

OVERVIEW

Would you want to loan money to someone who can't or won't pay you back? And you probably wouldn't want to loan money to someone who took forever to pay you back.

Lenders, too, don't want to loan money to people who aren't responsible about paying it back. If they don't know anything about someone who is asking to use credit, the lenders have methods to predict if the money will be repaid and paid on time.

This lesson will give you an inside peek at what lenders look for when someone applies for a loan or a credit card. This will help you take steps now to make a positive impression later on a potential lender.

LEARNING OUTCOMES

In this lesson students will learn about ways to establish a good credit rating. Along the way they will:

- ☒ Outline the credit application process.
- ☒ Describe what lenders consider when deciding whether to approve or deny a credit request.
- ☒ Explain how creditors investigate someone's borrowing habits.

Students will use what they learn today to impress lenders with good borrowing habits.

PREPARATION

- ☐ Order a Module 2 Student Guide for each student. (The Guide is also available online.)
- ☐ Preview the lesson PowerPoint presentation, learning tasks, and Module 2 Student Guide, particularly pages 23-31.
- ☐ Print or download the Student Learning Plan for this lesson so each student has a copy.
- ☐ Prepare Borrow cards for Learning Task 1.
- ☐ Prepare Credit Application Packs (one per team) for Learning Task 3.

WHAT YOU WILL NEED

- ☐ Module 2 Student Guide (pages 23-31)
- ☐ PowerPoint Presentation 2-3
- ☐ Student Learning Plan 2-3
- ☐ Copies of the Borrow cards (Task 1)
- ☐ Task: Can I Borrow ... ?
- ☐ Task: Credit Application
- ☐ Task: Applications for Review
- ☐ Activity 2.8: Put Your Best Foot Forward
- ☐ Challenge 2-B: Building Creditworthiness

NOTES

Approximate time: 45 minutes (minimum) – 90 minutes (with extension activities)

Annual Credit Reports, www.annualcreditreport.com

Lesson 2-3: Credit Rating

LEARNING TASKS	TEACHING NOTES	MATERIALS
1. Participate in the Can I Borrow...? task.	<p>PROCEDURE TIME ESTIMATE: 5-10 minutes</p> <p><input type="checkbox"/> [Slide 2] Copy enough Can I Borrow cards so each student has one situation card.</p> <p><input type="checkbox"/> Give each student a Borrow card. Direct students to mingle with classmates to find someone who would be willing to let the cardholder borrow the item listed on the card. Stress that the items will not actually be exchanged, but a deal should be negotiated as though the item might be exchanged. Give the students two to three minutes to negotiate with classmates.</p> <p><input type="checkbox"/> Facilitate a wrap-up discussion by asking the students:</p> <ul style="list-style-type: none"> ▪ <i>What were you trying to borrow, and were you successful in negotiating a deal to borrow the item? Why or why not?</i> ▪ <i>What were the conditions (if any) for you to follow so you could borrow or use the item?</i> ▪ <i>When you were asked to loan the item, what influenced your decision to let the person borrow the item?</i> <p>EXTENSION: Introduce the concept of supply and demand and how this can impact the price of goods or services (called “commodity”).</p>	<p>Module 2 Student Guide</p> <p>Student Learning Plan 2-3</p> <p>SLIDE 2 – Can I Borrow?</p> <p>ACTIVITY Task: Can I Borrow</p>
2. Find out what information you will need when applying for a credit card or applying for a loan. Practice filling out a credit application.	<p>PROCEDURE TIME: 10 minutes</p> <p><input type="checkbox"/> [Slide 3] Transition into the lesson by telling the students that they will learn about strategies to start on the path to establishing a good credit rating. Preview the Learning Outcomes in the Student Learning Plan. By the end of this lesson, the students should be able to outline actions they will take to make a good impression on creditors.</p> <p><input type="checkbox"/> Ask the students what information they would want to know if they were to loan money to someone.</p> <p><input type="checkbox"/> [Slide 4] Read about Mariah and her mother at the community bank, pages 23-24. Distribute the sample credit application so students can practice filling out a sample application form as though they were Mariah’s mother while you click through Slide 4 to explain what information is typically collected when requesting a cash loan, applying for a credit card, or signing up for electrical service.</p>	<p>STUDENT GUIDE Pages 23-24</p> <p>SLIDES 3 – Preview 4 – Applying for Credit</p> <p>ACTIVITY Task: Credit Application</p>

