









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 Evaluations:** 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 the name tents 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.**

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To Your Credit – Condensed Lesson	Minutes	Page
Introduce self, set ground rules, lesson opening and objectives	6	3-4
What is credit?	4	5-6
Credit cards & their vocabulary <i>*important activity (condensed)</i>	5	7-8
Credit card statement, timeline of credit card balance	4	9-10
Responsible credit card use (SKIP VIDEO)	3	11-12
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Benefits of credit card use		
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Good vs bad credit - auto loan example	3	21-22
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What's on a credit report (SKIP VIDEO)	2	25-26
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To Your Credit



This presentation is based in part of FDIC MoneySmart and NextGen Personal Finance



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.



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.

↪ **After ground rules are set, transition into the lesson**

- **TRANSITION:** Let's see what we are going to cover in this lesson...

Discussion: Lesson Opening & Objectives

2 min

↪ **Review the "What we'll accomplish..." slide.**

- **ASK:** Which of these topics is most interesting to you?

Stories, Examples & Notes

Transition: Ok, let's jump in...

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



So ... why does it matter?

- Establish good credit now to prepare for big purchases later in life (first car loan, mortgage, apartment).
- Set yourself up for future success - Get better interest rates.
- Possibly be able to get a cell phone without prepaying or making a security deposit.
- In some cases, good credit makes you look better to potential employers.





- **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 that you pay back with **INTEREST**.

↪ After getting a few responses, reveal the rest of the “So . . . what is credit?” slide.

↪ Have the students complete the sentence in their workbooks if they did not complete it.

- **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?

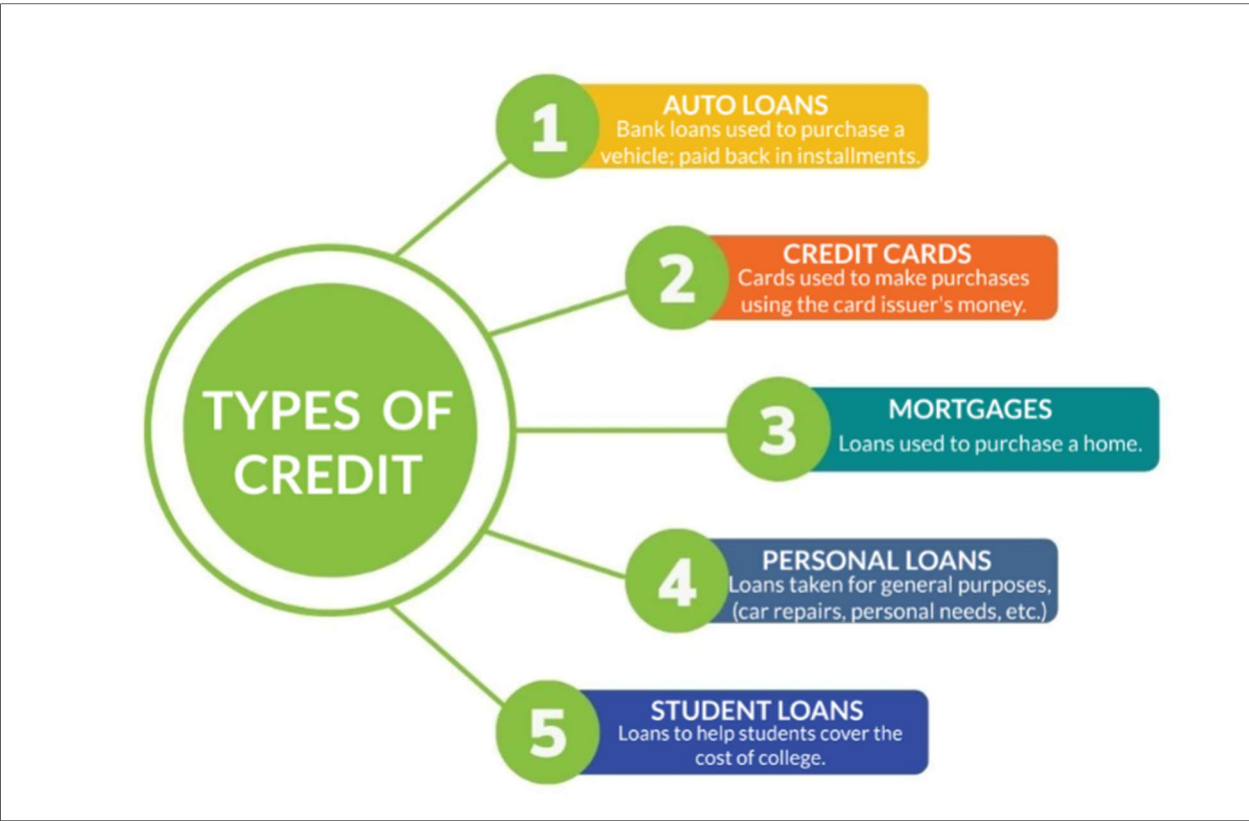
SLIDE: So . . . why does it matter?

