



How Credit Affects Your Life

EPISODE #205

ACTIVITIES & LESSONS

LESSON LEVEL

Grades 9-12

KEY TOPICS

- Entrepreneurship
- Credit and debt
- Interest rates and fees

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 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.

NATIONAL STANDARDS CORRELATIONS

Aligned to *National Financial Literacy Standards* from the **JumpStart Coalition for Personal Financial Literacy**.

Financial Responsibility and Decision Making

- Standard 1:* Take responsibility for personal financial decisions.
- Standard 2:* Find and evaluate financial information from a variety of sources.
- Standard 4:* Make financial decisions by systematically considering alternatives and consequences.

Credit and Debt

- Standard 1:* Identify the costs and benefits of various types of credit.
- Standard 2:* Explain the purpose of a credit record and identify borrowers' credit report rights.
- Standard 3:* Describe ways to avoid or correct debt problems.

Aligned to *Voluntary National Content Standards in Economics* from the **Council for Economic Education**.

- Standard 2:* Decision Making
- Standard 12:* Interest Rates
- Standard 14:* Entrepreneurship

Aligned to **Common Core State Standards Initiative's** standards for *Literacy in History/Social Studies, Science and Technical Subjects*.

Standard 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

Standard 4: Interpret words and phrases as they are used in a text, including determining technical, connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

Standard 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.

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LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what equipment is required to show the episode in your classroom and request it if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Students will need a pen or pencil and copies of the activity worksheets. Have fun!

Screening

Introduce the series and the episode. Explain that Biz Kid\$ 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. Prior to playing the episode, lead your students in a discussion with the preview questions on this page.

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.

Episode Preview Questions

Before you show this Biz Kid\$ episode, lead your students in a brief discussion of the following 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?

Next Steps

Show this episode. After the episode, read the Summary and Conclusion to the class.

Summary and Conclusion

Your credit score can make the difference in getting a job, a loan, a better interest rate, and even paying for college. It is important to build good credit, and understand how credit laws impact your life. Recognize the difference between something you want versus something you really need. You can control your financial reputation by being educated and by making responsible choices.

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



FAMILY ACTIVITY SHEET

Episode 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.

Activity Suggestions

Have a family discussion about the advantages and pitfalls of using credit cards. Share your financial beliefs with your child.

Talk about the difference between ‘wants’ and ‘needs.’ Make a chart that shows which things your family has decided are ‘wants’ and which are ‘needs’ - use the chart below to help you decide.

	URGENT	NOT URGENT
IMPORTANT	#1 - List things here are urgent and important. (NEEDS)	#3 - List things here that that are not urgent but are important.
NOT IMPORTANT	#2 - List things here are urgent but not important.	#4 - List things here that are not urgent and are not important. (WANTS)

Have you ever used a credit card to buy something you ‘want’ because you could get it right away instead of saving up cash to pay for it? Share your experiences with credit with your child. Discuss interest rates, annual fees, late fees, and overdraft fees with your child, and mention how they may be different from card to card. Show them where to find the fine print on a credit card offer. If you have one, show your child how to read a credit card statement.

With your child, learn about the credit reporting bureaus. Know what is included on a credit report, and how to get your free copy each year at (<http://www.annualcreditreport.com>).



Activity #1:

BIZ TERM\$

WORKSHEET FOR STUDENTS

Biz Term\$

- Annual percentage rate (APR)
- Credit
- Credit bureau
- Credit score
- Debit card
- Debt
- Interest
- Interest rate
- Minimum payment
- Prepaid credit card

Directions

With students, read aloud the Biz Term\$ and each question. Call on volunteers for answers, and have them explain why they chose the term they believe to be correct.