Lesson 2-3: Credit Rating

LEARNING TASKS	TEACHING NOTES	MATERIALS
	<p>Below are talking points to include in your presentation:</p> <ul style="list-style-type: none"> – Current address and phone number: Be consistent and use your legal name that you also use in a formal signature. – Date of birth and Social Security number: This information helps to differentiate you from other people by the same name. Your Social Security number is unique to only you and should only be shared for official business as required. – Current employer: You need to show evidence that you will be taking in money to repay what you borrowed. Some lenders might also ask how long you have been employed and type of job. For large loan amounts, don't be surprised if the lender contacts your employer to confirm that you have provided truthful information. – Monthly income: In this case, provide the gross income. The employer will want assurance that you make enough money to cover your monthly expenses and repay the amount you owe. – Bank name and account number: You may have heard someone say that you need to have money to borrow money. Showing that you have a savings fund safely stored in a bank will inform the lender that you have some cash on hand to repay the loan if needed; you are not relying completely on future earnings you haven't yet received. – Monthly rent or mortgage payment: This is typically the largest monthly expense for a household. Obviously the lender wants to ensure that your monthly paycheck will cover your housing costs with something left over for the loan payment each month. <p><input type="checkbox"/> Debrief by asking students to compare the responses for Ms. Anderson's situation to their own if they were to answer now as a teenager or a few years from now as a young adult.</p>	
<p>3. Take a look at sample credit applications. Who would you give the loan to? Establish your criteria to approve (or deny) a request. Then decide whether to approve or deny each request.</p>	<p>PROCEDURE TIME: 15-20 minutes</p> <p><input type="checkbox"/> [Slide 5] Arrange students into teams of three or four students. Distribute one Application Review packet to each team to review. Assign a recorder to take notes for the group, and identify the reporter who will report results out to the whole class. Read the scenario to the whole class to get the students started on the following actions:</p> <ol style="list-style-type: none"> 1. Establish criteria for approving (or denying) a credit application. 2. Decide whether to approve or deny each of the applications. <p><input type="checkbox"/> Point out that the 5 C's of Credit information (Student Guide pages 24-25) can be used to establish the evaluation criteria. When the teams report their decisions, expect that they include this terminology when sharing the rationale for their decisions.</p>	<p>STUDENT GUIDE pages 24-26</p> <p>SLIDE 5 – You Make the Call</p> <p>ACTIVITIES</p> <p>Packets of four applications for review</p> <p>Activity 2.8: Put your Best Foot Forward</p>

Lesson 2-3: Credit Rating

LEARNING TASKS	TEACHING NOTES	MATERIALS
<p>Evaluate how you look to a lender by completing Activity 2.8: Put Your Best Foot Forward.</p>	<p><input type="checkbox"/> Give the students a time limit to complete the task so they are ready to report their decisions. Arrange for each team reporter to report the team decisions and rationale for approving or denying each application request. When teams differ in their evaluation results, facilitate a discussion to bring out the logic behind the decisions, and identify when additional information might be needed to make a more informed decision.</p> <p><input type="checkbox"/> If time allows, assign students to complete Activity 2.8: Put Your Best Foot Forward either in class or out of class.</p>	
<p>4. Did you know that even as an adult, you will have a report card? Find out how credit reports are used to evaluate someone's borrowing habits. What can you do now as a teenager to start out with good marks as a young adult?</p>	<p>PROCEDURE TIME: 10 minutes</p> <p><input type="checkbox"/> Arrange for two students to take notes either on a flipchart or at the board as students shout out types of rating systems they know of that are used to rate or rank either individual progress or comparisons with other individuals or groups. Give a few examples such as student report cards, college football team rankings, or number of weeks an author's book appears on the Best Seller's List. After one or two minutes, debrief by asking students to give their opinions on why these lists and rating systems exist.</p> <p><input type="checkbox"/> [Slide 6] Use this discussion to transition into the topic of credit reporting. Explain that credit-reporting companies collect data about how individuals use credit, and this information is used to rate borrowers. Point out what information is collected starting with the first time that a student applies for a credit card or loan as an adult. (Student Guide, pages 26-27)</p> <p><input type="checkbox"/> Explain that the information in a credit report is used to calculate a credit score on a particular date. The lender uses the score to predict if someone will repay what was borrowed and repay on time. In essence, the lender is using the information available to speculate if someone is a high, medium, or low risk. A low score might be the reason an application is denied or allowed a low credit limit to start out. Someone with a high score will most likely have lower interest rates or higher credit limits than someone with an average or low score. [Note: To help illustrate this concept, compare a credit score to another type of rating scale used by industries to help customers predict the type of experience they will encounter. Examples that might be familiar to your students include: restaurant or hotel star ratings, ski hill slope rating, or golf course rating.]</p>	<p>STUDENT GUIDE Pages 26-31</p> <p>SLIDES 6 – Credit Reporting 7 – Who's Watching?</p> <p>ACTIVITY Flipchart or Marker board Markers</p>