- **ASK:** Why do you think good credit is important to establish early?

↪ After getting a few responses, reveal the rest of the slide.

Stories, Examples & Notes

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



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

3 min

 Quickly go through the different types of credit. Advance the slide to zoom into the credit card section.

- **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 2 in the workbook. Start with the first vocabulary term on the left. They are in the same order in the workbook as they are on the slide. Ask the students to draw a line to connect each vocabulary term with the correct definition.

 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.

 **CONDENSED LESSON ADAPTATION (2 min):** Tell the students the definitions as you go through the card statement. Have the students draw a line to the correct definition.

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 07/09/18 Credit Line \$2,100.00 Available Credit \$1,579.80	3 TERESA TORRES 123 ANY STREET CITY CA 12345 4
--	--

Account Summary Previous Balance \$1,686.15 - Credits \$0.00 - Payments \$1,686.15 + Purchases & Other Chgs \$523.20 + Cash Advances \$0.00 + FINANCE CHARGE \$0.00 = New Balance \$523.20	Payment Information New Balance \$523.20 Scheduled Minimum Payment \$35.00 Scheduled Payment Due Date 08/01/18
--	--

Rate Information YOU MAY PAY YOUR BALANCE IN FULL AT ANY TIME. YOUR BANK BALANCE IS SUBJECT TO THE TERMS OF YOUR AGREEMENT. NOTICE: OUR FINANCIAL SERVICES FOR REPAIR ONLY REQUIRE YOU PAYMENT YOUR ACCOUNT.

Type of Balance	Corresponding ANNUAL PERCENTAGE RATE	Daily FINANCE CHARGE RATE	Average Daily Balance
PURCHASE(S)	19.80%	05424%	\$0.00
CASH ADVANCE(S)	21.80%	05872%	\$0.00
Composite ANNUAL PERCENTAGE RATE 21.80%		Days in Billing Cycle 30	

Trans Post	Reference Number	Description	Credits	Charges
06/11	06/11	XXXXXXXXXXXXXXXXXXXXXXX		523.20
06/12	06/13	XXXXXXXXXXXXXXXXXXXXXXX	1,686.15	

