actual Rates as of 7/22/19

Discussion: Good vs. Bad Credit

3 min

START OF PART 2: If you are teaching a two part lesson, be sure to reintroduce yourself to the class before jumping into the curriculum. Ask the students what they remember from the last lesson. Ask them if they shared what they learned with anyone. If you did not make it this far in your first session, that is okay. Pick up where you left off.

- **ASK:** What do people mean when they ask “How’s your credit?”
- **ASK:** Do you think it matters if you have good or bad credit? Why?

- How good or bad a person’s credit is can have financial consequences when it comes to taking out loans, for example when buying a car.

 **Paint the picture of how 2 people could have different monthly payments and total loan cost for the same car.**

- Talk to 2 students and set the scene that they are best friends starting off in life: they share an apartment, they have the same amount of money saved for a down payment on a car, they have similar tastes and want the same car with the same options... so they decide to get the exact same car, but of course they aren't weird they will get different colors!
- The car salesperson runs their credit reports and reports back to both "Great news, you are each approved! Student A your monthly payment will be \$370. Student B your monthly payment will be \$478."
- Ask the class what they think about that and why Student B’s payment is higher.
- If the class isn’t on the right track with their answers, suggest that Student B must not have managed their credit as well as Student A had.
 - o *You do not need to go into detail about what that means. This is just an introduction. The concepts will be covered in the coming slides.*

 **Show how credit scores relate to payment amounts.**

Stories, Examples & Notes

Transition: The terms of your loan are determined by...

*The terms of your loan
(how much you pay for how long) are
determined by your*

CREDIT SCORE



which is determined by your

CREDIT REPORT

Credit
Report

=

A record of how you have repaid your debts that lenders report to the three credit reporting agencies.



Activity: Relationship between Credit Scores and Reports (PG 5)

2 min

↪ See if the students can guess the missing words in the slide before advancing.

↪ Have students copy the words into their workbooks.

- A credit report is a record of how you have repaid your debts that is reported to the three credit bureaus.

Stories, Examples & Notes

Transition: What is on a credit report?

What is on a credit report?

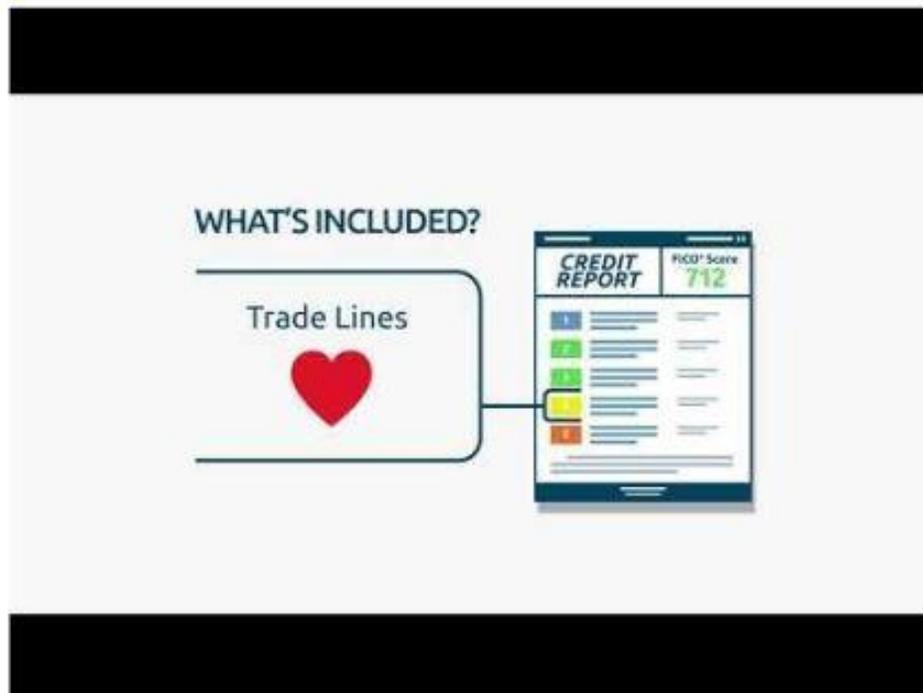
It lists:

- What types of credit you use
- The length of time your accounts have been open
- Whether you've paid your bills on time
- How much credit you've used
- Whether you're seeking new sources of credit



This info is used to generate your credit scores!

Video



Move mouse over video & click to play

Discussion: What Is on a Credit Report

4 min

- **ASK:** What is on a credit report?