Lesson 2-3: Credit Rating

LEARNING TASKS	TEACHING NOTES	MATERIALS
	<p><input type="checkbox"/> [Slide 7] Explain that three U.S. credit-reporting agencies keep track of how individuals use credit. This information, in turn, is shared with businesses that request information about a person's credit history. A business should have a credible reason to investigate someone's creditworthiness. For example, an auto dealer will request a credit report when someone applies for an auto loan to buy a car. Or a landlord might look at a credit report before deciding whether or not to rent out an apartment to someone. (Student Guide pages 27, 30)</p> <p>Tell the students that they can view what is in their credit reports. Each of the credit-reporting agencies provides a free report once a year. Encourage the students to check their reports at least once a year when they are adults to ensure the information is accurate and confirm that no one else is using their identity to access credit.</p>	
<p>5. Complete Challenge 2-B: Building Creditworthiness to plan out strategies to make a good impression on a lender.</p>	<p>PROCEDURE In-class or out-of-class assignment</p> <p><input type="checkbox"/> Ask the students to give examples of how they might soon use credit. This is a time to explain that they cannot enter into a credit contract on their own until they are adults. (This is covered in more detail in Lesson 2-4.) Someone under age 21 who applies for a credit card must show proof of income or have a cosigner to be considered to receive a credit card.</p> <p><input type="checkbox"/> [Slide 8] Ask the students what they think someone without a credit report can do to make a good impression the first few times they apply to use credit. Show the slide to provide actions a teen might use to be positioned for the first credit request experience. As a minor, a teen won't have any credit history to report. If they have no history, a lender might request that someone with an acceptable history cosign on the loan. Use this to transition to the next slide and challenge assignment.</p> <p><input type="checkbox"/> [Slide 9] Guide students to plan out actions they can take prior to turning 18 and as a young adult so they make a good impression on a creditor. Tell them to complete Challenge 2-B: Building Creditworthiness to devise a plan to start now to establish good credit habits.</p>	<p>STUDENT GUIDE Page 31</p> <p>SLIDES 8 - Starting Out 9 - Challenge</p> <p>ACTIVITY Challenge 2-B: Building Creditworthiness</p>

LEARNING TASKS	TEACHING NOTES	MATERIALS
TAKING IT HOME Find out what the late payment penalties are for borrowing options.	PROCEDURE Out-of-class assignment Tell the students to find out what the late payment penalties are for three different borrowing options that they and/or family currently has or might consider.	
TAKING IT HOME Encourage an adult family member to check his or her credit report.	PROCEDURE Out-of-class assignment Encourage the students to use what they have learned to motivate an adult family member to review his or her credit report.	STUDENT GUIDE Page 30

**TAKING IT HOME**

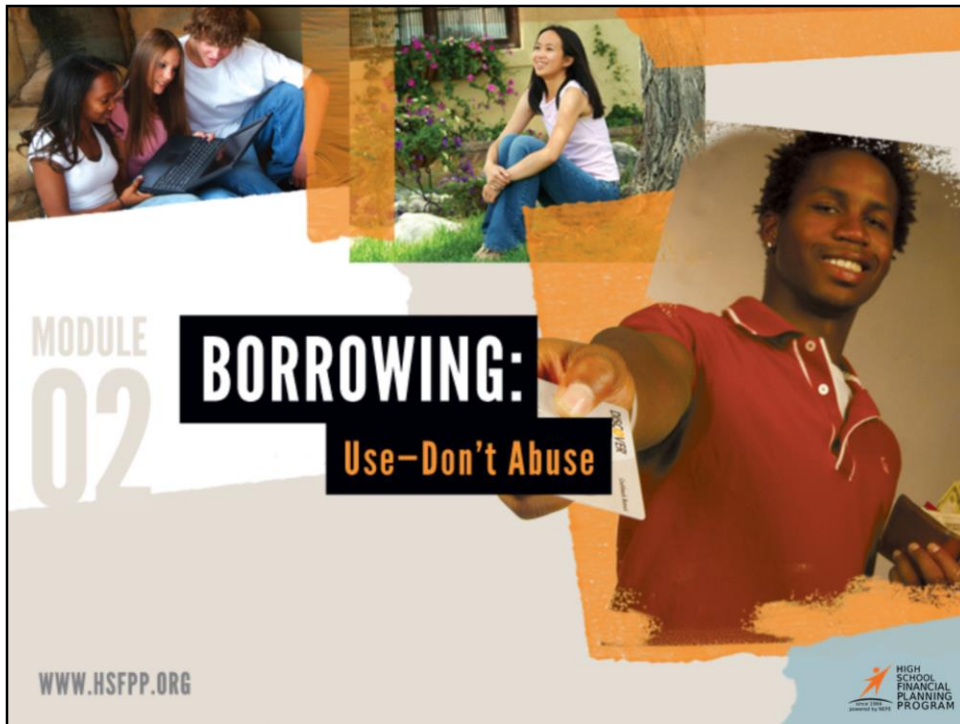
Find out what the late payment penalties are for three different borrowing options you and/or your family currently have or might consider. For each option, calculate the last day of the month that a payment can be received without being charged a late fee.

**TAKING IT HOME**

Encourage a family member to go to www.annualcreditreport.com to get a free copy of his or her credit report from one of the credit-reporting agencies.

Keep in mind that this information is private, so don't expect to read the report. Instead, use what you have learned to share reasons that a person should check the report at least once a year.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING



HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

Credit Rating

TODAY YOU WILL . . .

START DOWN THE PATH TO BUILD
A REPUTATION AS A RESPONSIBLE BORROWER.

