

Is 350 Good?

Standard 7: Credit History and Borrowing Money

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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 does a lender consider when offering a loan? Why is a credit score important?

Summary

In this lesson, students will learn vocabulary terms that lenders use, such as collateral and credit score. Students also will understand how a credit score determines whether or how much a lender will finance a loan. It is suggested that students first complete the lesson "How Will I Pay for My Car?" to introduce them to types of lending agencies.

Snapshot

Engage

Students examine a cartoon about a lending practice.

Explore

Students complete an analysis of the lending practice cartoon.

Explain

Students read about factors that affect a credit score and complete a Frayer Model activity based on the reading.

Extend

Students may extend their understanding through creating vocabulary flip charts, analyzing credit score cartoons, and/or making their own cartoons.

Evaluate

Students may turn in one or two cartoon analyses and a Frayer Model, a flip chart, and/or a cartoon of their own.

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.7.3: 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).
PFL.7.4: Explain how the terms of a loan (e.g., interest rates, fees, and repayment schedules) affect the cost of credit.

Attachments

- Cartoon-Analysis-Is-350-Good - Spanish.docx
- Cartoon-Analysis-Is-350-Good - Spanish.pdf
- Cartoon-Analysis-Is-350-Good.docx
- Cartoon-Analysis-Is-350-Good.pdf
- Cartoon-Analysis-Sample-Responses-Is-350-Good.docx
- Cartoon-Analysis-Sample-Responses-Is-350-Good.pdf
- Collateral-Cartoon-Is-350-Good - Spanish.docx
- Collateral-Cartoon-Is-350-Good - Spanish.pdf
- Collateral-Cartoon-Is-350-Good.docx
- Collateral-Cartoon-Is-350-Good.pdf
- Frayer-Model-Is-350-Good - Spanish.docx
- Frayer-Model-Is-350-Good - Spanish.pdf
- Frayer-Model-Is-350-Good.docx
- Frayer-Model-Is-350-Good.pdf
- Frayer-Model-Sample-Responses-Is-350-Good.docx
- Frayer-Model-Sample-Responses-Is-350-Good.pdf
- Lesson-Slides-Is-350-Good.pptx

Materials

- Lesson Slides (attached)
- Collateral Cartoon (attached; one per student)
- Cartoon Analysis (attached; one per student)
- Frayer Model (attached; one per student)
- Cartoon Analysis Sample Responses (attached; for teacher use)
- Frayer Model Sample Responses (attached; for teacher use)
- Online access to or printed copies of Investopedia's article "Your Credit Rating Matters"
- Student devices with internet access (optional)

Engage

Teacher's Note: Preparation

Later in the lesson, students read an Investopedia article titled "Your Credit Rating Matters." You may have students access this article online if they have devices with internet access. However, if you would like students to have physical copies of the article, be sure to access the article yourself beforehand and print enough copies for the whole class.

Introduce the lesson using the attached **Lesson Slides**.

Display **slide 3**, which shows the essential questions. Ask students what things lenders, such as banks, credit unions, and other agencies, consider when a borrower asks for a loan. If students struggle with this question, ask whether they think they are a "good risk" for a loan. If so, what makes them a good risk? Why would someone give them a loan? Allow time for students to share out their thoughts.

Next, display **slide 4**, which shows the lesson objective. Ask students what they already know about credit scores and their effect on borrowing money. Inform students that one thing they might need when getting a loan is "collateral." Without giving a definition of the term "collateral," display **slide 5** to show students the cartoon and see if they can infer what "collateral" is.

Allow time for any observations or insights from students. Again, they might struggle with understanding the cartoon. Call on students randomly to share their initial thoughts about the cartoon, even if they're simple observations of what is depicted. Write students' ideas on the board and inform them they will revisit the cartoon in depth later in the lesson.

Display **slide 6** to provide students with the definition of "collateral." Inform students that most large loans require some type of collateral. For example, if a person needs a car loan, they might use the car itself as collateral. The car becomes the security that guarantees the loan will be paid. This means that if the borrower cannot repay the loan on time, then the lender (bank) can repossess the car and use it to cover the debt or unpaid loan amount of the borrower.

Explore

Pass out the **Collateral Cartoon** handout and the **Cartoon Analysis** handout to each student. The two pages of the Cartoon Analysis handout can be printed front and back to conserve paper.

Teacher's Note: Cartoon Analysis

The Cartoon Analysis handout has been adapted for educational use from the National Archives and Records Administration. The original can be accessed online as a .PDF file at the National Archives and Records Administration's website.

Return to slide 5, which displays the cartoon. Assign each student a partner and ask student pairs to look at the cartoon and complete the analysis handout together.

Before students begin, read through each section and the questions on the analysis handout. Make sure that students have a clear understanding of the questions before they begin. Allow about 30 minutes for students to complete this activity.

Once students are done, you may wish to discuss some elements of the Cartoon Analysis before collecting it as an assessment. See the attached **Cartoon Analysis Sample Responses** as a guide for assessment purposes and any subsequent class discussion.

Transition to the next portion of the lesson by explaining that, in addition to collateral, lenders also examine a person's credit score to determine whether that person is a responsible borrower.

