



Jump\$Start Washington Curriculum Unit Two Chapter Eight: How Credit Affects Your Life

Chapter Learning Objectives

1. Understand your credit score and how it can affect your future.
2. Learn advantages and pitfalls of using credit cards.
3. Beware of interest rates and credit card fees.
4. Learn financial terms.

Episode 205 Synopsis

Did you know that your credit score is like your financial report card? It can make the difference in being able to afford the college of your choice, and may even affect whether or not you get the job or the apartment that you want. Learn about building good credit, and research how credit laws impact your life.

Jump\$Start Standards Correlations

Financial Responsibility and Decision-Making

- Take responsibility for personal financial decisions.
- Find and evaluate financial information from a variety of sources.
- Make financial decisions by systematically considering alternatives and consequences.

Credit and Debt

- Identify the costs and benefits of various types of credit.
- Explain the purpose of a credit record and identify borrowers' credit report rights.
- Describe ways to avoid or correct debt problems.

Washington State Standards Correlations

SOCIAL STUDIES

2. ECONOMICS - The student applies understanding of economic concepts and systems to analyze decision-making and the interactions between individuals, households, businesses, governments, and societies.

2.1 Understands that people have to make choices between wants and needs and evaluate the outcomes of those choices. (Grades 1-2 and 4-12)

2.4 Understands the economic issues and problems that all societies face. (Grades 4 and 6-12)

Lesson Prep and Supplies

Getting Started

1. Familiarize yourself with this **BizKid\$** episode by watching it ahead of time. The episode will serve as a springboard to student learning, discussions, vocabulary exploration, and related hands-on activities.
2. Determine what equipment is required to show the episode in the classroom and request it if needed.
3. Choose an activity and gather supplies to learn about “How Credit Affects Your Life.”

Equipment & Supplies for Preview and Screening

Time Needed: 45-60 minutes

Items Needed For Class:

TV/DVD Player
DVD of Episode 301
Projection System

Items Needed for Each Student:

Pencil or Pen
Paper for taking notes
Copy of BizTerms sheet for each student

Activity One: Preview and Screening

Introduction

Briefly explain that **BizKid\$** is a public television series that teaches kids about money and business. Mention that the bizkids.com website has lots of video clips, games, a blog, and other resources to help kids start businesses and learn about money.

Episode Preview Activity

Before you show **BizKid\$** episode 205, “How Credit Affects Your Life,” lead your students in a brief activity.

- Distribute paper and pen or pencil to each student. Let students know to list any questions they have for later discussion.

Ask students the following discussion questions:

- How many of you expect to have or already have a credit card?
- What are some advantages of having a credit card?
- What are some possible disadvantages?
- What are some alternatives to charging things on credit?

After the students discuss these questions as a group, tell them what they will see in episode 205 “How Credit Affects Your Life” as described below.

About the Episode

Did you know that your credit score is like your financial report card? It can make the difference in being able to afford the college of your choice, and may even affect whether or not you get the job or the apartment that you want. Learn about building good credit, and research how credit laws impact your life.

Next Steps

Show the BizKid\$ episode. After the episode, ask students if they found answers to any of the questions they wrote on their sheets. Allow them to share and ask any questions that remain. Did they learn anything from the episode that will influence their behavior?

Distribute the list of BizTerms vocabulary to each student. Have them look up definitions. Papers are due in about 30 minutes. After 30 minutes have passed, give the students a copy of the definition sheet and they can check their own answers against the sheet.

Activity Two: BizTerms Vocabulary and Definitions

BizTerms Vocabulary

1. Annual Percentage Rate (APR)
2. Credit
3. Credit bureau
4. Credit score
5. Debit card
6. Debt
7. Interest
8. Interest rate
9. Minimum payment
10. Prepaid credit card

BizTerms Definitions

1. An annual percentage rate (APR) is the amount of interest you will pay each year as a fee for borrowing money.
2. Credit is a loan of money from a financial institution which must be repaid by a certain date with interest.
3. A credit bureau is an agency which collects and sells information about how people use their credit, including if they make payments on time and how much credit they have available to them.
4. A credit score is a rating used by credit reporting companies to help lenders decide whether to extend credit to a borrower.
5. A debit card is a bank card that looks like a credit card but it takes money directly from your checking account to pay for the entire purchase all at once.
6. Debt is something owed to another – an obligation to pay.
7. Interest is a fee charged for borrowing money.
8. An interest rate is a percentage, usually on an annual basis, that must be paid back in addition to the original amount borrowed.
9. A minimum payment is the smallest amount of money you are allowed to pay in order for a loan payment to not be considered late or incomplete.
10. A prepaid credit card is a card that will spend like a credit card, but that has already been paid for in advance, such as a \$50 Visa gift card.

