

How Will I Pay for My Car?

Standard 7: Understanding Loans

Susan McHale, Kristen Sublett, Niky Styers, Melissa Gunter
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Grade Level	7th – 12th Grade	**Time Frame**	150 minutes
Subject	Financial Literacy, Social Studies	**Duration**	2-3 class periods
Course	Personal Financial Literacy		

Essential Question

What are the procedures and responsibilities of borrowing money? What procedures and responsibilities should be considered when borrowing money to buy a car?

Summary

Acquiring the use of a car is a rite of passage for high school students. In this personal financial literacy lesson, students will investigate the cost of a car, types of lending agencies, and additional costs associated with car ownership. This lesson does require that students have access to the internet for research purposes. This lesson includes optional modifications for distance learning. Resources for use in Google Classroom are included.

Snapshot

Engage

Students play a game to guess the price of a car.

Explore

Students brainstorm expenses related to purchasing a car.

Explain

Students use online resources to investigate different types of lending agencies for car loans.

Extend

Students examine some issues associated with car buying.

Evaluate

Students use a graphic organizer and research notes to assess their learning.

Standards

ACT College and Career Readiness Standards - Reading (6-12)

CLR401: Locate important details in somewhat challenging passages
CLR402: Draw logical conclusions in somewhat challenging passages
WME402: Interpret most words and phrases as they are used in somewhat challenging passages, including determining technical, connotative, and figurative meanings

Oklahoma Academic Standards (Personal Financial Literacy (7th through 12th grade))

PFL.7: The student will identify the procedures and analyze the responsibilities of borrowing money.
PFL.7.1: Identify and analyze sources of credit (e.g. financial institutions, private lenders, and retail businesses) and credit products (e.g., FAFSA, student loans, credit cards, and car loans).
PFL.7.2: Identify standard loan practices, predatory lending practices (e.g., rapid tax return, rapid access loans, and payday loans), and legal debt collection practices.
PFL.7.3: Explain the importance of establishing a positive credit history (e.g., maintaining a reasonable debt to income ratio), describe information contained in a credit report and explain the factors that affect a credit score(e.g., the relationship between interest rates and credit scores).

Attachments

- Good Partners Credit Union—How Will I Pay for My Car.pdf
- Lending Options Note Organizer—How Will I Pay for My Car - Spanish.docx
- Lending Options Note Organizer—How Will I Pay for My Car - Spanish.pdf
- Lending Options Note Organizer—How Will I Pay for My Car.docx
- Lending Options Note Organizer—How Will I Pay for My Car.pdf
- Lesson Slides—How Will I Pay for My Car.pptx
- Loan Masters State Bank—How Will I Pay for My Car.pdf
- Reliable PayDay Loans—How Will I Pay for My Car.pdf
- Window Notes Chart—How Will I Pay for My Car - Spanish.docx
- Window Notes Chart—How Will I Pay for My Car - Spanish.pdf
- Window Notes Chart—How Will I Pay for My Car.docx
- Window Notes Chart—How Will I Pay for My Car.pdf

Materials

- Lesson Slides (attached)
- Lending Options Note Organizer (attached, 1 per student)
- Window Notes Chart (attached, 1 per student)
- Lending Agency Flyers (Good Partners Credit Union, Loan Masters State Bank, and Reliable PayDay Loans) (attached, optional)
- Computer paper or tablet paper
- Sticky notes
- Internet-connected student devices for research

Engage

Use the attached **Lesson Slides** to guide the lesson. Begin this lesson by displaying **slide 3**. Invite students to look at the picture of the 2020 Ford Mustang and ask them which price they think is right. Direct students to price options A-D on the same slide, and invite them to write down the answer they believe is correct on a slip of paper or sticky note. Once students have made their choices, call on students to share which answer they picked and why.

Once students have had an opportunity to share, tell students that the correct answer is "C," $35,690. You may also note that even this price is listed with a note that says "starting at," which means that depending on the specific features of the car, it could be even more expensive.

Next, ask students if they were surprised by the price of the car. If so, why? You might note that there are many car options that are significantly cheaper than the example, but that most cars still cost a lot of money. Additionally, ask students these follow-up questions: Can most people walk into a dealership and buy a car in cash? Why or why not? If not, then how do people go about buying a car? Note to students that most people need to borrow money or take out a loan to buy expensive things such as cars.

Display **slide 4**. Read the essential question: *What are the procedures and responsibilities of borrowing money? What procedures and responsibilities should be considered when borrowing money to buy a car?* Ask students to consider these questions during the lesson.

