

## Unit 3 - Credit Cards and Debt

### Objectives

In this lesson we will learn about the basics of what a credit card is and the different responsibilities that come with owning a credit card.

- We will learn about what both a credit report and credit score are and the impact they have on someone's finances.
- We will be able to define key terms such as credit score and credit report.
- We will be able to determine different events that either improve or harm someone's credit.
- We will understand the purpose of a credit card and the responsibilities that come with owning a credit card.

Students will continue their projects for both the Budget Game and Stock Game, with a midpoint review for the Budget Game.

### [Slideshow](#)

Included in the Credit Card & Debt slideshow are all the challenge questions, key terminology and project prompts.

### Unit 3.1 - Intro to Credit

Activity	Type	Summary	Time
Class Discussions	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 3.1</li> </ul>	20 min.
Read Article	In-Class	Credit <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	20 min.
Read Article	In-Class	Interest Rates <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	6 min.

Read Article	In-Class	Credit Cards <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	17 min.
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## Unit 3.2 - Buying a Car

Activity	Type	Summary	Time
Class Discussions	Lecture	<a href="#">Slideshow</a> Follow through the slides for Unit 3.2	10 min.
Read Article	In-Class	Buying a Car <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	10 min.
Read Article	Home Work	Car Loans Calculator <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	16 min.

## Unit 3.3 - Other Types of Loans

Activity	Type	Summary	Time
Class Discussions	Lecture	<a href="#">Slideshow</a> Follow through the slides for Unit 3.3	20 min.
Read Article	Home Work	Short-Term Financing <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	14 min.
Read Article	In-Class	Student Loans <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	9 min.
Read Article	In-Class	Mortgages <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	18 min.

## Unit 3.4 - Credit Cards & Credit Reports

Activity	Type	Summary	Time
Class Discussions	Lecture	<a href="#">Slideshow</a> Follow through the slides for Unit 3.4	20 min.
Watch Video	In-Class	How to Read Your Credit Card Statement <ul style="list-style-type: none"> <li>• <a href="#">View Video</a></li> </ul>	6 min.
Read Article	In-Class	Credit Reports <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> <li>• <a href="#">View Slides</a></li> </ul>	17 min.
Interactive Activity	In-Class	Play 1 month of the Budget Game	12 min.
Read Article	Home Work	Credit Card Payment Calculator <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	8 min.

## Unit 3.5 - Managing Debt

Activity	Type	Summary	Time
Class Discussions	Lecture	<a href="#">Slideshow</a> Follow through the slides for Unit 3.5	20 min.
Read Article	In-Class	Managing Debt <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	11 min.
Read Article	In-Class	Consolidating Debt <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	13 min.
Read Article	In-Class	Bankruptcy <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	9 min.
Class Project	In-Class	Stock Game Midpoint Review <ul style="list-style-type: none"> <li>• <a href="#">Refer to teacher packet</a></li> </ul>	10 min.
Class Project	Home Work	Budget Game Midpoint Review <ul style="list-style-type: none"> <li>• <a href="#">Refer to teacher packet</a></li> </ul>	15 min.

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 of a credit card.
  - Understand the responsibilities that come with owning a credit card.
  - Be able to implicitly and explicitly think about situations that will either improve or harm their credit and explain why.
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## Key Glossary Terms

The key terminology is covered in each of the sub-units, here is a complete list of all the terms introduced in the Credit and Debt Unit.

<b>Credit</b>	When you use borrowed money with a promise to repay it at a later date.
<b>Principle</b>	The amount of money that you borrow. You are expected to repay the principal plus any interest charged.
<b>Nominal Interest Rate</b>	The interest rate on a loan or bond will not change over time and is called the Nominal Interest Rate.
<b>Real Interest Rate</b>	To calculate the Real Interest Rate subtract the inflation rate from the Nominal Interest Rate.
<b>Credit Limit</b>	The total amount you are allowed to borrow. This is set by the lender based on your ability to repay.
<b>Grace Period</b>	Represents the time between when you borrow money and when interest begins to be charged on the principal.
<b>Minimum Payment</b>	The smallest amount you can pay each month before your credit card company considers you defaulting on your debt. This minimum payment is based on a percentage of your total principal balance.
<b>Mortgage</b>	A loan used to purchase or maintain a property, (home, land, or real estate). The borrower agrees to pay the lender a series of regular payments that are divided into principal and interest. The property serves as collateral to secure the loan. If the borrower defaults they forfeit the collateral, (their property) to the lender.

