Good vs. Bad Credit | Lesson Plan

How can the way we manage our credit influence our future opportunities and financial freedom?

Students will understand how responsible credit management can influence their personal financial health and future purchasing power.

Learning Objectives:

- Explain the role of credit in personal finance and why maintaining a good credit score is crucial for financial health.
- Recognize credit score ranges and understand how they impact loan terms and interest rates.
- Define and apply key terms associated with credit, including credit card, credit score, lender, and loan, in real-world scenarios.
- Differentiate between good and bad credit scores, and identify the consequences of each.
- Identify actions that harm or improve credit scores, incorporating these insights into everyday financial decisions.

Key Vocabulary:

- **Credit**: The measure of trust given to a customer for future payment.
- **Credit Card**: A tool used to buy things now and pay them back later.
- **Credit Score**: The measure of a customer's reliability in making payments.
- **Lender**: The individual or institution that provides funds to borrowers.
- **Loan**: The money borrowed that is paid back over time.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Financial Literacy, Personal Finance, Life Skills

What You'll Need

- Video: *Ca$h Cour$e: Good vs. Bad Credit* (Watch Here)
- Worksheet: *Ca$h Cour$e: Good vs. Bad Credit* (Click Here)

Lesson Plan (45 mins.)

Warm-Up: (15 mins.)

1. Begin the class with an interactive poll or quiz to gauge students' initial understanding and common misconceptions about credit. Use questions that cover basic concepts of

Scan to watch episode:

credit scores, credit cards, and loans. For instance, here are some True and False suggestions that address common misconceptions:
    - T or F: Your credit score only matters if you are trying to get a loan. (F: it matters for things like renting apartments, insurance rates, and even employment opportunities.)
    - T or F: Closing old credit cards that you no longer use will always help improve your credit score. (F: It can actually hurt your credit score by affecting the credit use ratio and the average age of accounts.)
    - T or F: Factors like our age, income, and education level directly impact your credit score. (F: Payment history is actually the most significant factor.)
    - T or F: Anyone who is curious, such as a friend, can check your credit score if they want to. (F: Only authorized entities like banks and landlords can access someone's credit score.)
2. Discuss the results briefly to address any widespread misunderstandings and tailor the upcoming discussions based on student responses.
3. Transition into a group discussion where students list big-ticket items they dream of owning and brainstorm how they plan to afford these items, introducing concepts of credit subtly to spark interest.

Watch and Apply: (20 mins.)
1. Introduce and show the *Ca$h Cour$e: Good vs. Bad Credit* video. Pause at strategic points to ask students to identify examples of key vocabulary terms being used, enhancing their understanding through active participation.
2. After the video, distribute the "Ca$h Cour$e: Good vs. Bad Credit Worksheet." Have students use the insights from the video to complete the worksheet.

Wrap-Up: (10 mins.)
1. Review the worksheet answers collectively, ensuring any misconceptions are clarified.
2. Engage students in a discussion about the importance of credit in everyday life and long-term financial planning.
3. Draw analogies between maintaining good credit scores and academic grades, emphasizing how both can influence future opportunities.

Don't have time for the full lesson? Quick Activity (10-20 mins.)
Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.