

Credit Uses and Costs

Summary

Students will understand the history and basic types of credit, the advantages and disadvantages of using credit, and its costs.

Main Core Tie

Adult Roles and Financial Literacy

[Strand 7 Standard 2](#)

Materials

- [Credit Basics Exam](#)
- [Credit Basics Teacher Key](#)
- [Credit Basics Teacher Material](#)
- [Credit Basics Transparency](#)
- [Credit Match Review Key](#)
- [Credit Match Review](#)
- [Loan Calculation Worksheet](#)
- [Vocabulary Worksheet and Key](#)

Additional Resources:

ACCESS Education Systems
724 Front Street, Ste 340
Evanston, WY 82930
1(888) 292-4333

(These booklets are FREE!)

- *Out of Hock & Out of Debt*
By Harry Dahlstrom
Dahlstrom & Company, Inc
155 Wilson Street
Holliston, MA 01746-1433
1(800)222-0009

"The ABC's of Credit Card Finance"
by Carol A. Carolan, Ph.D.

Center for Student Credit Card Education, Inc (CSCCE)

Instructional Procedures

Vocabulary

Use the [vocabulary worksheet and key](#) (pdf).

Primary Vocabulary

Credit
Principal
Interest
Capital
Capacity
Character
Collateral
APR

Service Credit
Sales Credit
Cash Credit
Co-signer
Credit Bureau
Credit Rating
Finance Charge
Minimum Payment
Late Fees
Closing Costs
Grace Period
Annual Fees

Introduction/Pre-Assessment

Credit K-W-L

Create a K-W-L chart on the board using information from "How Credit Works" from the NEFE foundation.

Content Outline, Activities and Teaching Strategies

(All options do not necessarily need to be taught. Select ones to cover standards and objectives and according to your district policies.)

Option 1: History of Credit

Using the booklet "Out of Hock & Out of Debt", available at <http://www.accesseducation.org/>, give a brief history of consumer debt, credit cards, and consumer credit counseling.

Option 2: Brainstorm

Ask student to brainstorm reasons why people borrow money or items. Share with the class some of the advantages and disadvantages of borrowing.

Option 3: Types of Credit

Use the [Credit Basics Teacher Reference Material](#) and [Credit Basics Transparency](#) (pdf) to discuss credit. Use the [Loan Calculation Worksheet](#) (pdf) to figure the cost per month and the total cost of the loan for a certain loan amount.

Option 4: Credit Basics Exam

Have students complete the [Credit Basics Exam](#) (pdf). Teachers use the [Credit Basics Exam Teacher Key](#) (pdf).

Option 5: Credit Matching Review

Use the [Credit Match Review](#) (pdf) and the [Credit Match Review Key](#) (pdf). Match the definition with the word. Place the correct letter in the space provided.

Option 6: Establishing Credit

Teachers and students will discuss the information found on the [American Bankers Association](#) website and the [Federal Trade Commission](#) website.

Option 7: Using Credit Wisely and the Cost of Using Credit

Refer to [NEFE](#) teacher resource and student guide for a lesson plan and activities.

Option 8: Guest Speaker

Contact a local banker to come speak to the class about banking and credit information. Ask them to bring a loan application to be filled out as a practice activity by students.

Option 9: Calculate and Compare Cost of Using Credit

Direct students to the [BankRate.com website](#) to calculate and compare the cost of buying an automobile at varying interest rates and time limits. Students will identify the true cost of borrowing money by isolating the finance charges.

Option 10: Cost of Paying the Minimum

Students will use the chart "How Long and How Much Do I Have to Pay?" found in the front of the

booklet *The ABC's of Credit Card Finance* by Carol Carolan to compare the cost of credit, paying only the minimum vs. adding \$10.00 or more each month to the payment, at varying interest rates.

Option 11: Compare and Calculate

Teacher will provide three different credit card applications with the vital (personal) information removed (e.g., names, addresses, and account numbers). Make a copy for each student to read and evaluate three different credit card offers to determine the total cost of buying an item (e.g., a television or stereo) purchased on credit at three different interest rates (dictated by each offer). Students will calculate how long it will take to repay the debt making minimum payments.

Summary/Evaluation

Evaluate results of Credit Basics Exam and the Credit Matching Review.

Consumer credit permits the use of future income to satisfy present needs and wants. Credit is a service for which consumers pay. Wisely used credit can help consumers raise their standard of living. Used without prudent forethought and self-discipline, credit can be a source of stress and hardship on the individual and family.

Assessment Plan

Evaluate results of the Credit Basics Exam and the Credit Matching Review.

Authors

[CTE LESSON PLANS](#)