

# Remember The Interest

## Overview

This lesson explains the implications of borrowing money.

## Lesson Objectives

Students will be able to:

- Explain why people borrow money.
- Identify the rights and responsibilities of borrowing money.
- Demonstrate when it is appropriate to borrow money.
- Evaluate the impact of borrowing money.

## Lesson Procedures

1. Have students read Lesson 7.1. Use the Introduction scenario in the lesson and have students respond to the question at the end. Explain that paying interest is the cost of borrowing money. Ask students why people borrow money when they have to pay interest on it.
2. Have students identify several reasons that people use credit to make purchases. Encourage them to consider if those purchases could be made with cash instead of credit. Use Activity 7.1A to illustrate that it may be more appropriate to use credit on some purchases than on others. Follow up this discussion with Activity 7.1B to help students make choices about using credit.
3. Discuss the rights and responsibilities of borrowing money. Explain the different terms used in loan agreements to help students understand those rights and responsibilities.
4. Differentiate between secured and unsecured credit, and between installment and non-installment credit. Help students find examples of each.
5. Discuss the relationship between borrowing and debt.
6. Conclude the lesson by revisiting the FINAL NOTE.

## PERSONAL FINANCIAL LITERACY

### PASS OBJECTIVE

Objective 7.1: Identify and analyze sources of credit (e.g., financial institutions, private lenders, and retail businesses) and credit products (e.g., student loans, credit cards, and car loans).

Objective 7.4: Explain how the terms of a loan (e.g., interest rates, fees, and repayment schedules) affect the cost of credit.

**“Home life ceases to be free and beautiful as soon as it’s founded on borrowing and debt.”**

*Henrik Ibsen*

## VOCABULARY

Credit  
Collateral  
Comparison shopping  
Installment credit  
Interest  
Interest rate  
Loan agreement  
Mortgage  
Non-installment credit  
Secured credit  
Unsecured credit

# It's in Your Interest

## Overview

This lesson focuses on calculating the cost of credit, identifying the different lenders who provide it, and making good choices when using it.

## Lesson Objectives

Students will be able to:

- Identify potential sources of credit.
- Compare credit sources.
- Evaluate credit practices.
- Calculate credit costs.
- Demonstrate the ability to make good credit choices.

## Lesson Procedures

1. Have students read Lesson 7.2. Use the Introduction scenario in the lesson and have students respond to the question at the end. Record their answers to review at the end of the lesson.
2. Explain the importance of understanding the annual percentage rate. Walk students through the process of calculating the APR, as shown in the lesson.
3. Explain the importance of understanding the minimum payment on credit cards and why it is better to pay more than the minimum each month. Walk students through the information on minimum payments in the lesson.
4. Discuss the reasons that credit card companies can increase their interest rate and the potential impact it can have on their minimum payments.
5. Have students compare the different types of lenders. Use Activity 7.2 to highlight these differences. Debrief the activity.
6. Revisit student answers to the situation in the Introduction, comparing their answers with the FINAL NOTE. Ask if they want to change their answers.
7. Use Review 7.2 to assess student learning.

## PERSONAL FINANCIAL LITERACY

### PASS OBJECTIVE

Objective 7.1: Identify and analyze sources of credit (e.g., financial institutions, private lenders, and retail businesses) and credit products (e.g., student loans, credit cards, and car loans).

Objective 7.3: Explain the importance of establishing a positive credit history (e.g., maintaining a reasonable debt to income ratio), describe information contained in a credit report, and explain the factors that affect a credit score (e.g., the relationship between interest rates and credit scores).

**“Some debts are fun when you are acquiring them, but none are fun when you set about retiring them.”**

*Ogden Nash*

## VOCABULARY

Annual percentage rate

# Your Credit Score

## Overview

This lesson discusses the basics of credit reports and credit scores.

## Lesson Objectives

Students will be able to:

- Describe the purpose of a credit report.
- Define the role of credit scores.
- Explain the importance of a good credit score.

## Lesson Procedures

1. Have students read Lesson 7.3. Review the terminology for this lesson with the students, and discuss the situation presented in the Introduction.
2. Discuss the content of the lesson, explaining the purposes of a credit bureau, the role of FICO scores, and what is/is not included in a FICO score.
3. Explain how lenders use credit scores and credit files to make decisions about lending money to potential borrowers. Use Activity 7.3 to apply these concepts. Debrief the activity.
4. Conclude the lesson by revisiting the FINAL NOTE.
5. Use Lesson Review 7.3 to assess student learning.

