

Credit Cards Lesson Plan

Overview

In this lesson, students will learn the fundamentals of credit cards, including the responsibilities that come with ownership. They will also discover what credit reports and credit scores are, and how they affect someone's finances. By the end of the lesson, students will understand what factors can improve or harm their credit and be able to explain the reasons behind these effects.

Objectives

By the end of the lesson, students will:

- Define key terms such as credit score and credit report.
- Determine different events that either improve or harm someone's credit.
- Understand the purpose and responsibilities of owning a credit card.

Vocabulary

- **Credit:** is when you use borrowed money that you must pay back.
- **Credit Score:** a numerical value that reflects an individual's creditworthiness based on their credit history and financial behavior.
- **Credit Report:** a complete credit history, bills paid (or unpaid) and their amounts.
- **Credit Limit:** the maximum amount that can be charged on a credit card or borrowed on a line of credit.
- **Grace Period:** the time between when you borrow money and when interest begins to be charged on the principal.
- **Minimum Payment:** is the smallest amount of money a credit card holder is required to pay each month to avoid late fees and penalties.

Standards

Please reference the following page.

Lesson Plan Includes

	Direct Instruction		Presentations
	Class Discussion		Technology-Based Activity
	Full Class Activities		Worksheets
	Small Group Activities		Assessments
	Individual Activities		External Resources

Activity Summary

- Introduction 
 - Time: 5 mins.
- PFL Budget Game 
 - Time: 20 mins.
- Credit Cards: Terms, Fees, and More 
 - Time: 17 mins.
- Credit Grievance 
 - Time: 15 mins.
- What Your Credit Report Says About You 
 - Time: 17 mins.
- A Beginner's Guide to Borrowing Wisely 
 - Time: 5 mins
- Credit Report Card 
 - Time 15 mins.
- Impact on Credit 
 - Time: 10 mins.

Introduction

Explain to students that today they will be learning all about credit cards.

Explain to them that:

- **Credit** is when you have the ability to use borrowed money.
- A **Credit Report** is a complete credit history, meaning the bills you have paid (or didn't pay), and their amounts.
- A **Credit Score** is a numerical value that reflects an individual's creditworthiness based on their credit history and financial behavior.

Explain that throughout the lesson they will be learning about different things that affect your credit score and report and why it is important to know about it.

Standards

Spending and Saving

- Standard 2. Develop a system for keeping and using financial records.
- Standard 3. Describe how to use different payment methods.

Credit and Debt

- Standard 1. Analyze the costs and benefits of various types of credit.
- Standard 2. Summarize a borrower's rights and responsibilities related to credit reports.
- Standard 3. Apply strategies to avoid or correct debt management problems.

Financial Decision Making

- Standard 1. Recognize the responsibilities associated with personal financial decisions.

Independent Activities

Activities designed for students to learn independently, either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

Independent Activities Include:

1. PersonalFinanceLab Budget Game.....**Time: 20 Minutes**
2. Credit Cards: Terms, Fees, and More *Lesson*.....**Time: 17 Minutes**
3. Credit Grievance.....**Time: 15 Minutes**
4. What Your Credit Report Says About You *Lesson*.....**Time: 17 Minutes**
5. A Beginner's Guide to Borrowing Wisely *Lesson*.....**Time: 5 Minutes**



1. PersonalFinanceLab Budget Game

Have students complete 1 simulated month of the PersonalFinanceLab.com Budget Game. Have them record or export the transactions that they put on their credit card in the game.

Time: 20 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity

 Individual Activity/Homework

 Class Discussion

Resource Links

[Budget Game - PersonalFinanceLab](#)

Understanding Your Credit Score

[Tutorial Video](#)

Getting Started

1. Either as a class, or individually, students can watch the [Understanding Your Credit Score tutorial video](#).
2. The Budget Game can be [accessed from the main menu](#), and their progress saves as they go.
3. Students can export their credit card statements from the [Credit Account Statement](#) page.
4. Have them write 2-3 sentences on how their credit score changed over the month.
5. Collect this sheet as a homework assessment along with their transactions for the month.

Discussion Questions

- Can you think of any potential risks or disadvantages associated with relying heavily on credit cards for everyday expenses?
- How would you prioritize your monthly expenses and decide which purchases to put on your credit card versus paying with cash or debit?
- What strategies could you use to manage your monthly bills and avoid accumulating unnecessary debt?
- What would you do differently in the next month of playing the Budget Game?

