

Credit and Debt

Learning About Credit Reports

PwC's *Earn Your Future*™ Curriculum

Table of contents

Introduction.....	3
Lesson description.....	3
Grade(s)	3
Lesson time	3
Pre-visit prep	3
Student learning objectives.....	4
Materials	4

5 Minute Prep	5
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Background.....	5
Vocabulary	5
Sources	5
Pre and Post Assessments.....	5
Lesson activities.....	6
Greeting.....	6

Introduction

“The reality is that all children don’t know the basics of saving and investing. It’s a skill they need to be successful in our economy.”

– Education Secretary Arne Duncan, April 2011.

Recent history underscores the immediate need for youth to develop skills in math and financial literacy, and yet, current data shows there is a lack of access to curricula for students to learn:

- A 2011 survey conducted by American Express found that a majority of parents with children in high school or college gave schools below-average or failing grades in teaching responsible spending.
- A 2012 survey by Junior Achievement and Allstate Foundation showed 23 percent of teens are uncertain about their ability to budget successfully.
- Despite the fact that 13 states mandate personal finance coursework as a high school graduation requirement, there is no national legislation mandating that it be a requirement in schools.*

The enclosed lesson plan about financial literacy is designed to increase students’ proficiency in financial literacy. Your expert knowledge and real-life examples, coupled with this one- hour lesson plan aligned to national standards in personal finance education, will fill a critical gap in our current education system, and better prepare the next generation of leaders to make sound financial decisions and be productive citizens.

We applaud your efforts to bolster students’ understanding of concepts critical to the health of our economy and stability of our nation. Furthermore, we thank you for serving as an ambassador for PwC, reinforcing our commitment to helping students improve their skills in financial literacy and to youth education overall.

Lesson description

Students will explain why it is important to establish a positive credit history and explain the value of credit reports to borrowers and to lenders. Students will apply legal guidelines to determine permissible uses of a credit report other than granting credit. Students will discuss ways that a negative credit report can affect a consumer’s financial future.

Grade(s)

6-8

Lesson time

45-60 min

Pre-visit prep

- Review the 5-minute prep to familiarize yourself with the lesson topic vocabulary
- Review all handouts to familiarize yourself with them
- Obtain lesson materials listed under the “Materials” section below

Student learning objectives

Students will:

- Define credit, credit report, credit history
- Make personal connections between key concepts (credit) and their own lives
- Identify entities who have legal access to their credit reports
- Describe the effects of credit history on a person's life

Materials

For up to 30 students, obtain ahead of time

Class/Group

- Chart paper
- Markers
- Handout A – T/F Credit Statements Sheet (1 copy for facilitator)
- Handout B Answer Key– Proceed with Caution worksheet (1 copy for facilitator)
- Handout C Answer Key– Credit Rights and Responsibilities worksheet (1 copy for facilitator)

Student (one for each student)

- Handout B – Proceed with Caution worksheet
- Handout C – Credit Rights and Responsibilities worksheet
- Handout D – Credit Rights and Responsibilities Scenarios

5 Minute Prep

Background

Our credit history is an important part of our financial identity. Our spending habits and payment histories often serve as a means by which some organizations and companies determine how much they can trust us. Since our histories carry so much weight, it is imperative that we maintain good credit histories. One step in maintaining a good credit history is to review our credit report each year. Checking our credit report each year allows us to keep abreast of our status and to work to correct any blemishes on our records.

Vocabulary

- **Credit:** the providing of money or goods with the expectation of payment in the future
- **Credit Report:** a record of your credit history that includes information about your identity, existing credit, public record, and inquiries about you
- **Credit History:** information pertaining to a person's past financial activities in terms of borrowing and repaying loans
- **Transcript:** an official copy (of a student's educational record)

Sources

Background information and vocabulary adaptations based on information from:

- *Council for Economic Education 2011 Survey of the States
- Vocabulary adapted from Merriam Webster Dictionary for Kids: www.wordcentral.com
- Vocabulary adapted from the Federal Reserve Bank: <http://www.federalreserve.gov/creditreports/default.htm>
- List of potential credit viewers adapted from CreditReport.com: www.creditreport.com
- List of potential credit viewers adapted from the Federal Trade Commission: www.ftc.gov
- Credit Rights and Responsibilities adapted from CreditReport.com: www.creditreport.com
- Credit Rights and Responsibilities adapted from the Federal Trade Commission: www.ftc.gov

Pre and Post Assessments

Before beginning the lesson, facilitators should introduce themselves and **distribute** the Pre-Assessment to the students. If time allows, consider conducting a mini icebreaker before the Pre-Assessment.

