

## Unit 3 - Credit Cards and Debt

### Objectives

In this lesson we will learn about the basics of what a credit card is and the different responsibilities that come with owning a credit card.

- We will learn about what both a credit report and credit score are and the impact they have on someone's finances.
- We will be able to define key terms such as credit score and credit report.
- We will be able to determine different events that either improve or harm someone's credit.
- We will understand the purpose of a credit card and the responsibilities that come with owning a credit card.

Students will continue their projects for both the Budget Game and Stock Game, with a midpoint review for the Budget Game.

### Slideshow

Included in the Credit Card and Debt slideshow are all the challenge questions, key terminology, and project prompts.

### Unit 3.1 - Intro to Credit

Activity	Type	Summary	Time
Class Discussion	Lecture	<u>Slideshow</u> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.1</li> </ul>	20 min.
Read Article	In-Class	Credit <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	20 min.
Read Article	In-Class	Interest Rates <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	6 min.
Read Article	In-Class	Credit Cards <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	17 min.

Interactive Activity	In-Class	What would you do scenarios (Family Economics & Financial Education) <ul style="list-style-type: none"> <li>• Either as a class or in groups, go over the following scenarios to evaluate how each student would respond.</li> <li>• <a href="#">CreditScenarioCards.pdf (financeintheclassroom.org)</a></li> </ul>	15 min.
Interactive Activity	Home Work	Play 1 month of the Budget Game	15 min.

### Unit 3.2 - Buying a Car

Activity	Type	Summary	Time
Class Discussion	Lecture	<u>Slideshow</u> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.2</li> </ul>	15 min.
Read Article	In-Class	Good Debt, Bad Debt <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	5 min.
Read Article	In-Class	Car Loans Calculator <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	16 min.
Read Article	Home Work	Buying a Car <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	23 min.
Interactive Activity	Home Work	Play 1 month of the Budget Game	15 min.

### Unit 3.3 - Other Types of Loans

Activity	Type	Summary	Time
Class Discussion	Lecture	<u>Slideshow</u> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.3</li> </ul>	20 min.
Read Article	In-Class	Short-Term Financing <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	14 min.
Read Article	In-Class	Student Loans <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	9 min.
Read Article	In-Class	Mortgages <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	18 min.

Interactive Activity	In-Class	<a href="#">Asking for a loan   Consumer Financial Protection Bureau (consumerfinance.gov)</a> <ul style="list-style-type: none"> <li>• <a href="#">Teacher Guide</a></li> <li>• <a href="#">Student Worksheet</a></li> </ul>	45 min.
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### Unit 3.4 - Credit Cards & Credit Reports

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.4</li> </ul>	20 min.
Watch Video	In-Class	How to Read Your Credit Card Statement <ul style="list-style-type: none"> <li>• <a href="#">Watch Video</a></li> </ul>	6 min.
Watch Video	In-Class	Documentary: MAXED OUT A Documentary on PREDATORY Lending <ul style="list-style-type: none"> <li>• <a href="#">Watch Video</a></li> </ul>	86 min.
Read Article	Home Work	Credit Reports <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	17 min.
Read Article	Home Work	Credit Card Payment Calculator <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	8 min.
Interactive Activity	Home Work	Play 1 month of the Budget Game	15 min.

### Unit 3.5 - Managing Debt

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.5</li> </ul>	20 min.
Read Article	In-Class	Consolidating Debt <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	13 min.
Read Article	In-Class	Debt Negotiation <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	13 min.

Interactive Activity	In-Class	<a href="#">Distinguishing between credit myths and realities   Consumer Financial Protection Bureau (consumerfinance.gov)</a> <ul style="list-style-type: none"> <li>• <a href="#">Teacher Guide</a></li> <li>• <a href="#">Student Worksheet</a></li> </ul>	50 min.
Read Article	Home Work	Managing Debt <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	11 min.
Read Article	Home Work	Debt Management Services <a href="#">View Lesson</a>	8 min.

