

Grades 6-8, Lesson 6

Compelling Question: Why do people borrow money?

Illinois Financial Literacy Standard	SS.EC.FL.1.6-8.MC Describe the connection between credit, credit options, interest, and credit history.	SS.EC.FL.4.9-12 Analyze costs and benefits of different credit and payment options for goods and services, the role of lenders, and interest.
Inquiry Standard	SS.IS.4.6-8.MdC: Determine the credibility of sources based upon their origin, authority, and context.	SS.IS.6.6-9LC: Construct arguments using claims and evidence from multiple sources, while acknowledging their strengths and limitations.
	SS.IS.7.6-8: Critique the structure and credibility of arguments and explanations (self and others).	SS.IS.8.6-8.MC: Apply a range of deliberative and democratic procedures to make decisions and take action in schools and community contexts.
Student Outcomes	Students will be able to explain the advantages and disadvantages of using credit.	

Introduction to Lesson

This inquiry initiates an investigation of income by presenting students with readings and graphic representations of credit, credit cards, credit history, and credit decisions. Students should be able to develop a logical argument or project-based learning activity that answers the question “Why do people borrow money?”

By examining this question and relevant resources, and by creating questions of their own, students address the above-noted standards. Students consider a series of supporting questions about why people borrow money, how to use credit wisely, and what to do to create a good credit history. By engaging with images, videos, charts, and graphs, students activate visual, auditory, and kinesthetic learning. They work independently and in groups to answer questions, but more importantly to ask even more questions of their own.

Timeframe: This lesson is designed to work on several levels; therefore, timing may differ depending on how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2-3 days. If a whole class works its way through all the supporting questions, it could expand 5-6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

Rationale: The supporting questions develop from simple to more complex, thus providing an opportunity for differentiating and accelerating/compacting the lesson. While the whole class considers the concept of income, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

Structure of the Inquiry: The lesson is structured as follows: Each lesson consists of three supporting questions that directly ties into the compelling question. Each supporting question gets more difficult as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located towards the end of the lesson which provides students a chance to demonstrate their knowledge of money and allows for a summative evaluation.

Ask

Compelling Question: Why do people borrow money?

Supporting Question #1: Is credit good or bad?

Key Understandings: Students learn about different types of credit. They learn not all credit is bad, but consumers do need to be aware of how to use it wisely.

Featured Resources (Investigate): 3 Reading for Information pieces: What is Credit, How a Credit Score is Calculated, & Good Debt vs. Bad Debt, 2 Investigations: What are good credit habits and US Credit Scores

Formative Assessment Task (Create/Discuss): Three activities: How does a credit card work, Who will you lend to?, & What Do You Think? and a writing prompt

Supporting Question #2: How can debt be managed?

Key Understandings: Students will learn about debt and how to responsibly manage debt.

Featured Resources (Investigate): 1 Reading for Information piece: History of Credit Cards & 2 Investigations: Credit Card Comparisons & Credit Card Holders' Bill of Rights.

Formative Assessment Task (Create/Discuss): Skit, Shopper Comparison, and Managing Debt activity.

Supporting Question #3: Can credit be improved?

Key Understandings: Students will learn about credit reports and its impact on consumers.

Featured Resources (Investigate): 1 Reading for Information piece- Impact of a Bad Credit Report & 1 Investigation: Improving Credit Scores

Formative Assessment Task (Create/Discuss): 2 activities- Are they a good or bad credit risk? and The Cost of Bad Credit

Staging the Compelling Question

The compelling question is, "Why do people borrow money?" The teacher can introduce the question by displaying images of a house, an expensive sports car, an Ivy League university, a pair of designer athletic shoes, and a lavish restaurant meal. Ask students if they would like to have these items and to estimate prices for each. Engage in a discussion about how to pay for things that might cost more than a person's annual income. (e.g., a house and a four-year education at a private college could cost hundreds of thousands of dollars.)

Ask, "Should a person borrow money to acquire all of these things?" If students suggest that borrowing is good for some items but not others, encourage them to provide reasons why. Conclude the discussion by pointing out that items such as homes, cars, and a college education have benefits that last a long time. On the other hand, a pair of shoes might wear out or go out of style in a year, and a fancy meal is gone in a few hours. Make the point that all these items can be acquired by borrowing money, but some of them will be gone before the money is paid back.

Display the video about wise borrowing (<https://www.youtube.com/watch?v=8TxFNIm3LrQ>), and conclude that borrowing money is not a bad thing, but consumers need to be mindful of why they are borrowing and how much. Each person's level of debt depends upon his/her income, risk tolerance and other financial factors that will affect the ability to repay.

Supporting Question #1: Is credit good or bad?

Supporting Question

The first supporting question asks, “Is credit good or bad?” Students define different kinds of credit and explain how credit works. They learn about revolving credit, installment credit, and service credit, and describe how a responsible borrower uses each type of credit.

After reading about the *4 Cs of Credit*, students evaluate several scenarios and explain whether hypothetical borrowers are making good or bad decisions. They work in pairs to create scenarios and diagrams to explain how a credit card works.

Investigate

Featured Resources

Reading for Information- What is credit? Students learn that, when talking about money, credit means a consumer’s ability to pay someone back when they borrow money.

Reading for Information- How is a Credit Score Calculated? Students read about the type of information credit bureaus use to calculate a credit score.

Reading for Information- Good debt versus bad debt: Students read information on good debt versus bad debt. They make a t-chart comparing the characteristics of each.

