

SESSION 20: Borrowing

Session Description

Students will investigate different forms of credit, compare credit card offers, and determine the costs and benefits of credit.

Talking Points

1. People receive credit when they obtain the use of someone else's money to purchase goods or services.
2. People who obtain credit are given a loan of money in exchange for their promise to repay the money later plus additional money called interest.
3. Common types of credit include mortgage loans, car loans, student loans, personal loans, and credit cards.
4. Interest is the price borrowers pay for using someone else's money and the price lenders receive for letting someone else use their money.
5. Using credit has both benefits and costs.
6. Benefits of credit include the following:
 - a. acquiring assets to increase your net worth over time,
 - b. the ability to finance emergency purchases,
 - c. payment convenience (purchasing goods and services now as opposed to later),
 - d. a lower cost than using your own invested funds, and
 - e. the ability to take advantage of a lower price for some good or service (to get a good deal).
7. Costs of credit include the following:
 - a. creating a liability that lowers your net worth,
 - b. paying interest and fees,
 - c. purchasing fewer goods and services in the future,
 - d. less available credit for emergencies, and
 - e. increased exposure to identity theft.
8. Credit providers consider the three C's in deciding to whom they will extend credit:
 - a. Capacity—The ability of the creditor to repay the loan.

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- b. Character—How honest and reliable the creditor is in paying debts.
 - c. Collateral—Assets the creditor has that could be sold later to pay off the loan.
9. People’s credit scores are a measure of their character because credit scores are based largely on their payment history. For example, whether or not they
- a. pay bills on time,
 - b. pay bills in full,
 - c. stay below their credit limits, or
 - d. have declared bankruptcy.
10. When considering whether credit or a loan is desirable, it is important for people to consider the likely impact the choice will have on their personal net worth over time.

Session 20: Standards and Benchmarks

Arkansas Economic Standards

Strand: Personal Financial Management

Content Standard 9: Students will analyze the role of credit in personal finance.

- PFM.9.E.1 Evaluate costs and benefits of using various types of credit (e.g., interest rates, fees, penalties, rewards)
- PFM.9.E.2 Analyze factors that affect credit worthiness (e.g., credit history, capacity, collateral)
- PFM.9.E.3 Evaluate various strategies to correct and avoid credit issues

Common Core State Standards


- CCSS.ELA-Literacy.RH.9-10.1 Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.
- CCSS.ELA-Literacy.RH.9-10.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.
- CCSS.ELA-Literacy.RH.9-10.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- CCSS.ELA-Literacy.SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.9-10.1d Respond thoughtfully to diverse perspectives, summarize points of agreement and disagreement, and, when warranted, qualify or justify their own views and understanding and make new connections in light of the evidence and reasoning presented.
- CCSS.ELA-Literacy.L.9-10.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 9–10 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.9-10.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.
- CCSS.ELA-Literacy.RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

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- CCSS.ELA-Literacy.RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.
- CCSS.ELA-Literacy.SL.11-12.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.11-12.1d Respond thoughtfully to diverse perspectives; synthesize comments, claims, and evidence made on all sides of an issue; resolve contradictions when possible; and determine what additional information or research is required to deepen the investigation or complete the task.
- CCSS.ELA-Literacy.L.11-12.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 11–12 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.11-12.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.

Session 20: Resources

1. High School Economics (*Virtual Economics*® 4.5)
 - a. Lesson 23: Interest Rates: Let's Go Shopping for Money
2. Financial Fitness for Life (9–12) (*Virtual Economics*® 4.5)
 - a. Theme 4: Spending and Credit
3. Lessons: It's Your Paycheck Curriculum (Federal Reserve Bank of St. Louis); <https://www.stlouisfed.org/education/its-your-paycheck-curriculum-unit>
 - a. Under Unit C: All About Credit, choose the following lessons and the accompanying slides of your choice:
 - i. Lesson 6: Credit Reports—and You Thought Your Report Card Was Important (PDF)
 - (a) SMART Notebook
 - (b) PowerPoint
 - (c) ActivInspire
 - ii. Lesson 7: Creditors' Criteria and Borrowers' Rights and Responsibilities (PDF)
 - (a) SMART Notebook
 - (b) PowerPoint
 - (c) ActivInspire
 - iii. Lesson 8: So How Much Are You Really Paying for That Loan? (PDF)
 - (a) SMART Notebook
 - (b) PowerPoint
 - (c) ActivInspire
4. Online Course: Credit Cred (Federal Reserve Bank of St. Louis)
 - a. Go to <https://www.stlouisfed.org/education>.
 - b. Choose  Teachers: Go directly to the Online Course Login .
 - c. Register or, if you already have an account, log in.
 - d. Register your class for the course as follows:
 - i. Choose the "COURSES" tab.
 - ii. In the "COURSE NAME" column choose "Credit Cred."
 - iii. Choose "ADD TO CLASSROOM" and follow the prompts.

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5. Online Course: Cars, Cards, and Currency
 - a. Go to <https://www.stlouisfed.org/education>.
 - b. Choose  Teachers: Go directly to the Online Course Login .
 - c. Register or, if you already have an account, log in.
 - d. Register your class for the course as follows:
 - i. Choose the "COURSES" tab.
 - ii. In the "COURSE NAME" column choose "Cars, Cards, and Currency."
 - iii. Choose "ADD TO CLASSROOM" and follow the prompts.
 - e. Instruct students to complete these lessons:
 - i. Lesson 2: The Credit Card
 - ii. Lesson 4: The Car Deal Package
6. Lesson: Personal Bankruptcy (Consumer Action);
http://www.consumer-action.org/downloads/english/2009_Bankruptcy_Lesson.pdf
7. Practical Money Skills for Life
 - a. Lesson 15: Staying Out of Debt;
https://www.practicalmoneyskills.com/foreducators/lesson_plans/highschool.php