 **After getting responses from students click through the answers on the slide.**

- All of your financial related activity regarding using credit, paying bills, unpaid taxes, collection agency activity, and bankruptcies is tracked by the three credit reporting agencies.
- Your credit score is derived from the information on your credit report.

 **Play Video (OPTIONAL) – 2 min, 19 sec**

- This video goes into more detail about what is on a credit report.

 *If the video doesn't work or you want to save time, it's okay to skip it. The concepts are covered in other slides.*

Stories, Examples & Notes

Transition: Let's take a look at an actual credit report...

Review a Credit Report



Sample Credit Report

Barb's Credit Report  Credit Report Agency
 Equifax 888-815-8746
 U.S. 2008-12-31

1 Personal Identification Information

First Name: [REDACTED] Last Name: [REDACTED]
 1234 Main Avenue
 City, State 12345
 Date of Birth: [REDACTED]
 Social Security Number: [REDACTED]
 Last Reported Employer: [REDACTED]
 Department: [REDACTED]

2 Public Record Information

Bankruptcy: [REDACTED]
 U.S. District Court, District of Columbia
 Federal Judgment: [REDACTED]
 Federal Tax Lien: [REDACTED]

3 Collection Agency Account Information

Collection Agency: [REDACTED]
 Account Number: [REDACTED]
 Amount Owed: [REDACTED]

4 Credit Account Information

Account	Acct #	Acct Type	Open Date	Balance	Payment	Days Past Due	Special	Interest Rate	Current	Max	Limit	Collateral
1234	5678	9012	3456	7890	1234	5678	9012	3456	7890	1234	5678	9012

5 Companies Not Reported From Credit File

Company Name: [REDACTED] Address: [REDACTED]
 Company Name: [REDACTED] Address: [REDACTED]

6 ADDITIONAL INFORMATION

None

Reported using the FICO credit scoring model. For more information on FICO scores, visit www.equifax.com. © 2008 Equifax. All rights reserved.

Discussion: Review a Credit Report

3 min

 Review each section of the sample credit report. As you advance the slide it will zoom into the different sections.



The students have a copy of the report on page 6 of their workbook to help them follow along.

- Page 7 of the student workbook defines each section. You do not need to review this page. Let the students know the information is there for future reference.



Highlight sections 3 & 4:

- Ask a student to read aloud section 3: Collection Agency Account Information
 - Stress that if bills aren't paid they will likely be turned over to a collection agency.
 - Review the two types of credit listed in section 4.
 - **ASK:** What do you think all of the numbers next to "Payment History" represent?
 - **Advance the slide and review the key.**
 - EVERY MONTH COUNTS when paying bills!
-
- It is possible for errors to show up on your credit report. If you notice something incorrect, address it with the credit reporting agencies right away.
 - Checking your credit report is a good way to keep an eye on whether your identity has been stolen. (*Identity Theft is discussed in the Check It Out lesson.*)
 - **CALL TO ACTION:** Check your credit reports for free annually by visiting: www.annualcreditreport.com.

Stories, Examples & Notes

Share: Your own or someone else's experience related to what was on your on their credit report.

Transition: As we discussed before, your credit report determines your credit score.

Credit Score

=

A rating based on the info in your credit report. It represents your creditworthiness or how likely you are to pay back a loan on time.

Video



Move mouse over video and click to play.

FICO Score Ranges



800	Exceptional. You will likely have little trouble getting approved for credit and will qualify for the best loan terms.
740 - 799	Very good. You likely will qualify for better interest rates.
670 - 739	Good. Lenders see you as an "acceptable" borrower, but may require answers to additional questions about your credit history.
580 - 669	Fair. You might have difficulty getting credit. When you are approved, it likely will be at a lower interest rate.
< 580	Poor. This reflects some real hardships, such as bankruptcy, or a borrower who has not built up credit yet. If you are granted credit, you might need to put down a deposit or pay a fee.

Discussion: Credit Scores

3 min

- Your credit score is a number or rating based on the info in your credit report. It represents your creditworthiness or how likely you are to pay back a loan.
- A credit score is similar to how you’re graded in school. The higher the number (70%, 80%, 90%) the better your grade. Turning assignments in on time, doing quality work, and scoring well on exams all lead to a good grade. The same is true of your credit score.



Play Video (OPTIONAL) – 2 min, 8 sec

- This video goes into more detail on credit scores.