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HIGH SCHOOL FINANCIAL PLANNING PROGRAM
GIVE THEM A REASON TO BELIEVE

- ❑ Display this slide as you kick off the lesson.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

Can I Borrow?

- What were you trying to borrow, and were you successful in negotiating a deal to borrow the item? Why or why not?
- What were the conditions (if any) for you to follow so you could borrow or use the item?
- When you were asked to loan the item, what influenced your decision to let the person borrow the item?

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- ❑ Copy enough **Can I Borrow** cards so each student has one situation card.
- ❑ Give each student a Borrow card. Direct students to mingle with classmates to find someone who would be willing to let the cardholder borrow the item listed on the card. Stress that the items will not actually be exchanged, but a deal should be negotiated as though the item might be exchanged. Give the students two to three minutes to negotiate with classmates.
- ❑ Facilitate a wrap-up discussion by asking the students:
 - *What were you trying to borrow, and were you successful in negotiating a deal to borrow the item? Why or why not?*
 - *What were the conditions (if any) for you to follow so you could borrow or use the item?*
 - *When you were asked to loan the item, what influenced your decision to let the person borrow the item?*
- ❑ EXTENSION: Introduce the concept of supply and demand and how this can impact the price of goods or services (called “commodity”).

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

Preview

Today we will answer these questions:

- How do I get a loan or credit card?
- Will I automatically get approved for a loan?
- How much can I borrow?

Use what you learn today to
establish a borrowing code of conduct.

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- ❑ Transition into the lesson by telling the students that they will learn about strategies to start on the path to establishing a good credit rating. Preview the Learning Outcomes in the Student Learning Plan.
- ❑ By the end of this lesson, the students should be able to outline actions they will take to make a good impression on creditors.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM

LESSON 2-3: CREDIT RATING

Applying for Credit

- Full, legal name
- Current address and phone number
- Date of birth and Social Security number
- Current employer
- Monthly income
- Bank name and account number
- Monthly rent or mortgage payment

- Christina L. Anderson
- [use your own address, phone number]
- May 29, 1963, (SS # provided)
- Ms. Anderson is a physical therapist at Sargent Care Clinic, 400 Medical Way, [your town]
- Ms. Anderson started working at Sargent five years ago today and currently earns \$5,100 per month.
- The Andersons have a savings account (#123-45-6789) at a bank near you
- Pay \$975 per month for mortgage

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Student Guide, pages 23-24

- ☐ Ask the students what information they would want to know if they were to loan money to someone.
- ☐ Read about Mariah and her mother at the community bank, pages 23-24. Distribute the sample credit application so students can practice filling out a sample application form as though they were Mariah's mother while you click through Slide 4 to explain what information is typically collected when requesting a cash loan, applying for a credit card, or signing up for electrical service.
 - **Current address and phone number:** Be consistent and use your legal name that you also use in a formal signature.
 - **Date of birth and Social Security number:** This information helps to differentiate you from other people by the same name. Your Social Security number is unique to only you and should only be shared for official business as required.
 - **Current employer:** You need to show evidence that you will be taking in money to repay what you borrowed. Some lenders might also ask how long you have been employed and type of job. For large loan amounts, don't be surprised if the lender contacts your employer to confirm that you have provided truthful information.
 - **Monthly income:** In this case, provide the gross income. The employer will want assurance that you make enough money to cover your monthly expenses and repay the amount you owe.
 - **Bank name and account number:** People have said that you need to have money to borrow money, and showing that you have a savings fund safely stored in a bank will inform the lender that you have some cash on hand to repay the loan if needed; you are not relying completely on future earnings you haven't yet received.
 - **Monthly rent or mortgage payment:** This is typically the largest monthly expense for a household. Obviously the lender wants to ensure that your monthly paycheck will cover your housing costs with something left over for the loan payment each month.
- ☐ Debrief by asking students to compare the responses for Ms. Anderson's situation to their own if they were to answer now as a teenager or a few years from now as a young adult.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING



- ❑ Arrange students into teams of three or four students. Distribute one **Applications for Review packet** to each team to review. Assign a recorder to take notes for the group, and identify the reporter who will report results out to the whole class.

Read the scenario to the whole class to get the students started on the following actions:

1. Establish criteria for approving (or denying) a credit application.
2. Decide whether to approve or deny each of the applications.