Note: It is highly recommended that facilitators read the questions aloud to the students and encourage students to select answers as they move through the questions. Reassure the students that the assessments are not graded tests or quizzes, and they do **not** need to put their names on the assessments. The assessments are a tool to measure classroom comprehension of a given module and gauge effectiveness of instructor delivery.

Collect the assessments once completed.

Facilitators should teach the lesson to the students and administer and collect the Post-Assessment at the end of class, **keeping in mind the same considerations outlined above**. Again, students do **not** need to put their names on Post-Assessments.

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Lesson activities

Greeting

Say: Hello everyone. My name is _____ and I am really glad to be here. Today we are going to talk about credit and credit reports.

Activity A – The credit race (10 minutes)

Materials

Class/Group

- Handout A – T/F Statements about Credit (1 copy for the facilitator)

Ask: How many of you know something about credit?

Count the number of hands that are raised.

Ask: Would any of the people who raised their hands like to share whatever information they have about credit?

Select 1-3 volunteers to share their ideas.

Say: This is a good start.

Ask: Does anyone think they can define the word “credit”?

Select a volunteer to share a definition.

Ask: Would anyone like to add anything to this definition?

Write any additional points that are offered.

Say: I would like to share this definition of credit with you.

Write: the providing of money or goods with the expectation of payment in the future.

Say: The definition as you are writing it on the board.

Say: So when we are using credit, we are getting something now because we are promising to pay for it in the future. This sounds like a pretty good deal, huh?

Say: Actually, there is a little more to it than that. Our goal today is to figure out some more of the ins and outs of credit. I think a good way to see what we know right now is to play a game.

Ask: Can I get six volunteers who would like to test their credit knowledge?

Select six volunteers.

Say: We are going to have a race. You are not going to run, but it is like the game “Mother May I”. Do you all know that game?

Say: This is how it will work. I am going to read a statement. You have to decide if the statement is true or false. If you think the statement is true, I want you to give me the thumbs up sign. If you think the statement is false, I want you to give me the thumbs down sign. You are allowed to ask the people in the audience what they think the right answer is. So that the room doesn't get too loud, I don't want the people in the audience to yell out their answer. So if you are in the audience and you think the answer is true, then give the thumbs up sign and if you think the answer is false, give the thumbs down sign. The people who are racing will look to see what you all think but I am only going to count the answer that they give.

Ask: Does everyone understand that part?

Clarify if students express confusion.

Say: After I read the statement and you decide whether it is true or false, you have to keep your thumb up or down until I read the correct answer. If you have the right answer, you get to take one step forward. Take regular steps—not giant steps. I have eight questions so it should take you eight steps to get to me. If you have the wrong answer, then you have to stay in place. The first person to get to me is the winner.

Ask: Does everyone understand?

Say: I need my six racers to line up in one horizontal line on the other side of the room. Line up side-by-side, shoulder-to-shoulder.

Note: You may need to point to an exact spot in the room where they should line up. Don't make it too close or too far from where you will be standing. A student should have to take eight steps to reach you.

Direct students where to stand.

Say: Okay, we are ready to play.

Read the first statement.

Scan the selections made by each racer.

Say: The correct answer is _____ (give the correct answer).

Direct the students with the correct answers to move forward.

Repeat the process until all eight statements have been read.

Note: If a student answered all questions correctly, they should reach you at this point. If no one reaches the finish line after all statements are read, Say: Well, that's okay. That is the point of my visit today. I am here to provide information so that you all will be able to answer questions like these.