If the video doesn’t work or you want to save time, it’s okay to skip it. The concepts are covered in other slides.



Activity: Credit Score Ranges (PG 8)

2 min



Review the credit score ranges.



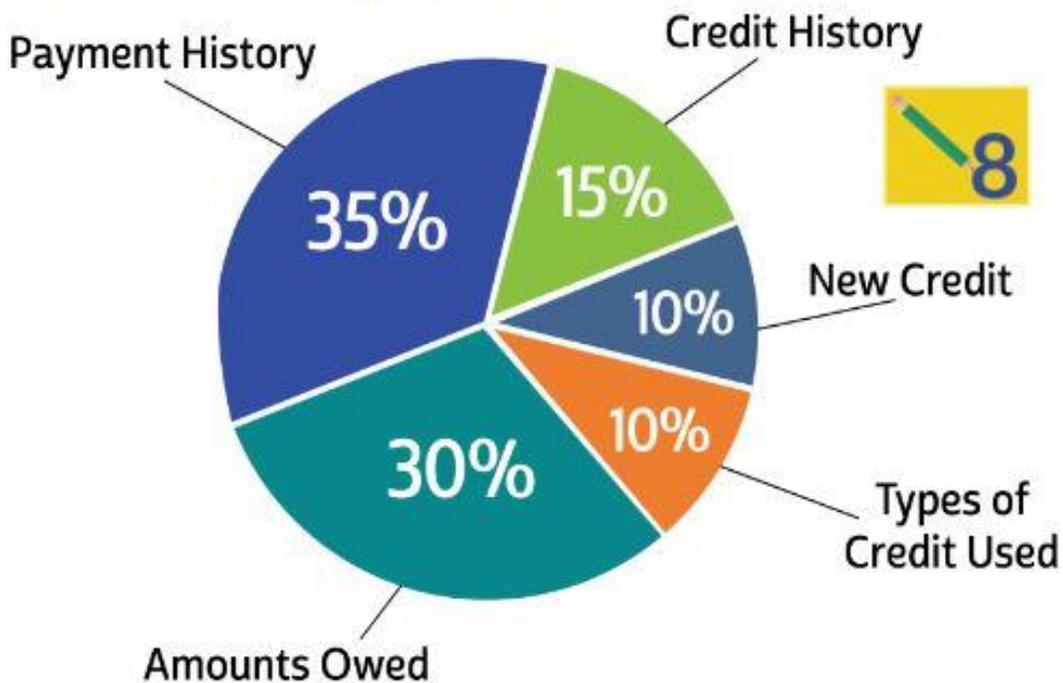
Have students write the ranges into the table in their workbooks.

Stories, Examples & Notes

Share: Your credit score and how you’ve been working to improve it.

Transition: So, what makes up your credit score?

What's in your credit score?



What does **NOT** factor into your credit score?

- ✗ Your age.
- ✗ Your race, religion, national origin, sex, or marital status.
- ✗ Your salary, occupation, title, employer, or employment history.
- ✗ Where you live.
- ✗ Any interest rate being charged on a credit card or other account.
- ✗ Any items reported as child/family support obligations or rental agreements.



↪ Review the components that factor into a credit score and how they are weighted.

↪ Have the students copy the percentages into the chart in their workbook.

- Payment History = 35%
- Credit History = 15%
- New Credit = 10%
- Types of Credit Used = 10%
- Amounts Owed = 30%
- PAYMENT HISTORY and AMOUNTS OWED make up 65% of a credit score.
- **ASK:** What does not factor into your credit score?

↪ Review the factors that do not affect your credit score.

Summarize:

- The higher the number, the better.
- High numbers signify to lenders that you are a safe bet and less of a risk.
- Your credit score helps a lender determine whether you qualify for a loan and what interest rate you'll pay.

Stories, Examples & Notes

Share: How your own credit score or the score of someone else you know affected borrowing requests and interest rates on loans.

Transition: Let's look at another example of how credit scores can save you money...

Remember how much of a difference a credit score made with the car purchase?

Let's see how that plays out with an even bigger purchase...



Home Loan



30-year loan for \$150,000

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	3.53%	\$676	\$93,480
690-719	3.76%	\$695	\$100,236
660-689	3.93%	\$710	\$105,692
620-659	4.15%	\$729	\$112,370
590-619	4.58%	\$767	\$126,054
500-589	5.12%	\$816	\$143,923
< 500		DENIED	

Actual Rates as of 7/22/19

 Refer back to the car loan example to set up the next scenario.