Student Guide, pages 24-25

- ❑ Point out that the 5 C's of Credit information (Student Guide pages 24-25) can be used to establish the evaluation criteria. When the teams report their decisions, expect that they include this terminology when sharing the rationale for their decisions.
- ❑ Give the students a time limit to complete the task so they are ready to report their decisions. Arrange for each team reporter to report the team decisions and rationale for approving or denying each application request. When teams differ in their evaluation results, facilitate a discussion to bring out the logic behind the decisions, and identify when additional information might be needed to make a more informed decision.
- ❑ If time allows, assign students to complete **Activity 2.8: Put Your Best Foot Forward** either in class or out of class.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

Credit Reporting

A history of how you have used credit:

- Where you live and work
- Credit account amounts (balances and limits)
- Payment history (on time or late)
- Recent inquiries from creditors
- Any collection or legal action to collect debt

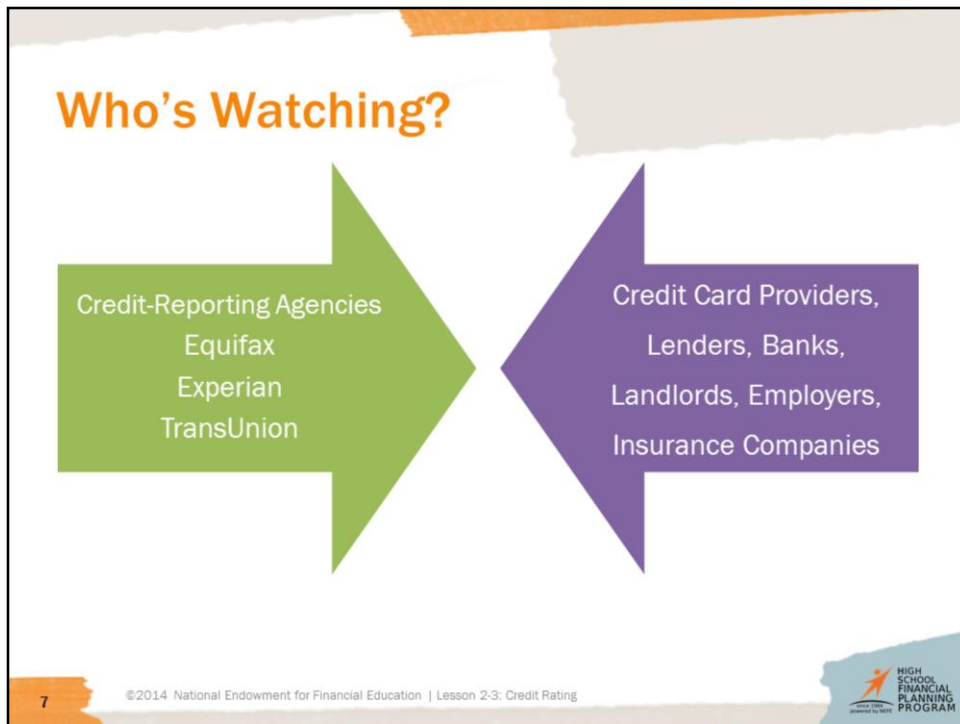
6 ©2014 National Endowment for Financial Education | Lesson 2-3: Credit Rating HIGH SCHOOL FINANCIAL PLANNING PROGRAM

- ❑ Arrange for two students to take notes either on a flipchart or at the board as students shout out types of rating systems they know of that are used to rate or rank either individual progress or comparisons with other individuals or groups. Give a few examples such as student report cards, college football team rankings, or number of weeks an author's book appears on the Best Seller's List. After one or two minutes, debrief by asking students to give their opinions on why these lists and rating systems exist.

Student Guide, pages 26-27

- ❑ Use this discussion to transition into the topic of credit reporting. Explain that credit-reporting companies collect data about how individuals use credit, and this information is used to rate borrowers. Point out what information is collected starting with the first time that a student applies for a credit card or loan as an adult.
- ❑ Explain that the information in a credit report is used to calculate a credit score on a particular date. The lender uses the score to predict if someone will repay what was borrowed and repay on time. In essence, the lender is using the information available to speculate if someone is a high, medium, or low risk. A low score might be the reason an application is denied or allowed a low credit limit to start out. Someone with a high score will most likely have lower interest rates or higher credit limits than someone with an average or low score. [Note: To help illustrate this concept, compare a credit score to another type of rating scale used by industries to help customers predict the type of experience they will encounter. Examples that might be familiar to your students include: restaurant or hotel star ratings, ski hill slope rating, or golf course rating.]