Say: Thank you all for playing. You may have a seat.

Ask: Were there any answers that surprised you all?

Select any students who wish to share an idea.

Say: Even though we may know some things about credit, there are still some things we have to learn so that we can make wise financial decisions.

Activity B – Why should we care about credit? (20 minutes)

Materials

Class/Group

- Markers
- White board/chart paper

Ask: Has anyone in here ever heard of a credit report?

Count the number of raised hands.

Ask: Does anyone think they can take a guess about what a credit report does?

Select a volunteer to share his/her ideas.

Say: Alright, that is one idea. I think a good way to help you to understand credit reports is to relate it to something you are all familiar with.

Ask: Can anyone explain to me what your school records are?

[**Note:** School records are the student files that follow a student throughout his/her academic career. This includes transcripts/grade reports, discipline records, IEP's (Individualized Education Plans for those students who have been identified as having special needs), and medical records.]

Select a volunteer to share his/her ideas.

Ask: Why are school records important?

Select a volunteer to share his/her ideas.

Say: I am sure that many of you have heard the word “transcript” before.

Ask: Does anyone think they can explain what a transcript is?

Select a volunteer to share his/her ideas.

Say: A transcript is a report that gives the history of your time in schools. So it tells your personal information and outlines your academic history, which means your grades, test scores, and other information about your life in school. When you move to a new school, that information is passed along to the new school.

Ask: Why do you think a new school would want that information? What do your transcripts tell your new school about you?

Select a volunteer to share his/her ideas.

Say: A credit report is like a transcript. It helps the people who look at it to determine how responsible you are when it comes to handling your money.

Say: Let's brainstorm the types of information that might be on a credit report.

Ask: What types of things might be important to know?

Write down students' ideas as they call things out.

Provide some ideas of your own to help students generate more ideas and stay on track.

Ask: Who do you think might want to know these things about you? In other words, who might be interested in looking at your credit report?

Write students' ideas on the board as they call out information.

Say: Let me add some more groups to your list. These are people who have a legal right to look at your credit report.

Write additional agencies on the board (cell phone companies, utility companies, potential employers, landlords, lenders, insurance companies, credit card companies, state and local child support enforcement agencies, car dealers).

Say: We are going to take a moment to do a think-pair-share. I want you to take a minute to think to yourself about why each of the groups we have listed might be interested in seeing what's on your credit report. When I give you the signal, I want you to turn to a partner and share some of the ideas you came up with.

Say: Okay, take about 2 minutes to silently think about why each of the groups we listed might want to look at your credit report.

Allow students 1-2 minutes to silently think. When the time has passed, direct students to share their ideas with a partner.

Say: I would like for you to turn to a partner now and take some time to share your thoughts. Each of you should share some of your ideas. Try to discuss as many of the groups on the list as you can. I will give you approximately 3-4 minutes to share your ideas.

Allow students 3-4 minutes to share their ideas.

Ask: Are there any pairs that would like to share some of the things you discussed?

Select 2-3 pairs to share their ideas.

Ask: Were you surprised by some of the groups that have access to your credit? If anyone was surprised, share with me which one surprised you and why.

Select 1-2 volunteers to share.

Ask: Do you think it is fair that some of these people can see your credit history?

Select 1-2 volunteers to share their ideas.

Say: There are many groups out there who are interested in your credit history. That means that your credit history can have a great impact on your financial future. So I think we need to know a little bit more about what is going on with young people and credit in this country.

Activity C – Proceed with Caution – Credit and young people (10 minutes)

Note: If running short on time, consider skipping this activity and providing an overview on some of the risks and responsibilities associated with credit.

Materials

Class/Group

- Handout B Answer Key– Proceed with Caution worksheet (1 copy for facilitator)

Students (one per student)

- Handout B - Proceed with Caution

Say: Let's take some time to explore the role credit plays in the lives of many young people in our society. I am going to give you a worksheet. I want you to first try and fill in the answers on your own. After you work on it on your own, I am going to give you some time to work with a partner to fill in any missing information. When you are done with that, we will go over the worksheet as a class.