Investigation Activity- US Credit Scores: Students work in small groups to investigate consumers credit scores in the United States. They are asked to gather data from credible sources and identify whether or there is a pattern.

Investigation Activity: What are good credit habits? Working in small groups, students are asked to think of three questions to support “What are good credit habits?” These questions should be areas that support the main question but also indicate areas they would like to learn more about. Students then conduct research to help answer their questions. Finally, they create a poster or visual representation highlighting their Top 5 suggestions for good credit habits.

Create/Discuss

Formative Assessment Performance Activities

How Does a Credit Card Work? Working with a partner, students examine an explanation of how a credit card works. They are then asked to create a scenario with a diagram indicating how the credit card works for the purchase.

Who will you lend to? Select five student volunteers from the class. Each one reads a scenario of an individual who wants to borrow money. The rest of the class serves on the “loan committee” at a local bank. Based on the information provided, they select one person who receives the loan and explain their decision.

What do you think? Students read about six people who need money for a variety of reasons. The students decide if borrowing money is a good idea. The students are asked to consider how each borrower and lender faces risk. The students are then asked to rank the six candidates and should justify their rankings in a class discussion.

Writing Prompt- Responsible Credit: The writing prompt asks students to provide a brief explanation how a borrower can demonstrate responsibility in three listed categories.

Supporting Question #2: How can debt be managed?

Supporting Question

The second supporting question, “How can debt be managed?” provides a brief history of credit cards and hints for the responsible use of a credit card. Students are challenged to create and role play skits that demonstrate good habits (or bad habits).

The notion of a grace period is introduced, and students are challenged to find several credit card offers (either on-line or in the mail) and compare them according to a number of criteria: interest rate, grace period, annual fee, minimum payment, late fees, and other fees. They decide which offer is the best.

Students compare two shoppers, one who chooses to save and pay cash for an item and a second who chooses to use a credit card. In groups, students discuss the advantages and disadvantages of each choice.

Debt management is discussed, and students are presented with a hypothetical list of bills that they owe. They answer questions about their debt and how to manage it.

Investigate

Featured Resources

Reading for Information-History of Credit Cards: Students learn about the history of credit cards, consumers’ increased usage/reliance on credit cards, and how technology continues to shape the payment industry.

Investigation Activity-Credit Card Holders’ Bill of Rights: In small groups, students are asked to investigate this bill which was enacted in 2009. Students are asked to create questions they have about the bill and then create a T-chart discussing the pros and cons of the Bill. They are asked to list their Top 3 takeaways based on their investigation.

Investigation Activity- Credit Card Comparisons: Students are asked to find two different credit cards online or they can use credit card offers their family got in the mail at home. They use the chart to compare the offers and answer questions about their findings.

Create/Discuss

Formative Assessment Performance Activities

Skit- Good Credit Card Habits: After reading about the History of Credit Cards, students are asked to review the list of good credit card habits (found at the end of the reading activity). In small groups, students develop a skit to demonstrate one of the good credit card habits. Students are encouraged to be creative and “over act” for the effect. The goal is to teach their classmates about good credit habits. Sometimes we learn best when we discuss what NOT to do, so students can choose to demonstrate just the opposite of one of the hints and showcase what you shouldn’t do.

Shopper Comparisons: Students read and analyze information about two shoppers. For this activity, students can work individually, in pairs, or in small groups. After completing the activity, the class discusses the answers and determines what was the best choice in each option.

Managing Debt: Students read through some tips on managing debt. They are then asked to put the tips to use by completing the activity.

Supporting Question #3: Can credit be improved?

Supporting Question

“Can a credit report be improved?” is the fourth supporting question. Students examine the components of a credit report. They analyze several scenarios of people applying for credit, and they assign them a credit score.

Students take a True/False quiz about credit reports (key is provided). They consider the impact that a bad credit report can have on a consumer and create graphs comparing FICO scores to interest rates and monthly payments.

Investigate

Featured Resources

Reading for Information- Impact of a Bad Credit Report: Students learn about the impact credit reports can have on individuals.

Investigation Activity- Fixing Credit Scores: We know that credit scores can have a great impact on a person’s life. What if you do make a mistake? How can you fix it? Students will investigate ways to improve a credit score.

Create/Discuss

Formative Assessment Performance Activities

Activity- Are They a Good or Bad Credit Risk? Students can use the article from Supporting Question 1 called “How is a Credit Score Calculated” to help with this activity. There are five different profiles of individuals and students are asked to assign a credit score based on each scenario. After completing the activity, the teacher asks students to discuss what credit score they gave each individual and why.

Activity- The Cost of Bad Credit: Students analyze a chart containing credit scores, annual percentage rates, monthly payments, and interest paid. Students are then asked to chart the information on three charts comparing credit scores to interest rates, credit scores to monthly payments, and credit scores to interest paid.

Ask

Compelling Question: Why do people borrow money?

Reflect

Summative Assessment Performance Activities

Task	Develop an argument, using credible sources as evidence, to answer the question, “Why do people borrow money?”
Extension Activity	<ul style="list-style-type: none"> Have your school participate in a Financial Fair. This can be a great way to help educate parents and the community about ways they can be smarter with their money. Students can create posters or presentations to convey what they have learned with others. Visit Econ Illinois’ website at www.econillinois.org for more information. Write a letter to an adult in your life advising them of good credit habits Research how much debt the typical American has