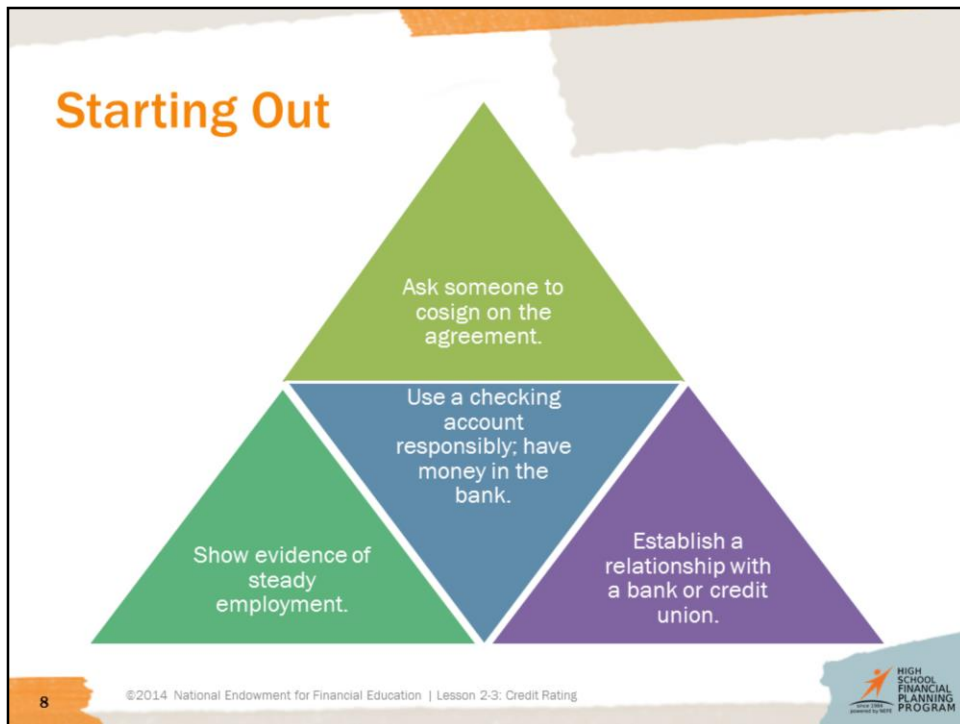
HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING



Student Guide, pages 27 and 30

- ❑ Explain that three U.S. credit-reporting agencies keep track of how individuals use credit. This information, in turn, is shared with businesses that request information about a person's credit history. A business should have a credible reason to investigate someone's creditworthiness. For example, an auto dealer will request a credit report when someone applies for an auto loan to buy a car. Or a landlord might look at a credit report before deciding whether or not to rent out an apartment to someone.
- ❑ Tell the students that they can view what is in their credit reports. Each of the credit-reporting agencies provides a free report once a year. Encourage the students to check their reports at least once a year when they are adults to ensure the information is accurate and confirm that no one else is using their identity to access credit.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING



Student Guide, pages 27 and 30

- ❑ Ask the students to give examples of how they might soon use credit. This is a time to explain that they cannot enter into a credit contract on their own until they are adults. (This is covered in more detail in Lesson 2-4.) Someone under age 21 who applies for a credit card must show proof of income or have a cosigner to be considered to receive a credit card.
- ❑ Ask the students what they think someone without a credit report can do to make a good impression the first few times they apply to use credit. Show the slide to provide actions a teen might use to be positioned for the first credit request experience. As a minor, a teen won't have any credit history to report. If they have no history, a lender might request that someone with an acceptable history cosign on the loan. Use this to transition to the next slide and challenge assignment.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

Challenge Assignment

Devise a plan for action you can take now
to practice sensible borrowing habits
and to build a good reputation as a borrower.

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Student Guide, pages 30-31

- ❑ Guide students to plan out actions they can take prior to turning 18 and as a young adult so they make a good impression on a creditor. Tell them to complete **Challenge 2-B: Building Creditworthiness** to devise a plan to start now to establish good credit habits.

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
LESSON 2-3: CREDIT RATING

MODULE
02

BORROWING:
Use-Don't Abuse

WWW.HSFPP.ORG

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
GIVE TIME
BETTER TO LIVE

The graphic features a collage background with a torn paper effect. A black and white photo of a young man and woman smiling is pasted onto the right side. The text is arranged in a clean, modern layout with a mix of bold and regular fonts. The website URL is in a smaller, sans-serif font at the bottom left. The program logo is in the bottom right corner, featuring a stylized orange figure and the text 'HIGH SCHOOL FINANCIAL PLANNING PROGRAM' and 'GIVE TIME BETTER TO LIVE'.

STUDENT LEARNING PLAN

Lesson 2-3: Credit Rating



OVERVIEW

Would you want to loan money to someone who can't or won't pay you back? And you probably wouldn't want to loan money to someone who took forever to pay you back.

Lenders, too, don't want to loan money to people who aren't responsible about paying it back. If they don't know anything about someone who is asking to use credit, the lenders have methods to predict if the money will be repaid and paid on time.

This lesson will give you an inside peek at what lenders look for when someone applies for a loan or a credit card. This will help you take steps now to make a positive impression later on a potential lender.

LEARNING OUTCOMES

In this lesson you will learn about ways to establish a good credit rating. Along the way you will:

- ☒ Outline the credit application process.
- ☒ Describe what lenders consider when deciding whether to approve or deny a credit request.
- ☒ Explain how creditors investigate someone's borrowing habits.

Use what you learn today to impress lenders with good borrowing habits.

LEARNING TASKS

These tasks match pages 23-31 in Student Guide 2.

__ 1.	Participate in the Can I Borrow...? task .
__ 2.	Find out what information you will need when applying for a credit card or applying for a loan. Practice filling out a credit application.
__ 3.	Take a look at sample credit applications. Who would you give the loan to? Establish your criteria to approve (or deny) a request. Then decide whether to approve or deny each request. Evaluate how you look to a lender by completing Activity 2.8: Put Your Best Foot Forward .
__ 4.	Did you know that even as an adult, you will have a report card? Find out how credit reports are used to evaluate someone's borrowing habits. What can you do now as a teenager to start out with good marks as a young adult?
__ 5.	Complete Challenge 2-B: Building Creditworthiness to plan out strategies to make a good impression on a lender.