### Unit 3.6 - Mid-way Projects

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.5</li> </ul>	5 min.
Interactive Activity	In-Class	Play 1 month of the Budget Game <ul style="list-style-type: none"> <li>• Start full-time mode</li> </ul>	15 min.
Read Article	Home Work	Bankruptcy <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	9 min.
Class Project	Home Work	Stock Game Midpoint Review <ul style="list-style-type: none"> <li>• <a href="#">Refer to teacher packet</a></li> </ul>	10 min.
Class Project	Home Work	Budget Game Midpoint Review <ul style="list-style-type: none"> <li>• <a href="#">Refer to teacher packet</a></li> </ul>	15 min.

By the end of the lesson, students will:

- Define key terms such as credit score and credit report.
  - Determine different events that either improve or harm someone's credit.
  - Understand the purpose of a credit card.
  - Understand the responsibilities that come with owning a credit card.
  - Be able to implicitly and explicitly think about situations that will either improve or harm their credit and explain why.
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## Key Glossary Terms

The key terminology is covered in each of the sub-units, here is a complete list of all the terms introduced in the Credit & Debt Unit.

Credit	When you use borrowed money with a promise to repay it later.
Principle	The amount of money that you borrow. You are expected to repay the principal plus any interest charged.
Credit Limit	The total amount you are allowed to borrow. This is set by the lender based on your ability to repay.
Grace Period	Represents the time between when you borrow money and when interest begins to be charged on the principal.
Mortgage	A loan used to purchase or maintain a property, (home, land, or real estate). The borrower agrees to pay the lender a series of regular payments that are divided into principal and interest. The property serves as collateral to secure the loan. If the borrower defaults they forfeit the collateral, (their property) to the lender.
Depreciation	A reduction in the value of an asset with the passage of time, due to wear and tear
Resale Value	The value that goods, especially a house, car or other property, have when you want to sell after owning it for a period of time.
Financing Charges	The interest and other charges that a financial institution charges a borrower as the expense for taking a loan.
Unsecured Personal Loans	Any loan you take out without providing collateral, for example, a credit card.
To Default	The failure to fulfill an obligation, especially to repay a loan.
Variable Interest	Also called adjustable or floating rate, is an interest rate on a loan that fluctuates over time based on the underlying interest rate.
Fixed Interest	An unchanging rate charged on a liability, such as a loan or mortgage.

Payday Loans	These loans are typically offered as a “bridge” between an expense (such as rent) and your next paycheck, usually with term lengths of less than 1 month. These loans can be either unsecured or secured.
Second Mortgage	A mortgage taken out on a property that is already mortgaged.
Reverse Mortgage	A financial agreement in which a homeowner relinquishes equity in their home in exchange for regular payments, typically to supplement retirement income.
Credit Report	A detailed summary of how an individual has handled their credit accounts. The three major credit bureaus in the United States are Equifax, Experian, and Transunion.
Credit History	The record of how a person has managed their credit in the past, including total debt load, number of credit lines, and timeliness of payment. Entries are removed after 7-10 years.
Credit Score	A number between 300-850 assigned to a person that indicates to lenders their capacity to repay a loan.
Fair Credit Reporting Act (FRCA)	A federal law that regulates the collection of consumers' credit information and access to their credit reports. It addresses the fairness, accuracy, and privacy of the personal information contained in the files of the credit reporting agencies.
Compound Interest	The interest on a loan or deposit calculated based on both the initial principal and the accumulated interest from previous periods.
Insolvent	The point where you are unable to pay back your personal debt.
Repossession	When a creditor takes possession of any property you put up as collateral after you stop making your loan repayments. They can usually do this without notifying you.
Wage Garnishment	If a creditor sues you for defaulting on your loan, the court can enforce that a certain amount of your paycheck is sent directly to the creditor before you even see it.
Debt Settlement	An arrangement between the lender and the borrower, where the borrower pays a lump sum or one-time payment which is less than the actual amount due, to settle the debt once and for all.