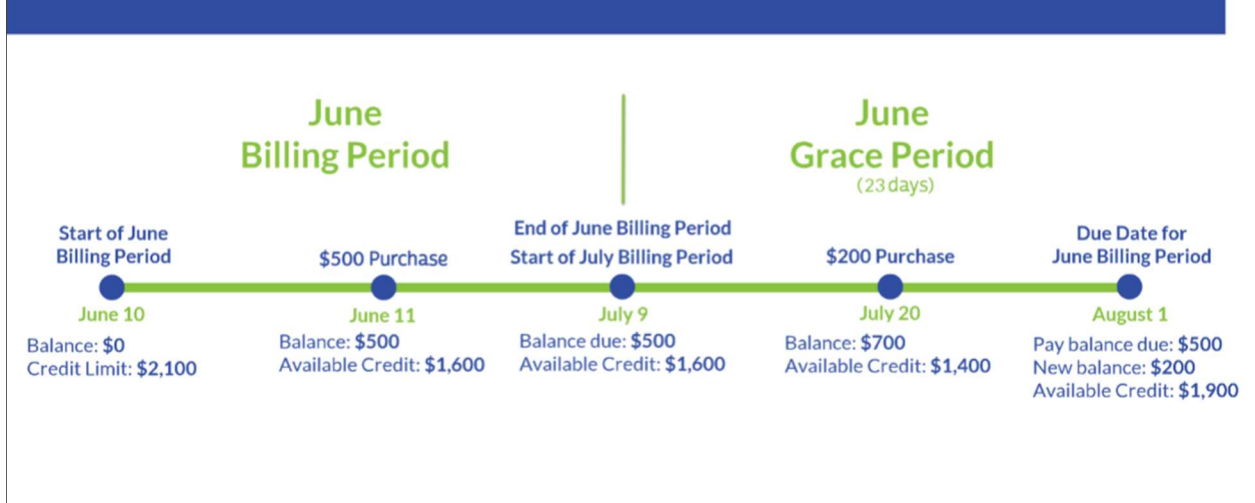
Details on card with check so that your payment is received no later than the "Payment Due" date. See website for important additional information.

Account Number 1234 1234 1234 1234 New Balance \$523.20 Scheduled Minimum Payment \$35.00 Scheduled Payment Due Date 08/01/18	08/01/18
--	----------

Amount Enclosed \$

PAYMENT ADDRESS: TERESA TORRES, 123 ANY STREET, LOS ANGELES, CA 90030-0000, CITY, CA 123456

Timeline Of A Credit Card Balance



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

↪ **Review the billing cycle slide (Timeline of a credit card balance).**

↪ **Illustrate how the grace period works.**

- You will not be charged interest purchases in the June billing period IF you pay the entire balance due by the due date (August 1st).
- You do not have to pay for the July purchase until the due date for the July billing period (Sept 1).

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

Discussion: Responsible Credit Card Use

4 min

Play Video (OPTIONAL) – 1 min, 34 secs

- This video explains the full cost of purchasing items on credit.



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	Min. Monthly Payment (3% of balance or at least \$35)	Interest Paid (19.8% APR)	Total You Pay Over Time	Total Years to Pay Off
Phone	\$600	\$35	\$112	\$712	1 yr. 9 mo.
Laptop	\$1,200	Starts at \$36	\$590	\$1,790	4 yr. 4 mo.
Furniture	\$2,500	Starts at \$75	\$2,207	\$4,707	8 yr. 10 mo.

Q: What percent of Americans who have credit card debt won't be able to pay it off within a year?

A: 70%



The benefit of paying MORE than the minimum payment

Original Balance	Monthly Payment	Total Time to Pay Off	Total Amount Paid
\$2,500	Minimum (Starts at \$75)	8 yr. 10 mo.	\$4,707
\$2,500	\$100	2 yr. 9 mo.	\$3,259
\$2,500	\$2,500	1 mo	\$2,500

Discussion: Minimum Payments

5 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.

- **QUIZ - ASK:** What percent of Americans who have credit card debt won't be able to pay it off within a year? Answer – 70% (ngpf.org 9/30/20)

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

- 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.
- Interest accrued on monthly balances can quickly add up.
- 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
- You can add a credit card to your phone (Apple/Google Pay)



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
Annual Fee	\$0	\$50	\$0
Introductory Rate	None	0% for 6 months	0% for 12 months
Interest Rate	17.5%	13.9%	15.2%
Late Payment Fee	\$45	\$0 for the 1st late payment, then \$41	\$41
Over-the-Limit Fee	None	\$35	None
Rewards	Travel points for air and hotel	None	1% Cashback on all purchases



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.



For each category, tell students to circle the feature that is most appealing to them. It will help guide their decision.