TAKING IT HOME

Find out what the late payment penalties are for three different borrowing options you and/or your family currently have or might consider. For each option, calculate the last day of the month that a payment can be received without being charged a late fee.



TAKING IT HOME

Encourage a family member to go to **www.annualcreditreport.com** to get a free copy of his or her credit report from one of the credit-reporting agencies.

Keep in mind that this information is private, so don't expect to read the report. Instead, use what you have learned to share reasons that a person should check the report at least once a year.

Task: Can I Borrow ... ?

Directions for the Instructor

Copy enough **Borrow** cards so each student has one situation card. Add or substitute cards with other situations that are relevant to your students.

Give each student a **Borrow** card. Direct students to mingle with classmates to find someone who would be willing to let the cardholder borrow the item listed on the card. Stress that the items will not actually be exchanged, but a deal should be negotiated as through the item might be exchanged. Give the students two to three minutes to negotiate with classmates.

Facilitate a wrap-up discuss by asking the students:

1. *What were you trying to borrow? Were you able to negotiate a deal to borrow the item? Why or why not?*
2. *What were the conditions (if any) for you to follow so you could borrow or use the item?*
3. *When you were asked to loan the item, what influenced your decision to let the person borrow the item?*

Borrow bike to make a quick trip off campus during lunch	Borrow a car to get to a job interview tomorrow after school	\$5 for lunch
\$30 to shop at the mall	Cellphone for a few minutes to call a parent (your phone is dead)	Cellphone during lunch to check on a friend who is home today due to illness
iPad	Shoes for gym class today because you forgot your shoes at home	\$20 to put gas in your car. (You get paid in 8 days.)
Class notebook so you can copy the notes from day you were absent from English class	A watch or bracelet that someone is now wearing	Sweatshirt or jacket to wear all day because you are cold.

Task: Credit Application

NAME:

DATE:

CREDIT APPLICATION		
Name		Social Security Number
		000-00-0000
Birth Date	Home Phone	Work Phone
Current Address		
Own or Rent?	Length of Time at Address	
Mortgage or Rent Paid To	Monthly Payment	
Employment Income	Start Date	Employer Phone Number
\$ per month		
Name and Address of Employer		
Other Income	Source of Other Income	
\$ per month		
Bank Name	Account Number	City and State
Bank Name	Account Number	City and State
Reference/Other Creditor	Account Number	City and State
Reference/Other Creditor	Account Number	City and State
Requested Loan Amount	Purpose of Loan	
\$		
Date	Signature	

Task: Applications for Review

APPLICATION		
Name		Social Security Number
Michael Carver		111-22-3333
Birth Date	Home Phone	Work Phone
1/1/88	888-111-5555	
Current Address		
555 This Street, Boulder City, NV 89005		
Own or Rent?	Length of Time at Address	
Rent	Six years	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
Mr. Landlord	\$695	about \$7000
Employment Income	Start Date	Employer Phone Number
\$ 2000 per month	January 11, 2006	888-111-2222
Name and Address of Employer		
Candy Shoppe Main Street, Boulder City, NV 89005		
Other Income	Source of Other Income	Total Asset Amount
\$ 0 per month		\$ 4,309 (savings & car)
Reference/Other Creditors	Account Number	City and State
Boulder City Community Bank	555-56-031	Boulder City, NV
Requested Loan Amount	Purpose of Loan	
\$5,000	Purchase car	
Date	Signature	
	<i>Michael Carver</i>	

Decision: ☐ Approve ☐ Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review

APPLICATION		
Name		Social Security Number
Jerome Charles		987-65-4321
Birth Date	Home Phone	Work Phone
7/15/96	888-111-2222	
Current Address		
123 Apartment Place #1342, New York NY 10001		
Own or Rent?	Length of Time at Address	
Live with parents	3 years	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
		\$ 193
Employment Income	Start Date	Employer Phone Number
\$ 400 per month		888-111-2222
Name and Address of Employer		
Self employed (make jewelry and keychains)		
Other Income	Source of Other Income	Total Asset Amount
\$ 120 per month	Dog walking	\$ 0
Reference/Other Creditors	Account Number	City and State
Local Credit Union	1000101	NYC NY
Requested Loan Amount	Purpose of Loan	
\$1,499	Laptop	
Date	Signature	
	<i>Jerome Charles</i>	

