

## FINANCIAL LITERACY LESSON PLAN

**GRADE:** 12  
**SUBJECT:** Civics for the Next Generation  
**UNIT/LESSON TOPIC:** Good Credit? Bad Credit? No Credit? No Problem!?!?  
The Good, Bad and the Ugly of Using Credit and Accumulating Debt.

### College- and Career Readiness Standards:

SS.C.27--describe how households, businesses and government interact in a free-market economy

SS.C.31--evaluate income, lifestyle, education and employment decisions to make successful career choices:

- differentiate between gross and net income (e.g., taxes, insurance and pension plans).
- explore how benefits packages, unions and professional organizations impact lifestyle.
- evaluate the impact of education on lifelong earning potential.
- examine the expectations and benefits of potential careers.
- construct, analyze and monitor personal budgets,
- determine what makes up the cost of living and how it varies in different locations.

SS.C.38 --using traditional and online banking services as well as examining fees, services, and hidden costs of checking, savings, debit cards, Certificates of Deposit, etc..

- savings for emergency situations and long-term goals.

SS.C.34--examine the causes of bankruptcy and how to avoid them.

SS.C.35--complete Federal and State income tax forms and examine other state and local taxes.

SS.C.36--examine the advantages and disadvantages of different types of consumer debt to make sound financial decisions (e.g., home loans, credit card debt, automobile loans, pay-day loans and rent-to-own).

SS.C.37--develop the knowledge and practices of a savvy consumer who knows consumer rights and responsibilities, can identify and avoid fraudulent practices, and guard against identify theft.

## **Financial Literacy Content Objective: Using Credit, Buying Goods and Services, Saving**

### **1. Engage:**

Dave Ramsey, a financial author and radio host stated in the documentary Maxed Out: "There's a lot of shame and a lot of guilt attached to the issue of money mismanagement...Everybody feels like the other couple has a perfect marriage and a perfect everything...Turns out, I've met Ken and Barbie and they're broke."

Keeping this in mind, it is our duty to share the pitfalls of credit and money mismanagement with our students. At this very moment, our students have a clean financial slate. They have established no credit lines nor defaulted on any loans. If only we could say the same! Our financial life decisions, from taking college loans to paying with credit for that perfect date outfit, are reflected in our FICO score. Our FICO score takes a lifetime to build and can be damaged quickly by non-payments and too many credit checks. Teaching our students to manage credit wisely is integral to their future prosperity, especially since there is \$3.4 trillion dollars in outstanding debt in this country and most, if not all, students will go into considerable debt when they take out their first student loan.

- To begin the lesson the teacher will show a "Good Credit, Bad Credit, No Credit, No Problem!" commercial from YouTube or one from a local television channel; these local commercials should be easy to find and record since many car dealerships and furniture stores offer credit lines to those with bad or no credit. An excellent example can be found by using the following link: <https://www.youtube.com/watch?v=h2-ZgQohyxE>.
- After showing the video, the teacher will pose the following questions to the class as a discussion starter.
  1. What is the purpose of credit?
  2. How is credit used in a free-market economy?
  3. Is it truly necessary for consumers to acquire credit?
  4. How would we describe someone with good credit?
  5. What actions might cause someone to have bad credit?
  6. What does it mean to have no credit?
  7. What do you think someone could do to fix his or her credit?
- Next, the students will take a vocabulary quiz using the following website:  
[http://takechargetoday.arizona.edu/system/files/Credit\\_Vocab.swf](http://takechargetoday.arizona.edu/system/files/Credit_Vocab.swf)
- This fun vocabulary game addresses twenty oft-heard terms when it comes to credit card usage. The teacher will need to secure use of the school computer lab, arrange for the school computer cart, or utilize one-to-one computer instruction for this vocabulary review. Please make sure to inform the students that they need to keep their internet browser open and raise their hand when they reach the end of the test. The teacher can record the final score so he or she may evaluate the student's prior knowledge on credit related terms.
- The teacher should also take the test prior to the students so that he or she is aware of the type of questions being asked by the interactive test.

## 2. Explore:

The average American household has an average credit card debt of \$14,000, The average individual student loan debt for the Class of 2016 is over \$37,000, with a delinquency rate of 11.6%. These totals do not include medical bills, car or home loan debt. Almost every student will need to use credit sometime during his or her life. Learning effective credit use is essential to personal financial stability. It is also important for most, if not all, businesses.