- Clarify concepts like annual fee, interest rate, late payment fee, over-the-limit fee, and rewards if necessary.



Have groups share their answers with the whole class.

- Card C is the best offer on paper, however answers may differ according to their preferences.



CONDENSED LESSON ADAPTATION (3 min): Do not have the students work in groups. Instead, read each category one by one and ask what is the most appealing choice. Have the students circle the answer that the majority agree. The card with the most circles is the best option for them.

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. Sometimes there is also an extra fee for cash advances.

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?

Auto Loan



5-year loan for \$10,000

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	4.72%	\$187	\$1,246
690-719	6.00%	\$193	\$1,600
660-689	8.40%	\$205	\$2,280
620-659	11.05%	\$218	\$3,060
590-619	15.37%	\$240	\$4,391
500-589	16.89%	\$248	\$4,875
< 500		DENIED	

Actual Rates as of 8/15/22

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 costs 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 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 \$187. Student B, your monthly payment will be \$248."
- 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.
 - *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 4)

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 are 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

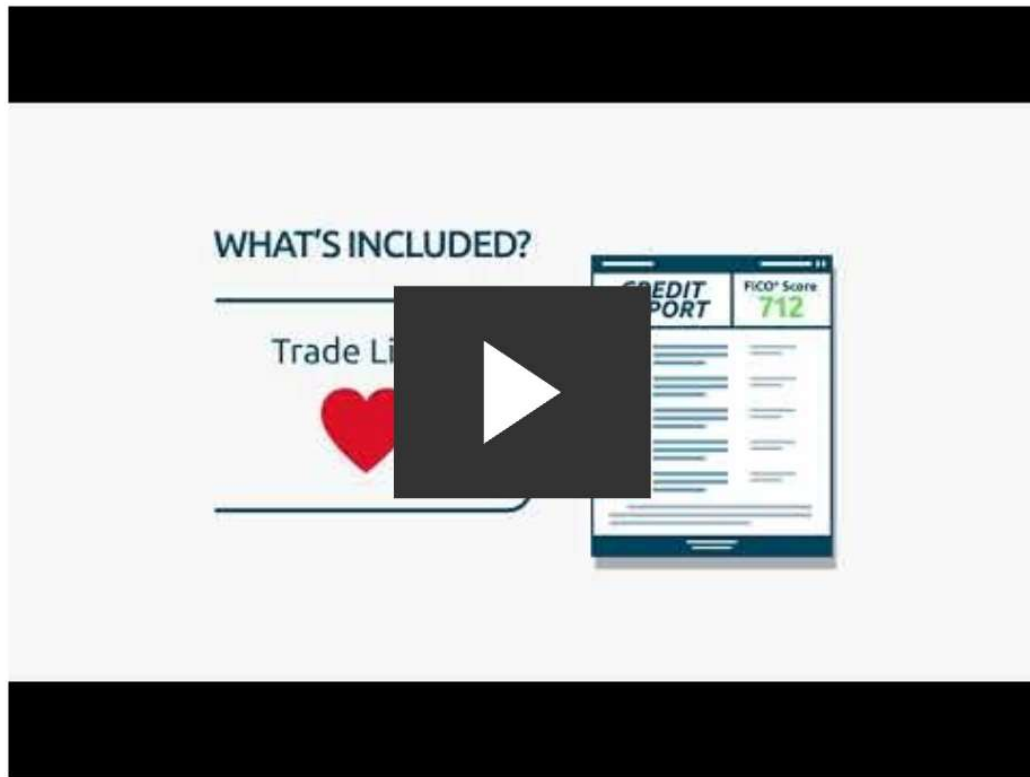
EQUIFAX®

 **experian**™

TransUnion™ 

Video

annualcreditreport.com



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



4

Sample Credit Report

Sample Credit Report Credit Reporting Agency
Business Address
City, State, 00000

1 Personal Identification Information

Your Name: _____ Social Security #: 123-45-6789
 123 Current Address, City, State 00000 Date of Birth: May 1, 1986