Optional Modification for Distance Learning

To make this Engage activity accessible for distance learning, you may choose to pose the "Which Price is Right?" question using a Google Form. Otherwise, students could respond to the question in a discussion board on your preferred learning management system, such as Google Classroom or Canvas. Download all attachments to use this lesson in Google Classroom.

Explore

Display **slide 5**. Explain to the class that, when thinking about buying a car, there are several things to consider regarding the cost of ownership. Tell students that cars can be purchased new or used. Ask students to turn to an Elbow Partner to discuss what the pros and cons of choosing between a new car and a used car might be. Invite several students to share their answers with the whole class.

Sample Student Responses

Answers will vary but should include that used cars are cheaper but might have mechanical problems, and that new cars are more expensive but are under factory warranty for a while if they need repairs.

Next, display **slide 6**. Ask students to turn back to their Elbow Partner and brainstorm what additional costs or expenses are involved when buying a car. After pairs have had a chance to discuss, ask for partners to share answers with the whole class. Then, show **slide 7** to see if partners identified most or all of the additional costs to consider when buying a car.

Optional Modification for Distance Learning

For online or distance learning, consider making this a whole-group discussion or dividing students up and putting them into breakout rooms to discuss the topic. You may also consider making this activity a discussion board post to which your students can respond directly. Download all attachments to use this lesson in Google Classroom.

Explain

Move to **slide 8**. Explain to students that if they have not saved up the entire sum of money needed for a car, and if they don't have the budget for the additional costs of owning a car, there are different loan options that can be considered.

Display **slide 9**. Ask students to find an Elbow Partner and match each lending option with its description. Invite them to write their answers down on a spare sheet of paper or on a sticky note. Give pairs time to discuss. Once students have matched lending options to their descriptions with their partners, share the correct answers. Ask student partners to discuss or brainstorm a few possible pros or cons of different lending options as they examine the definitions.

Answers and Sample Student Responses

A. Bank—option 2; B. Payday Loan—option 1; C. Credit Union—option 4; D. Dealership—option 3. Have students share their answers and compare these to the correct answers.

Based on the definitions on the slide, ask students to brainstorm advantages and/or disadvantages they see among these different loan choices. Examples include:

- (Disadvantage) You have to be a member of a credit union to get money from them.
- (Disadvantage) "Payday" loans typically have high interest rates and a shorter time to pay back the loan.
- (Advantage) Getting a loan through the dealership might be very convenient.
- (Advantage) A bank may have a lower rate than some of the faster loan methods.

Next, display **slide 10**. This slide defines "predatory lending" for students. Ask students to consider the four types of lending options they just discussed. Based on the definition of predatory lending, which option do they think would be considered a predatory lending practice? Ask students to share their answers explaining their reasoning.

Sample Student Response

Students should note that "payday loans" are often considered a predatory lending practice because of the extremely high interest rates and fees associated with the loan. These benefit the lender at the expense of the borrower.

Move to **slide 11.** Pass out a copy of the attached Lending Options Note Organizer to each student. Read the directions on the organizer aloud. Invite each student to select one of the cars shown and record its make, model, and year. Then invite students to conduct their own Internet research to determine their car's interest rates via all four lending options. Students should note their Internet sources as they do so. Finally, have students calculate the interest (cost) that would be added to a monthly car payment for a car of their choosing.

Teacher's Note: Lending Options Note Organizer Activity

For this activity, students can choose to research one of the cars displayed on slide 11 (these cars were also displayed on slide 5). You may also choose to have students research their own cars online, especially if they are already driving. If you are utilizing this lesson after 2020, consider updating slides 5 and 11 with more current car models and prices.

Optional: Lending Agency Flyers

If Internet research is not possible for your class, consider passing out copies of the attached **Good Partners Credit Union, Loan Masters State Bank,** and **Reliable PayDay Loans** flyers. These flyers are advertisements for fake lending agencies. Students can use the bank rates, credit union rates, and payday loan rates on these flyers to complete the organizer. Note that a car dealership flyer is not included—if utilizing this method, you can have students skip the "Car Dealership Financing" row on their organizers.

Teacher's Note: Calculating Interest Rates

Interest rates vary depending on a person's credit score and creditworthiness. Have students calculate the difference between a 3-year loan or a 5-year loan on a car on a site such as Bankrate. Explain that, while they will pay less money each month on a 5-year loan, over time they will be out more money due to the extra interest. Inform them that you can also pay off your car faster if you make additional principal payments, but if you only make minimum payments, your car payments can turn "upside down" and the car's value will depreciate faster.