- With the “Engage” discussion in mind, students will be asked to utilize digital technology individually or with a partner in order to explore the webpages below. The teacher will need to pre-arrange student access to technology or the teacher will need to print copies of the different pages.
- Students will take notes on each page or the teacher can generate a student-friendly graphic organizer for classroom use. I always direct my students to take notes on what they believe are the main ideas while also encouraging them to write down any information they find thought provoking or integral to understanding credit usage.

### List of articles for students to read/analyze/discuss with partner:

1. An article from the Boston Federal Reserve exploring the history and evolution of consumer credit in America  
<https://www.bostonfed.org/education/ledger/ledger04/sprsum/credhistory.pdf>
  2. An Experian PDF that explains why consumers need to build good credit.  
[http://www.experian.com/assets/consumer-education-content/brochures/AllAboutCredit\[1\].pdf](http://www.experian.com/assets/consumer-education-content/brochures/AllAboutCredit[1].pdf)
  3. A site exploring FICO scores and what determines consumer credit scores.  
<http://www.myfico.com/crediteducation/whatsinyourscore.aspx>
  4. A different section of the same FICO site that explores how consumers can achieve their desired credit score.  
<http://www.myfico.com/Goals/CreditCards/>
  5. This page explains how a consumer can end up with a bad credit score.  
<https://www.credit.com/credit-scores/what-is-a-bad-credit-score/>
  6. This page explains how a person with no credit can build a good credit record.  
<http://www.bankrate.com/finance/credit-cards/6-ways-to-deal-with-limited-or-no-credit-1.aspx>
- The teacher should move about the room while the students are researching and reading. The teacher can raise questions to the students while redirecting those learners who might go astray during the assignment.
  - To expand the student’s exploration of credit related topics, the teacher can recommend or set aside class time to watch the award-winning documentary “Maxed Out: Hard Times, Easy Credit and the Era of Predatory Lenders” which explores the American credit crisis pre-Great Recession. This video is available in Hi-Def for \$2.99 at <https://www.youtube.com/watch?v=Mukh2dOgVKg>. It is also available on Amazon Prime

and Google Play for the same price.

### **3. Explain:**

- Project Money offers great hands-on worksheets for student exploration into credit. The class will explore each of these worksheets during the next section of this plan:

**<http://www.projectmoney.org/teaching/worksheets.html>**

- The teacher will first hand out the Credit Card Words worksheets. Students will read the worksheet; students will utilize active reading strategies to mark any questions the worksheet may provoke.
- Teachers can learn more about active reading strategies by exploring the video and summary on this page: **<http://study.com/academy/lesson/what-is-active-reading-definition-strategies.html>** The teacher can ask the students to circle their questions or to use a two-highlighter strategy, highlighting their prior knowledge in one color and their questions in another.
- After reading, the students will use a think-pair-share strategy to compare questions and knowledge with a classmate seated nearby. This strategy works well since students can compare notes with a classmate and discuss any questions they may have about the content. Students should be timed on the clock for this assignment and the teacher should give clear instructions that the pairs should compare notes and discuss their findings. The students will then be asked to share out their findings with the whole group in a class discussion.
- The students will go back to their pair to analyze a potential credit card offer using the Choosing Your Credit Card worksheet. Students will need to record their answers. The teacher will ask the pairs to share out on their findings.
- The students will read the next two worksheets, Using your Credit Card and Ten Warning Signs of Credit Card Trouble while considering these two encompassing questions:
  1. What types of purchases should consumers use credit cards for and what types of purchases should they avoid?
  2. How can consumers be smart about credit card usage?

These two questions should be written on the board or displayed digitally so the students can consider them thoughtfully while reading.

- Students should again use active reading strategies to identify the answers; they can use the two-highlighter strategy to identify the answers to each of the two questions, marking the first answer in one color and the second answer in another. Students will use a think-pair-share to share their findings and questions with the class.

### **4. Elaborate/Extension:**

- Students will put their new knowledge into practice by considering the possible financial situations posed by the Spot the Credit Crisis worksheet found at: [https://www.practicalmoneyskills.com/foreducators/lesson\\_plans/lev9-12/SA\\_Lesson6.pdf](https://www.practicalmoneyskills.com/foreducators/lesson_plans/lev9-12/SA_Lesson6.pdf)
- Students should use their prior knowledge, notes from the Explore section, and completed worksheets from the Explain section/Project Money website to answer each of the scenarios.