Previous Address(es)
 456 Old Address, City, State 00000
 789 Older Address, City, State 00000

Last Reported Employment:
 Accountant, Accounting Firm

2 Public Record Information

Bankruptcy Filed 12/15; Milwaukee County; Case ID 765432;
 Liabilities: \$25,200; Personal, Individual; Discharges: Assets-\$750

Satisfied Judgment Filed 07/12; Dane County; Case ID 234567; Defendant-
 Consumer; Amount-\$9,342; Plaintiff-XYZ Real Estate; Satisfied 03/13; Verified

3 Collection Agency Account Information

Collection Agency (800) 111-1111
 Collection Reported 05/17; Assigned 07/17 to Collection Agency; Client-
 Hospital; Amount-\$1040; Paid collection account

4 Credit Account Information

Company Name	Account Number	Whose Acct.	Date Opened	Months Reviewed	Last Activity	High Credit	Terms	Items as of Date Reported			Date Reported
Balance	Past Due	Status									
Dept Store	12345	I	04/08	36	04/11	\$500	X	\$0	X	O1	01/18
Payment History: 11111111111111111121111111111111111132211											
Auto Finance	98765	I	07/11	48	07/15	\$750 0	\$300	\$0	X	I1	12/17
Payment History: 4332321111111111112211111111112221111111111111											

5 Companies that Requested Your Credit File

12/30/17 Equifax-Disclosure	12/18/16 Department Store
10/02/17 Department Store	08/29/16 Credit Card Company
07/08/17 Bank	

6 FICO Score

504

Payment History Key: 1 = Pays as agreed, 2 = 30–59 days past the due date, 3 = 60–89 days past the due date, 4 = 90–119 days past the due date, 5 = 120 days or more past the due date, 07 = Paying or paid under a special agreement, 08 = Repossession

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 list of items that are included in a credit report on page 4 of the workbook.

- Let them know that the QR code in the front of their workbooks contains more information about each section for future reference.



Highlight sections 3 & 4:

- For section 3, 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

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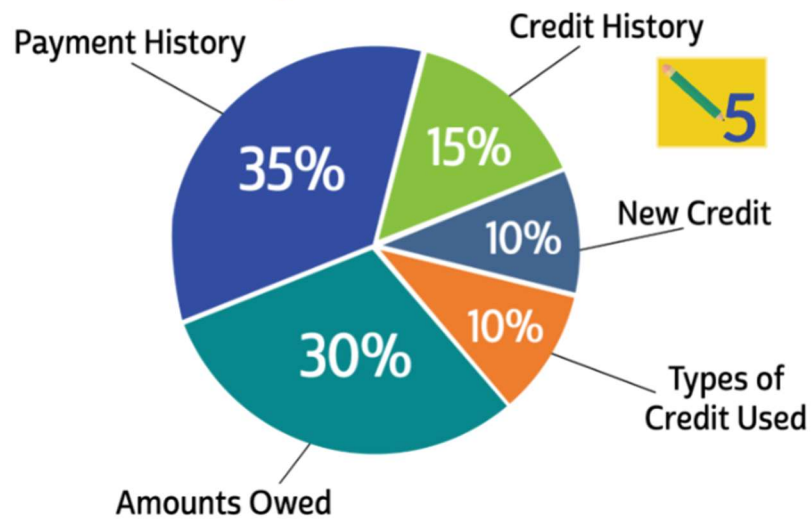
A rating based on the info in your credit report. It represents your creditworthiness or how likely you are to pay back a loan on time.

Video



Move mouse over video and click to play.

What's in your credit score?



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: What's in your credit score (PG 5)

2 min

 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?

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 take a look at what's not included in your credit score and the actual score ranges.

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.

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 higher 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.

Q: How long does it take to establish your first credit score?



**A: About 6 months
(of on-time payments)**



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

↪ Review the credit score ranges.

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

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.