Students should also complete the What did you learn? paragraph summary at the bottom of the Lending Options Note Organizer in their own words. Prior to turning in this assignment, you may choose to have students share what they learned and wrote for this paragraph.

Optional Modification for Distance Learning

Consider creating multiple copies of the attached Lending Options Notes Organizer using Google Docs. Assign students to each copy of the handout and have them collaborate virtually. Students can add notes to the document and collaborate as a group using the "chat" feature in the document. You may also consider making this activity a discussion board post to which your students can respond directly. Download all attachments to use this lesson in Google Classroom.

Extend

Show **slide 12**. Explain to students that there can be issues that arise when buying and owning a car. Some examples of common issues include "upside-down" payments, non-payment of a car loan, and bad credit scores. Divide students into small groups of 3-4. Ask student groups to choose one of the issues listed on slide 11 to research. Alternatively, you may choose to assign student groups to particular issues.

Next, display **slide 13**. Ask students to create Window Notes over the issues, consequences of those issues, and solutions for those issues that might arise with car ownership. Pass out the Window Notes Chart to each student. Ask students to, using the internet, research their group's issue and fill in the corresponding sections in the cart. Move to **slide 14** to show an example response for the Window Notes chart. This example could be used to give students an idea of what is meant by consequences and solutions for the issues that might arise. Consider having students use this information to create a poster to share with the class. If you choose not to do a poster, students can simply present the information from their charts to the rest of the class.

Optional Modification for Distance Learning

To make use of this lesson in an online or distance learning environment, consider having students create digital posters with tech tools such as Popplet, Piktochart, or Canva. Once they have completed their posters and shared them with you, substitute the presentation with a website such as VoiceThread. With VoiceThread, you can upload students' posters to the site beforehand. Then, students can choose whether they would like to make a quick video, a voice memo, or a written note to give feedback on other students' posters. Download all attachments to use this lesson in Google Classroom.

Evaluate

Once students have shared their charts or posters with the class, go to **slide 15**. Point out to students that not only can failing to repay a loan be problematic for an individual, but it can also impact others. Conclude the lesson with a final question: How does non-repayment of loans impact individuals, families, businesses, and the broader economic system as a whole? Invite students to discuss this question with their groups before sharing out with the whole class.

Additionally, the Lending Options Notes Organizer and the Window Notes Chart or poster can serve as assessments for this lesson.

Teacher's Note: Looking for Hands-on Financial Literacy?

Mind Your Own Budget (MYOB) is a comprehensive game-based learning application for financial literacy. Mind Your Own Budget is aligned with the OK Passport and National Standards for Financial Literacy. Through game-playing, students encounter everyday financial tasks such as making and keeping a budget, paying recurring and emergency expenses, managing financial accounts, and using financial instruments. Each scenario presents a new challenge and teaches new concepts while building on important budgeting basics. To find out more, go to K20 Digital Game-Based Learning or email k20center@ou.edu.

Resources

- Bankrate. (2020). Auto Loan Calculator. https://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx
- Investopedia. (2017). Bank. http://www.investopedia.com/terms/b/bank.asp?ad=dirN&qo=investopediaSiteSearch&qsrc=0&o=40186
- Investopedia. (2017). Credit union. http://www.investopedia.com/terms/c/creditunion.asp?ad=dirN&qo=investopediaSiteSearch&qsrc=0&o=40186
- Investopedia. (2017). Dealer financing. http://www.investopedia.com/terms/d/dealer-financing.asp?ad=dirN&qo=investopediaSiteSearch&qsrc=0&o=40186
- Investopedia. (2017). Payday loan. http://www.investopedia.com/terms/p/payday-loans.asp?ad=dirN&qo=serpSearchTopBox&qsrc=1&o=40186
- K20 Center. (n.d.). Canva. Tech Tools. https://learn.k20center.ou.edu/tech-tool/612
- K20 Center. (n.d.). Elbow Partners. Strategies. https://learn.k20center.ou.edu/strategy/116
- K20 Center. (n.d.). Google Classroom. Tech Tools. https://learn.k20center.ou.edu/tech-tool/628
- K20 Center. (n.d.). Piktochart. Tech Tools. https://learn.k20center.ou.edu/tech-tool/2394
- K20 Center. (n.d.). Popplet. Tech Tools. https://learn.k20center.ou.edu/tech-tool/663
- K20 Center. (n.d.). Window Notes. Strategies. https://learn.k20center.ou.edu/strategy/189