The teacher can take up the assignment for a grade, use a think-pair-share to share out the answers, or the teacher can create a class financial literacy hash tag, such as #missbfinancialed, and let the students tweet out their answers for each scenario.

- The teacher can use an online application such as TweetDeck, VisibleTweets.com, or www.tagboard.com to display the student's answers to the entire class. Students' Twitter accounts must be set to public for this process to work and for students to see their answers on the screen.
- The teacher should assign students a take-home activity so they can involve their families in this classroom discussion on good credit. The students will interview an adult relation, i.e. parents, older siblings, grandparents, or aunts or uncles concerning the types of credit lines they have used in setting up their household and the types of credit issues they experienced as a young adult. Learning from a family member's missteps or successes could be a valuable tool in the learning process.
- The teacher will distribute the Student Credit Interview Questions worksheet for the assignment. Students could even record the interview on their digital device so it may be used as a reference in the "Evaluate" step.

One note: Some parents/family members may feel uncomfortable discussing their finances. Teachers may find it beneficial to send a letter home explaining what the students are doing and/or provide an option for students interview a banker, another teacher who understands the unit and is willing to share information, or another individual who is willing to speak about their missteps.

## **5. Evaluate:**

- Students will now use active reading strategies, such as highlighting and circling key financial terms, to read the following Daily Finance article entitled College Students Still Face Crippling Credit Card Interest Rates and a college student credit debt fact page:  
**<http://www.dailyfinance.com/2014/08/25/college-students-still-face-crippling-credit-card-interest-rates/>**  
**<http://www.creditcards.com/credit-card-news/credit-card-debt-statistics-1276.php>**
- Students will use their newly gained knowledge from the lesson and articles to participate in a classroom Socratic seminar.
- If students or the teacher are unfamiliar with a Socratic seminar, please use the following guideline sheet for a clear outline of the process.  
**<http://www.montgomeryschoolsmd.org/uploadedFiles/schools/paintbranchhs/signature/Socraticseminarguidelines018.pdf>**
- The teacher should use Socratic Seminar rubrics to evaluate the student's participation. Samples rubrics can be found at the following page:  
**<http://www.greececsd.org/district.cfm?subpage=497>**.
- To conclude, the teacher can use the findings from the 2016 annual report of young adults published by the Council on Economic Education to compare individual student's learning to the national average. Students can take the survey for a test grade. After completion, the teacher can share the national report and the classroom results

- The survey and overall results can be found here:  
[\*\*https://lendedu.com/blog/march-consumer-credit-survey\*\*](https://lendedu.com/blog/march-consumer-credit-survey)

# Student Credit Interview Questions

Student Name: \_\_\_\_\_

Date: \_\_\_\_\_

Interviewee: \_\_\_\_\_

Relationship to Interviewer: \_\_\_\_\_

## 1. How have you used credit in the past or how are you currently using it?

Student Loans	Yes _____	No _____	Still Paying _____	Paid Off _____
Vehicle	Yes _____	No _____	Still Paying _____	Paid Off _____
Home	Yes _____	No _____	Still Paying _____	Paid Off _____
Appliances	Yes _____	No _____	Still Paying _____	Paid Off _____
Electronics	Yes _____	No _____	Still Paying _____	Paid Off _____
Medical Bills	Yes _____	No _____	Still Paying _____	Paid Off _____
Lawn/Garden	Yes _____	No _____	Still Paying _____	Paid Off _____
Equipment				
Vacation	Yes _____	No _____	Still Paying _____	Paid Off _____
Expenses				

## 2. What types of credit cards do you possess at present?

Store Specific Credit Cards Yes \_\_\_\_\_ No \_\_\_\_\_ Stores?: \_\_\_\_\_

Standard Credit Cards: Mastercard: Y\_\_\_\_\_ N \_\_\_\_\_, Discover: Y\_\_\_\_\_ N \_\_\_\_\_,  
Visa: Y\_\_\_\_\_ N \_\_\_\_\_, American Express: Y\_\_\_\_\_ N \_\_\_\_\_, Other: \_\_\_\_\_

## 3. How often do you check your FICO Score? What is the reasoning behind this frequency?

## 4. Have you experienced any credit mishaps in the past? If so, how did you fix them?

## 5. What is your credit advice for high school students?