Distribute Handout B.

Allow students five minutes to complete worksheet on their own.

Say: Now I want you to turn to a neighbor or neighbors and share the answers you wrote. You should work together to fill in any missing information.

Allow students to work together for 3 minutes to fill in any missing information.

Say: Let's take a minute to discuss the information we gathered. If you still have missing information you can fill it in as we go along.

Read the first statement and fill in the missing information as you read (Using the Handout B Answer Key).

Continue this process until you have read all statements and students have had an opportunity to fill in the missing information.

Note: As you go over this worksheet, feel free to interject relevant comments to help students connect with the material. You may consider asking students if any of the information was surprising to them.

Say: As you can tell, having credit is a big responsibility and it has great implications for your financial future. Because credit is such a big deal in our society, there are lots of rights and responsibilities associated with having credit. We are going to take some of our final moments together to explore the rights and responsibilities associated with having credit.

Activity D – Credit Rights and Responsibilities (10 minutes)

Materials

Class/Group

- Handout C Answer Key– Credit Rights and Responsibilities worksheet (1 copy for facilitator)

Students (one per student)

- Handout C: Credit Rights and Responsibilities worksheet
- Handout D: Credit Rights and Responsibilities Scenarios

Say: For this last activity, I would like us to think about all of the rights and responsibilities associated with having credit. I am going to give you two sheets of paper. The first sheet of paper lists some rights and responsibilities associated with having credit. The second sheet of paper describes four different scenarios. I am going to put you in groups for this activity and then explain what you are supposed to do.

Divide the class into approximately six groups (no more than 4-5 people in a group). You may use any method you like to divide the groups (count off by 4 or 5, select their own groups, use birthday months, etc.).

Distribute Handouts C and D.

Say: Your job is to read each scenario and then decide which of the rights or responsibilities the scenario is describing. Each scenario may fit into multiple categories. When you all have decided what category you think it fits, write the number of the scenario next to the appropriate description.

Ask: Does everyone understand?

Answer any questions.

Allow students 7-8 minutes to work on activity.

Say: Alright, let's see what you all came up with. What rights and/or responsibilities did you all think Scenario 1 represented?

Repeat the questioning until all scenarios have been discussed. Be sure to provide students with the correct answers (using the Handout C Answer Key) and answer any questions that may arise.

Closing reflections (5 minutes)

Materials

Students (one per student)

- Blank sheet of notebook paper/scratch paper
- Pen or pencil

Say: We have gone over a lot of information today about credit, credit reports, and credit history. Just as a way of seeing what stuck with you, I would like for each of you to take a blank sheet of paper from your notebooks and write down 3 new things you learned today, 2 definitions you remember, and 1 question you may still have. I will give you four minutes to complete this task.

Allow three-four minutes for the students to write and reflect quietly.

Say: Thank you all so much for letting me spend time with you today. I think we all learned a lot. Be sure to share some of the information you learned with other members of your family.

Evaluation/Assessment of student learning

During lesson/In-class:

- Students determine if a given set of statements about credit are true or false
- Students generate a list of agencies with legal access to credit reports
- Students define key terms and gather statistical data regarding young people and credit
- Students analyze scenarios and apply appropriate credit rights and responsibilities to each scenario

Ideas for post-lesson assessments

- Students conduct research to learn about other credit rights and responsibilities
- Students create a WebQuest for various government websites that provide information about credit, credit reports, and credit history
- Students act out scenarios in which people have their credit rights violated and take appropriate steps to rectify the situation

Extensions/Enrichments

- Teachers can have students explore the Federal Reserve Bank website to better understand the role of this agency (<http://www.federalreserve.gov/>)
- Have students gather credit card applications from various stores. Bring in all the applications and have students review the applications to determine the APR rate for each card. Have students calculate how much various items could end up costing if they took from 6 months up until 1 year to pay back the loan.
- Have students visit the website www.creditcards.com/credit-card-news/credit-card-law-interactive-1281.php to learn more about the Credit CARD Act of 2009.