<b>Depreciation</b>	A reduction in the value of an asset with the passage of time, due in particular to wear and tear
<b>Resale Value</b>	The value that goods, especially a house, car or other property, have when you want to sell after owning it for a period of time.
<b>Financing Charges</b>	The interest and other charges that a financial institution charges a borrower as the expense for taking a loan.
<b>Precomputed Interest</b>	A type of loan where the total interest is calculated in advance and must be paid. A borrower cannot pay off this type of loan early to save on interest.
<b>Buy Now, Pay Later Loans</b>	A type of short-term financing that allows consumers to make purchases and pay for them at a future date. A number of companies offer them to their customers, with usually an interest-free grace period to pay back in full.
<b>Unsecured Personal Loans</b>	Any loan you take out without providing collateral, for example, a credit card.
<b>Payday Loans</b>	These loans are typically offered as a "bridge" between an expense (such as rent) and your next paycheck, usually with term lengths of less than 1 month. These loans can be either unsecured or secured.
<b>FASFA</b>	Free Application for Federal Student Aid, if you qualify for federal financial aid, you can use this money towards education (and reduce the total amount you need to borrow).
<b>Federal Student Loans</b>	The Federal Direct Loan Program provides low-interest student loans to postsecondary students (undergraduates and graduate students) and their parents.
<b>Private Student Loans</b>	A loan from a bank, credit union or online lender rather than the federal government, used to pay for college costs, the interest rates are higher than federal student loans.
<b>Down Payment</b>	An initial payment made when something is bought on credit
<b>FHA Loans</b>	Federal Housing Administration loan are designed for low-to-moderate-income borrowers; they require a lower minimum down payment and lower credit scores than many conventional loans

<b>Variable Interest</b>	Also called adjustable or floating rate, is an interest rate on a loan that fluctuates over time based on the underlying interest rate.
<b>Fixed Interest</b>	An unchanging rate charged on a liability, such as a loan or mortgage.
<b>Foreclosure</b>	The action of taking possession of a mortgaged property when the mortgagor fails to keep up their mortgage payments. This is triggered after a specific number of monthly payments have been missed.
<b>Default</b>	Failure to fulfill an obligation, especially to repay a loan.
<b>Short Sale</b>	The sale of a borrowed asset, to be purchased back later and returned to the original owner. The "Short Seller" makes a profit if the value of the asset goes down during this time.
<b>Loan Restructuring</b>	When a lender and borrower agree to new terms that are usually more favorable to the borrower. For instance, reducing the interest rate so that the borrower is still capable of repaying the loan.
<b>Second Mortgage</b>	A mortgage taken out on a property that is already mortgaged.
<b>Reverse Mortgage</b>	A financial agreement in which a homeowner relinquishes equity in their home in exchange for regular payments, typically to supplement retirement income.
<b>Credit Report</b>	A detailed summary of how an individual has handled their credit accounts. The three major credit bureaus in the United States are Equifax, Experian and Transunion.
<b>Credit History</b>	The record of how a person has managed their credit in the past, including total debt load, number of credit lines, and timeliness of payment. Entries are removed after 7-10 years.
<b>Credit Score</b>	A number between 300-850 assigned to a person that indicates to lenders their capacity to repay a loan.
<b>Creditworthiness</b>	The extent that a person or company is considered suitable to receive financial credit, often based on their reliability in paying money back in the past.

<b>Fair Credit Reporting Act (FRCA)</b>	A federal law that regulates the collection of consumers' credit information and access to their credit reports. It addresses the fairness, accuracy, and privacy of the personal information contained in the files of the credit reporting agencies.
<b>Compound Interest</b>	The interest on a loan or deposit calculated based on both the initial principal and the accumulated interest from previous periods.
<b>Insolvent</b>	The point where you are unable to pay back your personal debt.
<b>Repossession</b>	When a creditor takes possession of any property you put up as collateral after you stop making your loan repayments. They can usually do this without notifying you.
<b>Wage Garnishment</b>	If a creditor sues you for defaulting on your loan, the court can enforce that a certain amount of your paycheck is sent directly to the creditor before you even see it.
<b>Property Lien</b>	A court order where a public statement saying that you owe the creditor money, and that until that debt is repaid, the creditor now owns a piece of your property. The creditor could force the sale of your property to satisfy the debt you owe.
<b>Bankruptcy</b>	A legal proceeding involving a person or business that is unable to repay their outstanding debts.
<b>Debt Consolidation</b>	A form of debt management that allows you to combine multiple debts into a balance with a single monthly payment.
<b>Credit Counselling</b>	Provides consumers with guidance on money management, and budgeting, with the ultimate goal of avoiding bankruptcy.
<b>Debt Settlement</b>	An arrangement between the lender and the borrower, where the borrower pays a lump sum or one-time payment which is less than the actual amount due, to settle the debt once and for all.