Key Takeaways

- **Conscious Consumption:** By closely monitoring their credit card usage, students will develop a greater awareness of their spending habits and their financial goals.
- They will learn to make intentional purchasing decisions that differentiate between **needs and wants**, fostering responsible spending habits.



2. Credit Cards: Terms, Fees, and More Lesson

Assign your students this lesson on PersonalFinanceLab.com. This lesson gives an overview of what a credit card is, introduces key terms and phrases when using a credit card and how to use a credit card responsibly. Students will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Time: 17 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Credit Cards: Terms, Fees, and More \(personalfinancelab.com\)](https://www.personalfinancelab.com/credit-cards-terms-fees-and-more)

Presentation

[Credit Cards GoogleSlides Presentation](#)

Discussion Questions

1. What are some ways that you can use a credit card responsibly?
2. When you are paying with a credit card, where is that money coming from?
3. Define the minimum payment and how that affects your credit score?
4. What is the difference between credit and debit?
5. How does a credit card company make its money?
6. How can credit cards help you and hurt you financially?
7. In your own words, explain what the Card Act of 2009 is.

Key Takeaways

- **Credit Cards** are a form of unsecured credit that allows you to make purchases and borrow money from the credit card issuer.
- **Debit Cards** use money that you already have, while credit cards use borrowed money that must be paid back.
- **Advantages of credit cards:** no transaction limits or fees, rewards programs, wider acceptance, and the ability to build credit history.
- **Disadvantages of credit cards:** the potential for interest charges, over-spending, difficulty escaping debt, and scheduling payment difficulties.
- **Interest** can be calculated using different methods, including previous balance, adjusted balance, ending balance, and average daily balance.
- **Credit Card Terms** include the grace period, minimum payments, missing payments, late payment fees, and potential impact on credit score and credit limit.



3. Credit Grievance

In this activity, students will be looking through a credit grievance process.

Time: 15 Minutes

Required Resources: computer access & paper

Type:  Technology-Based Activity

 Individual Activity/Homework

 External Resource

External Resource

[Consumer Financial Protection Bureau](#)

Instructions

- Allow students to do a self-investigation of the different ways and reasons to file a grievance.
- Have them write and turn in a paragraph of the different types of grievances.

Key Takeaways

Below are some different types of grievances or complaints that consumers report on the CFPB website.

- **Mortgage and Foreclosure:** This includes issues related to mortgage servicing, loan modifications, loan originations, and foreclosure proceedings.
- **Debt Collection:** These complaints involve unfair or abusive debt collection practices, such as harassment, false threats, or improper communication.
- **Credit Reporting:** These complaints involve incorrect information on credit reports, which can affect a consumer's ability to get credit or loans.
- **Student Loans:** This includes issues related to repayment options, loan servicing, and debt collection practices for student loans.
- **Payday Loan:** These complaints involve predatory lending practices, such as high interest rates and fees, and aggressive collection tactics.
- **Bank Account or Service:** This could be about unauthorized transactions, account opening or closing problems, or issues with fees.
- **Credit Card:** These complaints involve issues with billing disputes, fraud, or unfair practices by credit card companies.
- **Prepaid Card:** These complaints are related to issues with prepaid cards, such as unauthorized charges, fees, or problems accessing funds.
- **Money Transfer:** This includes complaints about issues with sending or receiving money transfers, such as problems with delivery, refunds, or unauthorized transactions.
- **Other Financial Complaints:** This category includes a range of other financial complaints, such as complaints about auto loans, personal loans, payday loans, and other financial products or services not covered in the above categories.



4. What Your Credit Report Says About You Lesson

Assign your students this lesson on PersonalFinanceLab.com. This lesson explains the difference between a credit score and a credit report. It describes the different parts of a credit report and its importance. Students will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Time: 17 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[What Your Credit Report Says About You \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Credit Reports GoogleSlide Presentation](#)

Discussion Questions

1. What is the difference between a credit score and report?
2. When are a few instances when you might need your credit report?
3. What goes on your credit report?
4. How is a credit score calculated?
5. What is the difference between a credit report and a credit score?
6. How important is it for you to build your score? Give examples of how this will help you financially.
7. List 3 credit reporting agencies.
8. How might fraud affect your credit score?

Key Takeaways

- A **Credit Report** keeps a record of credit card payments, cell phone payments, in-store financing, unpaid parking tickets, lawsuits, outstanding debt, mortgage payments, rent, utilities, car payments, unpaid taxes, and payday loan payments.
- Credit reports are used when applying for credit cards, mortgages, renting apartments, getting insurance, and applying for jobs to assess reliability.
- **Credit Scores** are a single number summary of credit history.
- **The Fair Credit Reporting Act** gives consumers the right to dispute errors on their credit report and requires businesses to use the report responsibly and inform consumers of the source of the report.