- **ASK:** Your credit score made a big difference with the overall cost of the car purchase, right?

 Introduce the example of a 30 year mortgage for \$150,000, then advance to the next slide.

 *Do not spend time talking about mortgages here. Just set up the scenario and move on to the table with the credit score ranges.*

- **ASK:** What do you notice when you take a look at this table?
- **ASK:** How much more interest is paid between one credit score and another?
- Don't fall for seemingly attractive financing offers from less reputable sources. That's how predatory lending takes place.

Summarize:

- Your credit score has a major impact on your loan interest rate.
- When you're making a large purchase, your interest rate can be the difference between spending thousands of dollars!

Stories, Examples & Notes

Transition: So, who's allowed to check your credit and see this information about you?

Who can check your credit?

Organizations and individuals with legitimate business concerns...

- Lenders from whom you applied for loans
- Unsolicited financial institutions who are interested in getting your business
- Your potential landlord
- Your insurance agent
- Your employer



You decide...

Who gets a loan?



Roles:

1. Loan Officer
2. Applicant #1
3. Applicant #2
4. Applicant #3



Loan Officer Interview Questions	Loan Applicants:		
	1	2	3
1. How many times have you applied for credit in the last 6 months?	None	1 time	1 time
2. Do you have any of the following entries listed on your credit report? <ul style="list-style-type: none"> • Bankruptcy • Serious Late Payment • Foreclosure • Tax Lien (you owe taxes to the government) 	No	Yes, from 6 months ago	No
3. How many of the following open or closed accounts are listed on your credit report? <ul style="list-style-type: none"> • Auto Loans • Department store credit cards • Major Credit Cards • Mortgages • Student Loans • Other Loans 	0	2 major credit cards 1 dept. store card	2 major credit cards
4. How old is your oldest active credit card, loan or mortgage?	I do not have any active accounts	3 years	3 years
5. What is your: <ul style="list-style-type: none"> • Total credit limit? • Total available balance of your open credit cards? 	\$0 \$0	\$5,000 \$1,000	\$7,500 \$6,750
Who should get the loan?			
A. Which loan applicant has which of these credit scores? A. 766 B. 457 C. No Credit Score	C	B	A
B. What is the primary factor(s) affecting each applicant's credit score? A. Negative entries on their credit report, uses most of their available credit B. No credit history C. Everything points to a strong credit score	B	A	C
C. What advice would you give each applicant? A. Not much. Keep paying your bills and loan payments on time and don't borrow money to buy things you can't afford. B. Pay all bills on time, carry a lower balance from month to month and don't apply for additional credit until you have a higher credit score. C. Apply for a major credit card with a low credit limit. Have a trustworthy co-signor apply with you, open a secured credit card (use your savings as collateral) or apply for an auto loan (loan would be secured by your car).	C	B	A



Discussion: Who Can Check Your Credit

2 min

- **ASK:** Who do you think should be able to investigate your credit?
- **ASK:** Why would someone want to check your credit?
- These groups have a legitimate interest in your credit history and score:
 - o **Lenders:** Want to see if you're a good credit risk.
 - o **Landlord:** Want to know if you will be a good tenant. Do you make your payments on time? Do you have a lot of debt?
 - o **Insurance Agent:** Insurance companies have discovered that people with excellent credit have considerably fewer claims than those with poor credit. Insurance rates are often higher for those with low credit scores.
 - o **Employer:** Wants to know if you're responsible.



Activity: Loan Officer Role Play (PG 9)

10 min

Activity Structure: 4 person role play or large group discussion (adaptation below).

- **Recruit four volunteers to come up to the front of the class for the role play activity. Give each student a script (included in your volunteer material packet).**
 - **1 loan officer:** Student will use the left side of the script. The script provides the questions they should ask the applicants.
 - **3 loan applicants:** Students will use the right side of the scripts. The script provides the answers to the questions they will be asked by the loan officer.
- **Explain that the loan officer will ask the same question to each applicant and each applicant will answer the question before moving onto the next question.**
- **Have remaining students follow along and fill in the table in their workbooks with the applicants' responses.**
 - After all applicants have answered all of the questions, reveal the answers on the slide. Allow students a moment to catch up if they didn't get everything written down during the role play.
- **Have the group, as a whole, answer the questions in the bottom half of the table, fill it in, and decide who they would approve for the loan.**
 - For those in the role play, the reverse side of the script has the questions for the group discussion.
 - Once the answers have been discussed, advance the slide to show the completed table with the correct answers.