Activity Three: Sales Pressure

Activity Learning Objectives

- Understand your credit score and how it can affect your future.

Supplies Needed

- Pen or pencil
- Student copies of “Credit Score” worksheet

Directions

- Distribute a “Credit Score” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

Credit Score Worksheet

Your credit score is the overall grade that you have been given that tells a bank or credit union how you handle your money. Credit scores can range from 300 to 850. A good credit score is 700 or above.

To make your credit score better, pay all of your bills on time. Do not 'max out' your credit card; try to keep it below 40% of the available credit limit. For example, if your credit limit is \$100, don't have more than \$40 charged at any one time.

You are the banker. You need to decide whether or not to loan money to the following people. Your bank rules say that they should have less than 40% of their credit limit spent, and that their credit score must be above 620 to get a loan. If their credit score is over 700, they get the best interest rate (4%) but if it is low they get a higher interest rate (7%).

1. A young couple wants to buy their first house. Their credit score is 650 and they have spent \$800 of a \$1,000 credit limit. Do you give them a loan? If yes, what rate are they getting? What do you tell them if they ask what they need to do to improve?

2. A retiree wants to buy a summer house. Their credit score is 700 and they have spent \$797 of a \$3,000 credit limit. Do you give them a loan? If yes, what rate are they getting? What do you tell them if they ask what they need to do to improve?

3. A teacher wants to buy a townhouse. Their credit score is 620 and they have spent \$390 of a \$1000 credit limit. Do you give them a loan? If yes, what rate are they getting? What do you tell them if they ask what they need to do to improve?

4. A manager wants to buy a condominium. Their credit score is 580 and they have spent \$200 of a \$500 credit limit. Do you give them a loan? If yes, what rate are they getting? What do you tell them if they ask what they need to do to improve?

Have students discuss these ideas and share their answers with the class.

Activity Four: Credit Cards

Activity Learning Objectives

- Learn advantages and pitfalls of using credit cards.
- Beware of interest rates and credit card fees.

Supplies Needed

- Pencil with eraser
- Student copies of “Credit Cards” worksheet

Directions

- Distribute a “Credit Cards” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

Credit Cards Worksheet

Credit cards are plastic cards that allow users to make purchases using borrowed money. There can also be fees and interest payments that you need to be aware of.

1. Look at the credit card offers below, and pick the one that you believe is best. Explain your answer.

Card #1 – Has a \$500 limit. There is a \$20 annual fee. The interest rate is 12%. There is a late fee of \$5 if your payment is late. There is an overdraft fee of \$30 if you go over your limit.

Card #2 – Has a \$300 limit. There is no annual fee. The interest rate is 15%. There is a late fee of \$10 if your payment is late. There is an overdraft fee of \$20 if you go over your limit.

Card #3 – Has a \$400 limit. There is a \$10 annual fee. The interest rate is 10%. There is a late fee of \$15 if your payment is late. There is an overdraft fee of \$15 if you go over your limit.

2. There are benefits and drawbacks to using a credit card. One benefit is that a credit card is easy to use if you are making a purchase online. If you don't have a credit card, what are some alternatives that you have for making purchases?

3. A drawback of a credit card is that you can spend too much very easily. What are some ways to prevent overspending?

4. List one other benefit, and one other drawback, of using a credit card.

Have students discuss these ideas and share their answers with the class.

Resources

BusinessDictionary.com	A reliable source for the definition and explanation of financial terms.
MyMoney.gov	The U.S. government website dedicated to teaching Americans the basics of financial education.
National Financial Educators Council (NFEC)	NFEC and the NFEC EduNation Campaign provides complementary personal finance materials for parents, educators and concerned citizens interested in teaching children about money. http://www.financialeducatorsCouncil.org
360 Degrees of Financial Literacy	This is a free program to help Americans understand their personal finances through every stage of life. It is sponsored by the American Institute of Certified Public Accountants. http://www.360financialliteracy.org
Banking and Financial Systems	This is a textbook published by Goodheart-Wilcox. The ISBN number is 978-1-60525-778-5. http://www.g-w.com
Voluntary National Content Standards in Economic Education	This book is the 2 nd edition from the Council for Economic Education. The ISBN number is 978-1-56183-733-5. http://www.councilforeconed.org
Improving Financial Literacy: What Schools and Parents Can and Cannot Do	This book is published by Jump\$tart Coalition for Personal Financial Literacy. The ISBN number is 0-9666010-1-7. http://www.jumpstart.org