- **QUIZ - ASK:** How long does it take to establish your first credit score?

↪ Have students guess. Advance the slide to reveal the answer.

- Answer – about 6 months (ngpf.org 9/30/20)
- Bills have to be paid on time during the six months.

Stories, Examples & Notes

Share: What do you do personally to maintain a good credit score or if you needed to improve a low credit score?

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
760-850	4.95%	\$801	\$138,269
700-759	5.17%	\$831	\$145,620
680-699	5.35%	\$838	\$151,543
660-679	5.56%	\$858	\$158,778
640-659	5.99%	\$899	\$173,549
620-639	6.54%	\$952	\$192,738
500-619	May need to find another form of financing		
< 500		DENIED	

Actual Rates as of 8/15/22

 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



What's the Credit Score...

How do our financial decisions affect our credit score?



1. Listen to each scenario.
2. Choose and discuss how it will affect your credit score.



Adapted from 

Scenario #1

You skipped a credit card payment. What is your new score?



Your score goes down 100 points.

New Score: 600

Scenario #2

You take out a credit builder loan and make 12 consecutive on-time payments. What is your new score?

Your score goes up 70 points.

New Score: 770



Scenario #3

You completely paid off a credit card and will only use it for emergencies. What is your new score?

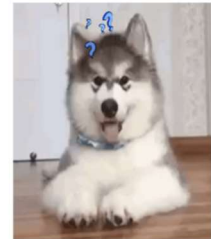


Your score goes up 10 points or more.

New Score: 710+

Scenario #4

You closed a credit card that you haven't used for five years. What is your new score?



Your score goes down 10 points or more.

New Score: 690-

Scenario #5

You applied for a car loan, which was a hard credit inquiry. What is your new score?

Your score goes down 10 points.

New Score: 690



Scenario #6

You missed a car payment by 2 days. What is your new score?



Your score stays the same. It doesn't change because your payment was not 30 or more days late.

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: What's the Credit Score (PG 6)

12 min

Activity Structure: Students must decide how each scenario affects their credit score. They will start at a score of 700 for each scenario.

 **Ask a student to read the first scenario. The scenarios are also in their workbooks on page 6.**

- Give the class a moment to decide if the score will go up or down. They will mark Yes or No in their workbooks.
- They then will decide by how much the score went up or down and write the new score on the line provided in their workbook.
- **ASK:** Would anyone like to share their answer?
- Once the answer has been discussed, advance the slide to reveal the answer.
- Repeat with each scenario.

 **After each scenario, explain why the score went up or down.**

- SCENARIO 1: Score goes down by 100 points. Payment history is the largest portion of your credit score, so missing a payment has a big impact.
- SCENARIO 2: Score goes up by 70 points. Each successful payment is reported to the three major credit bureaus, which will increase your credit score.
- SCENARIO 3: Score goes up by 10 or more points (depends on how close you were to maxing out the card). Your amounts owed also decrease (credit utilization), which is the next biggest portion of your score.
- SCENARIO 4: Score goes down 10 points or more. Your available credit decreased.
- SCENARIO 5: Score goes down 10 points. Since it's a hard credit inquiry, it will affect your score.
- SCENARIO 6: Stays the same. Most companies report missed payments after 30-45 days.

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, you can read the scenarios.

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. Let the students know that the information is available in the QR code.**

 **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. <i>(Only use this site! Others can scam you and make you pay for your report.)</i> <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"> ○ Applying for a store credit card and using for periodic purchases. ○ Talking to my bank or credit union about opening a secure credit card. ○ 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?



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Activity: Financial Capability Checklist (PG 7)

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 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.



When the students are finished, collect the evaluations.



Please return all surveys to SecureFutures after you have completed your entire program commitment. You can use the pre-paid label included with your lesson materials.

- **If time permits, ASK:** Does anyone have any last-minute things they want to ask/discuss
- **Feel free to share any last-minute tips you have for managing credit.**

Additional Stories, Examples & Notes

Additional Stories, Examples & Notes



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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