## PERSONAL FINANCIAL LITERACY

### PASS OBJECTIVE

Objective 7.3: Explain the importance of establishing a positive credit history (e.g., maintaining a reasonable debt to income ratio), describe information contained in a credit report, and explain the factors that affect a credit score (e.g., the relationship between interest rates and credit scores).

Objective 7.4: Explain how the terms of a loan (e.g., interest rates, fees, and repayment schedules) affect the cost of credit.

**“He is not wise to me who is wise in words only, but he who is wise in deeds.”**

*St. Gregory*

## VOCABULARY

Credit bureau

Credit history

Credit report

Credit score/rating

FICO

# Consumer Credit Legislation

## Overview

This lesson introduces the various types of legislation that impacts consumer credit and related practices.

## Lesson Objectives

Students will be able to:

- Explain key legislation related to consumer credit.
- Apply consumer credit legislation to specific credit problems.

## Lesson Procedures

1. Have students read Lesson 7.4. Use the Introduction scenario in the lesson and have students identify something they would save to buy.
2. Review the content of the lesson, covering the different types of Consumer Legislation and its purpose. Have students complete Activity 7.4 to apply the concepts learned in the lesson. Ask for student volunteers to read their letters to the rest of the class. Debrief the activity.
3. Conclude the lesson by revisiting the FINAL NOTE.
4. Use Lesson Review 7.4 to assess student learning.

### PERSONAL FINANCIAL LITERACY

#### PASS OBJECTIVE

Objective 7.2: Identify standard loan practices, predatory lending practices (e.g., rapid tax return, rapid access loans, and payday loans), and legal debt collection practices.

**“Spiders will build their webs no matter how many laws you pass against it.”**

*Marty Rubin*

### VOCABULARY

Consumer credit  
legislation

# The FAFSA And Student Loans

## Overview

This lesson is designed to help students understand the importance of completing the FAFSA when continuing their post-secondary education and the implications of getting student loans to finance that phase of their education.

## Lesson Objectives

Students will be able to:

- Describe the purpose of the FAFSA
- Distinguish between federal and private student loans
- Explain the responsibilities of getting student loans

## Lesson Procedures

1. Have students read Lesson 7.5 Part A. Use the Introduction scenario in Part A to ask students if they have plans for continuing their education after high school. Ask if they have considered how to pay for a post-secondary education. Ask if they have older brothers and sisters who have completed the FAFSA. Use this lesson as a reminder that having plans for continuing education is important for everyone.
2. Review the content of the lesson, emphasizing the importance of completing the FAFSA online to help facilitate the process. Also remind students that they should never pay for help to complete the application.
3. Conclude Part A by revisiting the situation with Jonah, Ross, and Taylor. Ask students what they have learned in this lesson. Encourage them to share this information with their parents.
4. Use Review 7.5A to assess student learning for Part A.

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## PERSONAL FINANCIAL LITERACY

### PASS OBJECTIVE

Objective 7.1: Identify and analyze sources of credit (e.g., financial institutions, private lenders, and retail businesses) and credit products (e.g., student loans, credit cards, and car loans).

**“Education costs money, but then so does ignorance.”**

*Claus Moser*

## VOCABULARY

FAFSA

Consolidation loan

Deferment

Federal student loan

Forbearance

Student loan lender

Work study

# The FAFSA And Student Loans

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4. Use Review 7.5A to assess student learning for Part A.
5. Have students read Lesson 7.5 Part B. Use the Introduction in Part B to remind students that post-secondary education requires some kind of payment, either scholarships, savings, loans, or other sources.
6. Review the content of the lesson, focusing on the differences between federal student loans and private student loans. Remind students that loans for education must be paid back, like any other loans – with one big exception: federal student loans cannot be discharged by filing bankruptcy. (Private students may or may not be discharged, depending upon the loan.) Also, review the tips provided by the U.S. Department of Education to help students make better choices about paying for their education.
7. Conclude the lesson by revisiting the FINAL NOTE.
8. Use Review 7.5B to assess student learning.

# Credit Juggle

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## Overview

This activity can be used to introduce or review the concepts in Standard 7.

## Materials

- Two or three small balls or bean bags to be tossed among students in a small group. Balls or bags should be different colors.
- Paper for class to keep score
- Something to write with

## Procedures

1. Ask for five or six student volunteers to participate in a ball or bean bag toss activity. Tell the remainder of the class they will be recorders of the activity.
2. Explain the activity as follows: You will call one student's name and toss him/her one ball to catch. The student with the ball will then call another student's name and toss him/her the ball, continuing this activity until the ball has been tossed to all students in the group. Student recorders should write down the names of the students who received the ball, tracking them in the correct order. Ask student volunteers to recite the order in which the ball was tossed, having the recorders check to see if they are correct.
3. Repeat the activity by using two balls tossed to two student volunteers. Have half of the class record the ball toss for one color and the other half record the ball toss for the other color. After each student has received both balls, again have student volunteers recite the order in which the balls were tossed with student recorders checking their accuracy. (Playing a third round with a third ball is optional).
4. Ask students which group was more accurate in recalling the order of the balls tossed: those tossing them or those recording the order. In most cases, the recorders were more accurate than the volunteers.
5. Remind students that using multiple forms of credit is like tossing the balls. If they fail to keep track of how much they are charging, then it will be challenging to pay their monthly bills.

