

Financial Literacy Lesson: Ways to Build Credit



Grade Levels : 9 - 12th

Lesson Purpose:

To guide students on the various ways of how they can positively build their credit while exposing them to pitfalls they need to avoid in order to not negatively impact their score.

Objective:

To identify the main factors that are included in calculating a credit score.

Teacher Lesson Outline:

Planned to A.T. Introduction Video (3:34 min)

How Likely Are You? (15 min)

(Individual Activity)

Factors that Apply: (30 min)

Approve or Deny

Students will use an approved search engine to research topics provided. They will identify different factors they discover based on each search of the topic. Students will record their findings and share out.



Wrap up: (7 min) Discuss with students their findings on what information they need to successfully complete a loan,

START : Essential Question(s)

Q: Is a credit card something that you hear people encouraging you or discouraging you to use?

Answers will vary

Q: What factors do you remember/think influence your credit score?

Answers will vary

Your score calculation overall is based on your past and current financial behaviors similar to how your grades are generally a reflection of how serious you take school or your reputation is based on how you normally act.

A forecast on how well you will be able to repay debt in the future

Q: In your opinion is it smarter to use a debit card or a credit card to make purchases?

Answers will vary

Education Standards Addressed:

3.1 – Explain the purpose of credit and reasons to borrow.

3.2 – Explain components of creditworthiness, including credit history, payment behavior, and income.

3.3 – Compare types of credit and borrower responsibilities.

3.4 – Interpret credit reports and scores, including factors that raise or lower them.

3.5 – Analyze how credit impacts cost of borrowing (interest rates, APR, total cost).

QUICK Check in:

Q: What is the average amount of credit cards a person owns?

According to a CNBC article the average American owns 4 credit cards.

Additional Lesson Materials:

- Organization approved device
- Organization approved search engine



How Likely Are You? pt.1

(Individual Activity)



Directions : On a scale of 1-10 rate yourself on how likely you are to do the following:

1. When you borrow an item from someone, you return that item to the borrower.
ex. You borrow a pencil from a friend and tell them you will return it after class is over.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Not likely at all				More likely			Very likely		

2. When you borrow money from someone, you pay that person back the exact amount. ex. You borrow \$15 from a friend and you give them back \$15.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Not likely at all				More likely			Very likely		

3. You borrow money because an emergency occurred and you tell them a date/time frame to pay them back. ex. Can I borrow \$30, I'll pay you back at the end of the month?

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Not likely at all				More likely			Very likely		

4. When you borrow money you pay the person that lent you money a little extra as a thank you for helping you out. ex. You borrowed \$15 from a friend and as a thank you you gave them \$20

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Not likely at all				More likely			Very likely		

How Likely Are You? pt.1



Based on your answers, total your amount to see how likely you can be trusted to pay a person back.

Your total _____

Circle what range your total reflected.

4 - 19 Not Likely At All

20 - 30 More Than Likely

31 - 40 Very Likely

These types of attributes, like how likely you are to pay someone back on time, are just 1 of 5 main factors that are taken into account that a credit monitoring company uses to calculate your personal credit score.

Let's take a look at all 5:

- 1. Payment history** aka are you making payments on time? Do you miss your monthly payments? Do you pay a bill but maybe a few days past it's due date?
- 2. Amount owed** aka how much money you have borrowed or owe a lender.
- 3. Length of your credit history** aka when you borrow money you have a (good) history of making on time payments (responsibility) to your lender for the life of the loan.
- 4. Credit mix** aka the different types of loan accounts you have "active" or open For example you could have a car loan, house loan, and/or student loan. Your mix includes how many accounts you have open at one time.
- 5. New credit** aka recent lines of credit or credit card accounts you have opened or applied for.

Factors that Apply: Approve or Deny

pg.1



You may not be old enough for those five factors to apply to your life right now because you don't have a credit card or loan just yet. However, you are getting closer to the age where you might have to start making pretty large decisions for your future. More than likely those choices are going to cost money. Borrowing money to accomplish a goal like purchasing a car, applying for a student loan, or applying for a credit card to fund a business passion could potentially be factors on the horizon.

You can't just walk into a bank, tell them your name and ask to borrow a large amount of money or even a small amount for that matter. There are certain criteria or things you need to show a lender before they give you any amount of money.

So what are those things?

Directions: Using an approved search engine and research the following topics and identify what information you will need to successfully complete a potential future loan application. Record your findings and choose a fact you discovered to share with your group/class.

Choose the (2) best scenarios you're interested in researching most:

a. Applying for a car loan

Search suggestions:

Can you get a car loan with no credit established?

How to get approved for a car loan?

Car Loan Documentation Checklist: The 8 Things You Need

Factors that Apply: Approve or Deny

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b. Applying for a student loan

Search suggestions:

What is the difference between a federal and private loan?

Is applying for a subsidized or unsubsidized loan better?

Student Loan Requirements: How to Qualify for a Student Loan

c. Applying for a credit card

Search suggestions:

How can I apply for a credit card with no credit?

How to apply for a credit card online?



Factors that Apply: Approve or Deny

pg.3



d. Applying for an apartment

Search suggestions:

Can I get an apartment with no credit?

How do I rent an apartment for the first time?

Below write a summary of the main things you learned were important to have in order to apply for 1 or 2 of the items you researched:

Outside of your age potentially being the biggest factor (aka you're too young) do you feel like you have enough information to apply for a loan today if you needed to?

Yes or No