Large group discussion adaptation of this activity.

- If you are pressed for time or determine it would be better to complete the activity without volunteers for the role play, you can have the students ask you the questions and then record the answers in their workbooks.
- Continue with the fourth step of the activity as described above.

Transition: So, how do you start building good credit?



Tips for Building a Good Credit History

- Apply for a store credit card and **use it responsibly**.
- Apply for a secured credit card.
- Apply for a small loan at the bank or credit union where you have checking and savings accounts.
- Ask a friend or relative with an established credit history to be a co-signer for you.

Common mistakes that can hurt your credit

- Having too many credit cards 
- Opening too many new accounts or loans in a short period of time
- Not checking your credit report
- Not notifying creditors when you move or change names
- Not using your full legal name on financial documents (esp. if other people in your family have the same name!)

Simple ways to improve your credit

- Pay your bills on time 
- Keep your balance low in relation to available credit
- Dispute errors on your credit report, so they can be corrected
- Pay off credit card debt, rather than move it around to other cards
- Always make more than the minimum payment

Discussion: Building Good Credit

3 min

- Consider applying for a department store credit card, a credit card with a national issuer, or a small loan with your bank or credit union.
 - Department stores usually have lower credit limit and a higher annual percentage rate (APR) but they are generally more willing to lend you money. There's usually no annual fee for department store cards.
- Apply for a secured credit card. To help build your credit history, a secured card works like any other credit card, but requires a collateral account, in case you don't repay your debt.
 - Your credit line will directly reflect the amount of your collateral deposit. Some companies will evaluate your history and consider graduating you to an unsecured card if you meet their specific criteria.
- If you're 18 and have a full time job with regular income, you are able to apply for a credit card or loan on your own.
- If you're under 21 and don't have regular full-time income, you will likely need a co-signor when applying for a loan or credit card.
 - A co-signor with an established credit history promises to repay the loan if you don't. The lender should report the payment history on both of your credit records.
 - The co-signor is taking a risk because how you repay the loan will be reflected on their credit report just as if they were the borrower instead of you.
 - You are taking a risk because if your co-signor uses the credit card and does not pay off their purchases, it will be reported on your credit report and you may be on the hook for their spending.
 - Choose your co-signor very carefully!! Don't let someone take advantage of you!

 Review the “Common Mistakes” and “Ways to Improve” slides.

 These slides are in the student workbooks on page 10, as well.

 If you have time, you may want to use the “Common Mistakes” slide as an opportunity to talk about predatory lending.

- Watch out for lenders that take advantage of a vulnerable borrowers in order to make more profit.
- Predatory lending is the practice of convincing borrowers to agree to unfair and abusive loan terms.
- Although predatory lenders are most likely to target racial minorities and the elderly, victims of predatory lending are represented across all demographics.
- Predatory lending often occurs on loans backed by some kind of collateral, such as a car or house, so that if the borrower defaults on payment, the lender can profit by selling the repossessed or foreclosed property.

Transition: Let's review the best practices we learned in this lesson and see how to put them into action...



Go Do It Now!

Financial Issue	Best Practices to Help Manage Money Responsibly	My Financial To Do List
Credit Cards	<input type="checkbox"/> When I have any type of credit card, I will only buy things I can afford to pay for in full at the time I make the purchase. <input type="checkbox"/> I understand that using my credit card to buy something that I will need to pay off for months or years will keep me in debt and result in me paying much more than the items I bought actually cost.	<i>Create your action plan!</i>
Credit Score	<input type="checkbox"/> I will pay all of my bills and any loan payments I have on time and in full. <input type="checkbox"/> When I have a credit card I will pay off the full balance each month on time. I will always pay more than the minimum required. <input type="checkbox"/> I will not apply for multiple credit cards in short periods of time.	
Credit Report	<input type="checkbox"/> I check my credit report at AnnualCreditReport.com at least once each year. (Only use this site! Others can scam you and make you pay for your report.) <input type="checkbox"/> I will address any problems or inaccuracies I find on my credit reports with the credit reporting agencies.	
Building a Good Credit History	<input type="checkbox"/> I will consider the following when I am financially ready and responsible to help build a good credit history and score: <ul style="list-style-type: none"> <input type="checkbox"/> Applying for a store credit card and using for periodic purchases. <input type="checkbox"/> Talking to my bank or credit union about opening a secure credit card. <input type="checkbox"/> Talking to my bank about applying for a major credit card with a low credit limit and having a trustworthy co-signor age 21 or older apply with me. (Remember, it is a joint account so if they use the card and don't pay off their purchases, it affects you.) 	