# Would You or Wouldn't You....?

## Overview

This activity can be used to introduce students to the concept of consumer credit by showing them how a person's behavior affects their ability to borrow money.

## Materials

- Individual Scenarios
- Pen and Paper to record scores

## Procedures

1. Remind students that potential lenders use various criteria to make decisions about whether or not to loan money to individuals. Explain that research suggests that life-long financial behaviors and habits are set as early as elementary school -- between the ages of 7 and 12.
2. Tell students that you will read several scenarios describing teenagers. Based on the description, students should decide whether or not that person would be trustworthy and responsible enough to repay a loan. Designate one corner of the room for students to go stand if they would loan the person money and another corner if they would not loan them money.
3. Read the scenarios (or display on a projector) and have students stand in the corner corresponding to their decision on whether or not they would loan money to the teen. Record the number of students in each corner after reading each individual scenario.
  - Johnny is a senior in high school. He has a 2.5 GPA and is always behind in his assignments in every class. He has never saved any money. He is involved in four activities – football, choir, Key Club, and a church youth group. He is not employed and asks his parents for money for fun activities. He needs to borrow \$100 to rent a tux for prom.
  - Suzie is a junior in high school and has a 3.2 GPA. She struggles with two classes, but does fairly well in keeping up with assignments. She is president of her class, in student council, plays volleyball, and is involved in a youth group at church. She started saving when she began working 10 hours each weekend at the local movie theater. She needs to borrow \$35 to make a down payment on a mission trip with her church.

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# Would You or Wouldn't You....?

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- Marissa is a senior in high school, she has a 4.0 GPA, and she turns in every assignment on time. She even has more than 100% average in two classes. She is in Spanish Club, Chess Club, drama, marching band, and volunteers at the local elementary school. She does not have a job, but saves the birthday and holiday money she receives. She needs to borrow \$50 to pay for marching band dues.
  - Antonio is a freshman in high school. He has a 1.75 GPA and rarely turns in his class assignments. He only comes to school for class and is not involved in any extracurricular activities. He has never saved a dollar and owes his parents \$300 for various loans they made to him. He needs to borrow \$75 to take his girlfriend on a special date for their one-year anniversary.
4. Review the number of “would lend”/“would not lend” decisions for each of the four students. Discuss the reasons students decided whether or not to lend them money. Have students rank the four students, with the one they think is most trustworthy at the top. Remind students that being “trustworthy” is often the same as being “creditworthy” from a lender’s perspective.
5. Use the following questions to debrief the activity:
- a. Who is most responsible and trustworthy? Why?
  - b. Who was least responsible and trustworthy? Why?
  - c. How could the current academic and financial behaviors contribute to future credit behavior?
  - d. How were extracurricular activities used in your decision making?
  - e. How did the employment status contribute to your decision?
  - f. How did the amount of the loan contribute to your decision?

# Student Loans Starburst

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## Overview

This activity can be used to review what students learned about student loans.