5. A Beginner's Guide to Borrowing Wisely Lesson

Assign your students this lesson on PersonalFinanceLab.com. This lesson gives an overview of key terms involved with credit in terms of both a credit card and a mortgage. Students will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Time: 5 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:



Technology-Based Activity



Presentation



Individual Activity/Homework



Assessment



Class Discussion

Resource Links

[A Beginner's Guide to Borrowing Wisely \(personalfinancelab.com\)](https://www.personalfinancelab.com)

Presentation

[Credit - Using Borrowed Money GoogleSlide Presentation](#)

Discussion Questions

1. What are some things that improve or destroy your credit score?
2. How are a credit card and a mortgage similar? Different?
3. In your own words, describe what credit means.
4. What is a credit score?
5. How can scammers and fraud effect your credit score?
6. Why do people take out mortgages for such a long period of time?

Key Takeaways

- **Credit** refers to the use of borrowed money that must be repaid. It is based on the trust between a borrower and lender, with specific terms and conditions that govern the loan.
- **Principal** is the amount of money that needs to be repaid, including the borrowed amount and any interest.
- **Interest rate** is a charge for using borrowed money, usually expressed as an annual rate.
- **Credit Limit** is the maximum amount that can be borrowed.
- **Grace Period** is the time between borrowing money and when interest begins to be charged.
- **Minimum Payment** is the minimum amount that can be paid back per month without defaulting on the debt.
- **Mortgages** are large loans usually used to buy a house and often have lower interest rates and higher credit limits.
- **Fixed Rate Mortgages** have a consistent interest rate throughout the loan period.
- **Adjustable Rate Mortgages** have interest rates that can change with the market.

Small Group Activities

Small Group Activities are designed for small groups of 3-4 students. These resources are best used after full-class direct instruction and activities.

Small Group Activities Include:

- 6. Credit Report Card.....**Time:** 15 Minutes
- 7. Impact on Credit.....**Time:** 10 Minutes



6. Credit Report Card

In this activity, students will be working with a partner or in small groups to read scenarios of people's financial situation. They will then give each person a credit score.

Time: 15 Minutes

Required Resources: computer access & worksheet

Type:  Technology-Based Activity  External Resource

 Small Group Activity

 Class Discussion

External Resource Links

Bustamante Financial Planning

[Case Studies and Results](#)

Instructions

- Place students in groups and give them the link above.
- Have them choose between one of scenarios:
 - Young family
 - Single professional
 - Married couple planning for retirement
 - Married couple managing proceeds from a sale
 - Single individual pursuing an MBA.
- Go over the answers as a class and have a class discussion.

Discussion Questions

1. Why did you give that credit score?
2. What factors made you give a higher score? Lower score?



7. Impact on Credit

In this activity the class will be split into groups and the teacher will ask each to give an example of how to either improve or hurt your credit score.

Time: 10 Minutes

Required Resources: computer access & paper

Type:  Direct Instruction

 Small Group Activity

 Class Discussion

Instructions

- Each group will have ten seconds to answer.
- If they don't have an answer the next group can "steal" their points.
- Write answers on the board after the group says it so they will be reminded of ways to improve or damage your credit.
- These actions will improve your credit score:
 - Consistently pay your bills on time.
 - Keep credit card balances 30% or less of your spending limit.
 - Only apply for new credit accounts when you need them.
 - Have high income relative to how much you owe.
 - Have a good credit history for a long period of time.
- These actions may hurt your credit score:
 - Pay some bills late
 - Have credit card balances near your maximum spending limit
 - Apply for new credit cards frequently, whether needed or not
 - Have a very brief credit history
 - Exceed your credit card spending limit
- Discuss as a class why these actions would either improve or hurt your credit score.

Conclusion

Remind students that:

- **Credit** is when you use borrowed money that you must pay back.
- Credit is based on the trust between a borrower and lender, with specific terms and conditions that govern the loan.
- **Credit Report** is a complete credit history, meaning the bills you have paid (or didn't pay), and their amounts.
- Credit reports are used when applying for credit cards, mortgages, renting apartments, getting insurance, and applying for jobs to assess reliability.
- **Credit Score** is single number that sums up your credit history.

Tell them that these terms are important because if you are applying for a job, a loan, buying a car and many other things you will need to know this information.