Questions?

Let's complete the Post-Survey so we can see what you've learned...



Join us on Facebook and Twitter!
@wesecurefutures



Activity: Financial Capability Checklist (PG 11)

3 min

Review the Student Financial Capability Checklist.

- Explain that they can use this as a checklist for building strong financial behaviors.
- Challenge students to put all of the best practices in place to help manage their financial lives successfully.
- **ASK:** Which steps do you plan to take right away?

Distribute Post-Surveys

5 min

Have each student complete a post-survey to determine their knowledge now.

- Remind students how to fill out the Identifier Code and that they need to fill it out the same way they did the first time.

Once students are finished, collect the surveys.

If time permits, you can go over the surveys with the class.

- Ask students to provide the answers. The idea here is learning by repetition; the students first saw the concept in the pre-program survey, then in-depth during the presentation, then again in the post-program survey, and now in this review.

Distribute Course Evaluations

2 min

Have each student complete a course evaluation.

- Explain that the evaluation helps us to collect feedback on how we can improve the program.
- Ask them to think about all of the lessons they received, not just the most recent one, when answering the questions.
- Completion of the evaluation is voluntary.
- Students do not need to include their name or code on evaluations.

Once students are finished, collect the evaluations.



Please return all surveys to SecureFutures after you have completed your entire program commitment.

TO YOUR CREDIT

Post-Program Survey

*If you have time, consider reviewing the survey answers
AFTER you have collected the completed post-surveys.*

1) What is a credit card?

- a. A card connected to your savings account.
- b. A card that allows you to access a short-term loan from the issuer of the card.**
- c. A card that allows you to access your money in your checking account.
- d. I don't know.

2) What is a grace period?

- a. Days you have to pay your card balance before you are charged interest.**
- b. Period you have before you have to make your first mortgage payment.
- c. Days available for you to change your mind about a purchase you made.
- d. I don't know.

3) Without considering other variables, which of the following credit card offers is the best?

- a. 18% APR, \$45 annual fee, 10-day grace period, \$10 minimum finance charge.
- b. 12% APR, \$30 annual fee, 10-day grace period, \$0.50 minimum finance charge.
- c. 12% APR, no annual fee, 25-day grace period, no minimum finance charge.**
- d. I don't know.

4) Which of these is a good way to build good credit?

- a. Pay the total balance due on all your bills on time each month.**
- b. Manage your bank account and keep track of spending.
- c. Skip a bill payment, but pay double the next month.
- d. I don't know.

5) Which of the following is a legitimate reason to have your credit card application denied?

- a. You are a member of a certain ethnic minority group.
- b. You have a job that pays a lower wage.
- c. You have made late payments on your bills in the past.**
- d. I don't know.

6) If each individual charges the same amount per year, which of the following credit card users is likely to pay the most interest per year?

- a. Jasmine, who always pays off her credit card bill in full shortly after she receives it.
- b. Hannah, who only pays the minimum amount each month.**
- c. Denzel, who generally pays off his credit card in full, but, occasionally, will pay the minimum when he is short of cash.
- d. I don't know.

7) Which of the following may count negatively toward your credit score?

- a. Checking your own score each year via one of the credit-reporting agencies.
- b. Making late payments on your outstanding debts or opening a new credit account.**
- c. Your race, color, religion, national origin, sex, or marital status.
- d. I don't know.

8) When someone asks you, "How is your credit?" they are interested in:

- a. How much money you make.
- b. How much money you have saved.
- c. Your use of loans and whether you pay your bills on time.**
- d. I don't know.

9) Your credit score is mainly determined by:

- a. Your age.
- b. How long you have been employed.
- c. Your payment history and amounts owed.**
- d. I don't know.

10) What is one reason why a potential employer would want to check your credit report?

- a. To find out what you were earning in your previous job.
- b. To find out how much education you have completed.
- c. To see how responsible and dependable you are.**
- d. I don't know.



SecureFutures

SecureFutures empowers teenagers with the knowledge, tools, and mentoring for a lifetime of financial capability. Our engaging volunteers, dynamic schools, and generous supporters share a vision of stronger communities built by an investment in “money smart” teens.

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