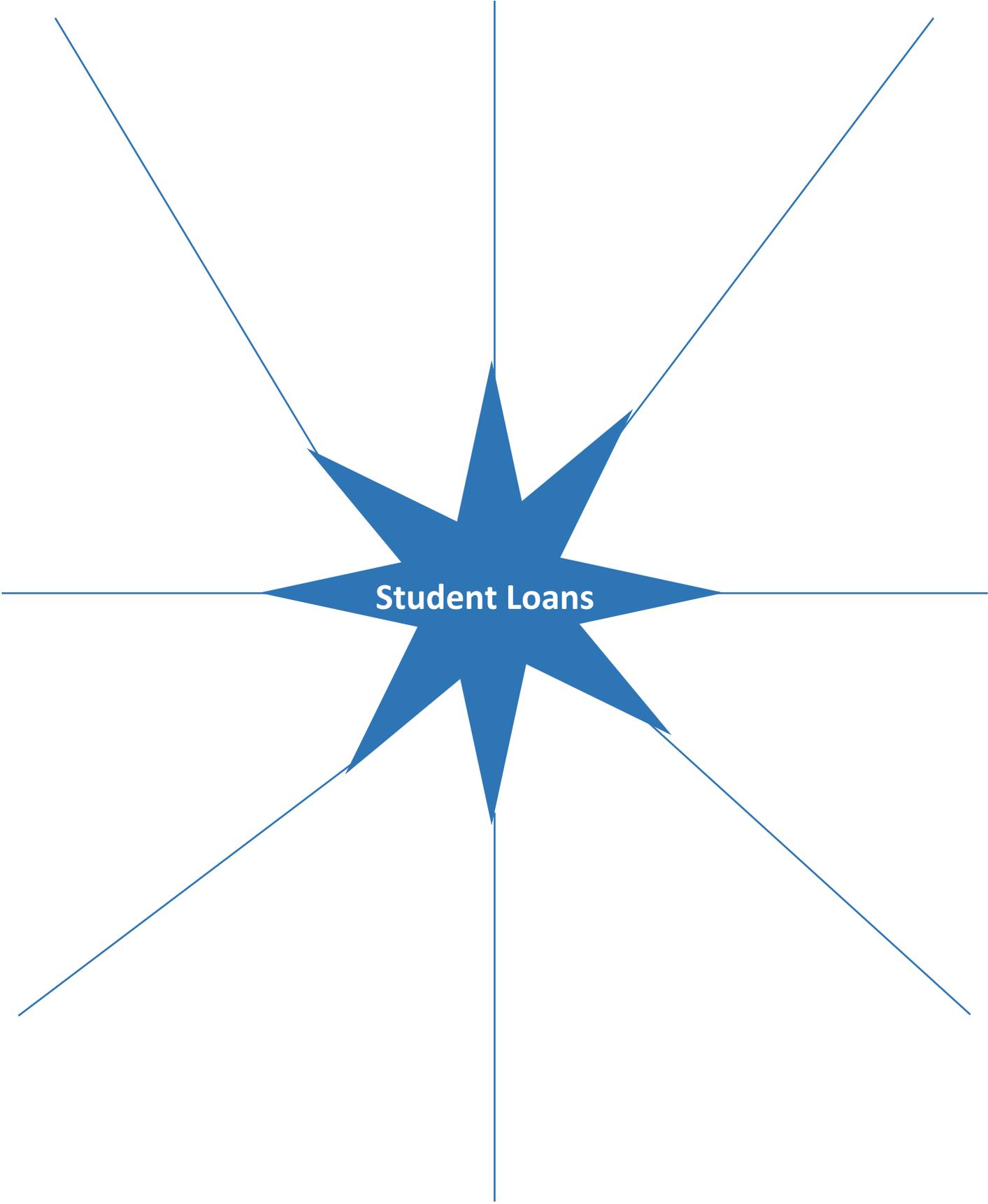
## Materials

- Copies of the student loans starburst
- Pen or pencil

## Procedures

- I. Put students into small groups. Give each group a copy of the student loans starburst and have them write one major point or topic regarding student loans in each of the eight areas provided on the starburst. Have them use the points in their starburst to prepare a poster, an advertisement, or a class presentation about student loans.

As an option, you may want to assign different student loan topic (such as FAFSA, federal loans, private loans, etc.) to each group to ensure they present different information in their group presentations or posters. You may also want to review their main points before their presentation to confirm its accuracy.



Student Loans

## Extending the Lessons

Use the quotes in the Teacher’s Guide as an introductory discussion or review for the lessons.

Introduce students to the Oklahoma College Savings Plan (OCSP) Web site at <https://www.ok4saving.org/plan/>. Put students in 10 groups to develop posters, videos, written summaries, or other projects about each of the ten reasons to open an OSCP account.

If your students have access to a computer, you may want to assign a risk quiz for them to see how their personal risk assessment compares with the online assessment. The quiz at Bankrate.com is just one option of such online risk assessment questionnaires: <http://www.bankrate.com/finance/investing/risk-tolerance-quiz.aspx>. Remind students their perception of risk will probably change at various points in their lifetime.

## Resources

Lessons:

Free lesson plans at <http://www.econedlink.org/>

Free lesson plans and other resources at <http://moneyisok.com/standards/standard-7-borrowing-money/>

Videos/Online Resources:

Free Videos at [www.bettermoneyhabits.com](http://www.bettermoneyhabits.com). Free lesson plans for some videos available under Better Money Habits tab at <http://www.econedlink.org/>

General personal finance resources available at:

- [www.federalreserveeducation.org](http://www.federalreserveeducation.org)
- [www.mymoney.gov](http://www.mymoney.gov)
- [www.jumpstart.org](http://www.jumpstart.org)