Biz Term\$ Episode Review

1. A _____ spends like a credit card but has been paid for in advance.
2. _____ is the amount of interest you pay each year as a fee for borrowing money.
3. The smallest amount of money you are allowed to pay for a loan payment not to be considered late or incomplete is the _____.
4. The agency providing data about how people use their credit is a _____.
5. A bank card that takes money directly from your checking account to pay for an entire purchase immediately is a _____.
6. You must pay back the original loan amount plus _____ for borrowing money.
7. A loan of money which must be repaid by a certain date with interest is a _____.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences, write a paragraph, or create a story, skit, or dialog using Biz Term\$.
- Have students create a class Dictionary of Financial Terms using Biz Term\$.
- Have students start their own Journal of Personal Financial Education and continue to add to it.

History/Social Studies

- The names of the three largest modern credit bureau companies are Experian, TransUnion, and Equifax. Which one is oldest? When was it founded? What was the original name for the oldest company? What city is their headquarters in? What was their original purpose?

Mathematics

- How long would it take to repay a student loan debt of \$54,000 at 8% interest rate if you pay \$361 each month? How much will you pay in interest? What if you went to a less expensive school for the first two years of your degree program, and had a total debt of only \$38,580, how long would it take to repay that if you still made a payment of \$361 each month? How much would you pay in interest for the smaller loan?

Economics

- How do credit cards affect the U.S. economy? Look at the short-term effects as well as the long-term effects. During a recession, do you believe lenders should lower or raise interest rates for their customers? Explain your thinking in terms of both short-term effects and long-term effects.

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each Biz Term.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each Biz Term in their own words to demonstrate comprehension.



Activity #2:

YOUR CREDIT SCORE

WORKSHEET FOR STUDENTS

Lesson Level:

Grades 9-12

Learning Objective:

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

Directions

Traditionally, a minimum credit score of 620 or better was required by many lenders. Today, lenders are more strict, and many prefer a score of 640 or better as a minimum.

1. You're a banker. A friend would like to borrow \$1,000 from your bank. They have a credit score of 630. What is your decision about lending them money, and why?

2. Your credit score is 635, and the credit union prefers a score of 640 or better to give you a loan. What would you tell them to convince them you should get the loan anyways?

3. A couple wants to buy a car. They can afford the car payments, but the computer at your bank says no due to their low credit score. As the banker, it's your decision. What do you say, and why?

4. The biggest factor affecting your credit score is whether or not you pay your bills on time. What advice would you give to a person who wants to borrow money but their credit score is too low right now?

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



Activity #3:

BUYER BEWARE!

WORKSHEET FOR STUDENTS

Lesson Level:

Grades 9-12

Learning Objective:

Beware of interest rates and credit card fees.

Directions

When you borrow money, you have to pay back more than the amount that you borrowed. That is why lenders are willing to let you borrow their money, because they make more money in the end. Sometimes there are fees you pay, and almost always there is an interest rate which tells you how much extra you have to pay back.

1. You want a credit card. You get 2 offers in the mail. One has a \$20 annual fee and a 10% interest rate. The other has no annual fee and a 25% interest rate. Which card is a better choice for you, and why?

2. The answer to the question above might be different for each individual. If I am a person who pays off my entire credit card balance every month, which card would be better for me? Why?

3. When a credit card company loans you money, what they earn is the interest that you pay. How much is too much to pay in interest? Why?

4. There is a famous saying in the play Hamlet, “neither a borrower nor a lender be.” What does that mean? Do you agree with it? What would happen if no one ever gave loans to people?

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



BIZ TERMS DEFINITIONS

- *Annual percentage rate (APR):* How much interest you will pay each year as a fee for borrowing money.
- *Credit:* A loan of money from a financial institution which must be repaid by a certain date with interest.
- *Credit bureau:* 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.
- *Credit score:* A rating used by credit reporting companies to help lenders decide whether to extend credit to a borrower.
- *Debit card:* 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.
- *Debt:* Something owed to another - an obligation to pay.
- *Interest:* A fee charged for borrowing money.
- *Interest rate:* A percentage, usually on an annual basis, that must be paid back in addition to the original amount borrowed.
- *Minimum payment:* The smallest amount of money you are allowed to pay in order for a loan payment to not be considered late or incomplete.
- *Prepaid credit card:* 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.



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