Explain

Inform students that they will learn more about credit scores by reading an Investopedia article titled "Your Credit Rating Matters." Pass out copies of the article to each student, or share the link with students if you would like them to read the article online.

Display **slide 7** and pass out the attached **Frayer Model** handout. As students read the Investopedia article, have them use the Frayer Model strategy to fill out the handout. After students are done, ask a few students what they wrote for each section of the model.

Once students demonstrate sufficient understanding, display **slide 8.** Ask students the titular question of the lesson: "Is 350 good?"

Have students write their responses on the back of the Frayer Model handout. Students should be able to write that "350" refers to a high-risk or low credit score, and that this will cause lenders to charge more interest on the amount of money borrowed or not loan any money at all.

At this point, you may collect students' completed Frayer Models and use them as an assessment. See the attached **Frayer Model Sample Responses** as a guide for assessment purposes and any subsequent class discussion.

Then, display **slide 9** and explain that lenders also examine your debt-to-income (DTI) ratio as another way to determine whether you are a responsible borrower or a bad credit risk. Lenders prefer debt-to-income ratios of less than 36 percent.

Have students solve the problem on the slide to determine whether John is a "good risk" for a loan. To do so, students should divide John's total monthly debt by his monthly gross income. *Answer: John is a good credit risk. His debt-to-income ratio is 30 percent.*

Extend

To extend students' understanding, you may choose one or more of the following activities.

Option 1: Vocabulary Flip Chart. Display **slide 10** to show students a list of the financial vocabulary terms used in this lesson, or write the terms on the board. Some of the terms were in the reading about credit ratings. These terms are: lender, borrower, collateral, credit score, interest rates, credit history, credit applications, and debt-to-income ratio. If you wish, you also can add vocabulary terms from previous lessons. Have students create a flip chart that includes their own definition of each word and perhaps a symbol that represents it.

Teacher's Note: Creating Flip Charts

You may want to use a video or website to show students how to create their own flip charts from plain computer paper or color paper. For example, you could show students this YouTube video: "VCMS Making a Flip Chart for Figurative Language." After students have created their flip charts, you could have them play an optional game of Pictionary using the vocabulary terms.

Option 2: Vocabulary Card Sort. Place students in pairs and pass out 24 index cards (3x5) to each pair. Using the vocabulary list from slide 10, have students create three vocabulary cards for each word. The first card should include only the financial literacy term, the second card should include only the definition, and the third card should include only a symbol that represents the financial literacy term. Once all cards are done, have students complete the Card Sort. Students should be able to match each financial literacy term with its definition and symbol.

Option 3: Analyzing a Credit Score Cartoon. Have students demonstrate their understanding of the term "credit score" by analyzing another financial literacy cartoon. Find the cartoon at the Cartoonist Group's website. This cartoon shows Santa Claus telling a child, Billy, that he won't be able to get everything on his toy list because Santa knows his parents' credit score. Pass out blank copies of the Cartoon Analysis handout and have students, individually or in pairs, analyze this credit score cartoon.

Option 4: Creating a Cartoon or Cartoon Panel. To demonstrate their understanding of the importance of credit scores, have students create their own cartoons or cartoon panels. Begin by showing students several credit score cartoons as models from the Cartoonist Group's website. There are several cartoons that students should easily understand. Discuss the elements in these cartoons that make them funny. After viewing the models, have students create their own cartoons on computer paper or by using a cartoon-creation website.

Evaluate

You may choose to use one or multiple products from this lesson as assessments: the Cartoon Analysis handout (based on the collateral cartoon), the Frayer Model handout, the vocabulary flip chart, the vocabulary card sort, and/or the analysis or creation of a different credit score cartoon.

Teacher's Note: Hands-on Learning for Financial Literacy

Mind Your Own Budget (MYOB) is a comprehensive, game-based learning application for financial literacy. Mind Your Own Budget is aligned with Oklahoma Passport to Financial Literacy standards 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 teaches new concepts while building on important budgeting basics.

To find out more about K20 Game-Based Learning, go to https://k20center.ou.edu/gbl or email k20center@ou.edu.

Resources

- Cartoonist Group. (n.d.). The Credit Score Comics and Cartoons. http://www.cartoonistgroup.com/subject/The-Credit+Score-Comics-and-Cartoons.php
- CollegeDegrees360. (2012, July 12). Confused [Image]. Flickr. https://www.flickr.com/photos/83633410@N07/7658298768/
- Education Staff. (2017). Cartoon Analysis Worksheet. National Archives and Records Administration. https://www.archives.gov/files/education/lessons/worksheets/cartoon_analysis_worksheet_former.pdf
- K20 Center. (n.d.). Card Sort. Strategies. https://learn.k20center.ou.edu/strategy/147
- K20 Center. (n.d.). Frayer Model. Strategies. https://learn.k20center.ou.edu/strategy/126
- Speer, J. (2009, Nov. 20). VCMS making a flip chart for figurative language [Video file]. https://www.youtube.com/watch?v=pcslaUTmX2k
- Tardi, C. (2019, August 13). Your Credit Rating Matters. Investopedia. http://www.investopedia.com/articles/00/091800.asp