Decision: ☐ Approve ☐ Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review

APPLICATION		
Name		Social Security Number
Victoria Mejia		987-12-3456
Birth Date	Home Phone	Work Phone
10/12/92	888-999-9999	888-555-1111
Current Address		
12 Apartment Road #514A, Dallas TX 75000		
Own or Rent?	Length of Time at Address	
Rent	1 year, 6 months	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
Ms. Buck	\$390	\$ 2,615
Employment Income	Start Date	Employer Phone Number
\$ 39,520 per year	August 1, 2010	888-555-1111
Name and Address of Employer		
Cable Company, 100 Main Street, Dallas TX 75000		
Other Income	Source of Other Income	Total Asset Amount
\$ 0 per month		\$ 3,381 (savings & car)
Reference/Other Creditors	Account Number	City and State
My Credit Union	2234567	Dallas TX
Requested Loan Amount	Purpose of Loan	
\$1,750	Professional toolkit	
Date	Signature	
	<i>Victoria Mejia</i>	

Decision:

☐

Approve

☐

Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review

APPLICATION		
Name		Social Security Number
Carmen Vasquez		000-11-2222
Birth Date	Home Phone	Work Phone
11/24/96	888-555-1111	
Current Address		
12 Money Street, Penny Town, CO 8111		
Own or Rent?	Length of Time at Address	
Live with parents	Entire Life	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
		\$ 0
Employment Income	Start Date	Employer Phone Number
\$ 700 per month	January 15, 2011	888-555-2222
Name and Address of Employer		
Susie's Gift Shop 123 Main Street, Penny Town, CO 81111		
Other Income	Source of Other Income	Total Asset Amount
\$ 75 - \$125 per month	Childcare as requested	\$1,745 (savings)
Reference/Other Creditors	Account Number	City and State
Colorado State Bank	123-45-678	Penny Town, CO 8111
Requested Loan Amount	Purpose of Loan	
\$5,000	Purchase car	
Date	Signature	
	<i>Carmen Vasquez</i>	

Decision:

☐

Approve

☐

Deny

REASONS:

1. _____
2. _____
3. _____

Activity 2.8: Put Your Best Foot Forward

NAME:

DATE:

How creditworthy do YOU look to a lender?

Directions:

- Identify specific evidence to show how you meet any or all of the 5 C's of credit.
- If you don't have evidence now for any of categories, list what you will do in the near future so you can make a positive impression on a lender in that category.

C's of Credit	My Evidence
Capital	
Capacity	
Character	
Collateral	
Conditions	

Challenge 2-B: Building Creditworthiness

NAME:

DATE:

Write a letter to a potential lender or deliver a verbal sales pitch to defend your creditworthiness. Base the presentation on your current and near future circumstances. This will include an assessment of your situation plus an explanation of ways you can build on favorable behaviors and modify unfavorable behaviors.

As you work through the lessons and activities in NEFE's High School Financial Planning Program, compile your completed challenge activities into a personal financial planning portfolio. For this challenge task, use what you have learned in **Lesson 2-3: Credit Rating** to lay the foundation for a good credit score. Summarize what you can do to make a good impression for potential lenders.

Directions

- ☐ 1. Assess your current borrowing reputation (character) and your situation regarding capital and capacity. Summarize your level of readiness to take on credit when you are legally able to enter into contractual agreements. How do you predict lenders will rate you? Are you a high, medium, or low risk?
- ☐ 2. Think about the actions and habits you can apply to make a favorable impression to a creditor in spite of your young age and limited credit history. Use what you have learned about credit reporting and scoring to determine what you can do now as a teenager and as you transition into adulthood to establish credit history and a favorable credit rating. Preview the criteria listed in the Scoring Guide to plan your work.
- ☐ 3. Self-assess your work using the Scoring Guide. Optional: Ask a classmate or family member to peer assess your work using the Scoring Guide.

Challenge 2-B: Building Creditworthiness

NAME: _____

DATE: _____

Required Criteria		Status	
Content			
1.	You summarize your level of readiness to take on credit by rating yourself as <i>high</i> , <i>medium</i> , or <i>low</i> risk.	acceptable	not acceptable
2.	You provide evidence of how your borrowing reputation (character) is acceptable or unacceptable.	acceptable	not acceptable
3.	You state specific behaviors that you currently display or will apply to impress a potential lender that you are a responsible borrower.	acceptable	not acceptable
4.	<u>Without</u> providing specific personal financial data (such as account details or dollar amounts), you summarize how your capital condition is acceptable or unacceptable.	acceptable	not acceptable
5.	You state specific strategies that you currently or will apply to give a potential lender confidence that you can manage your funds and repay on time.	acceptable	not acceptable
6.	<u>Without</u> providing specific personal financial data (such as income dollar amounts), you provide evidence of how your capacity situation is acceptable or unacceptable.	acceptable	not acceptable
7.	You state specific strategies that you can apply to give a potential lender confidence that you can repay whatever amount is borrowed.	acceptable	not acceptable
8.	You state at least two ways that a favorable credit rating can potentially benefit you financially.	acceptable	not acceptable
9.	You state at least two strategies to overcome barriers that may impact your ability to build a credit history and favorable credit rating.	acceptable	not acceptable
General			
10.	Action strategies are appropriate according to the standard borrowing guidelines reviewed during learning sessions.	acceptable	not acceptable
11.	Content is clearly presented in a logical manner according to your instructor's standards.	acceptable	not acceptable

Feedback: _____

Score: _____ / _____