

Area: Money Management

ACADEMIC STANDARDS:

Unit (ADE Competency): Money Management (Local Competency)	5WP		
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INDICATORS:

Lesson Title (ADE Competency Indicator): #5 Using credit wisely	4P		
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Objectives: <i>Students will be able to:</i> 1. Describe different types of credit 2. Explain the advantages of using credit 3. Explain the disadvantages of using credit 4. Explain how to compare credit costs 5. Correctly fill out a credit card application 6. Correctly fill out a credit card application on-line	PO:	PO:	PO:
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Need:

These students are enrolled in the ACE class and are currently working along with attending school. Many of them are preparing to leave home to attend school or work full time. They need to have the skills to be successful in all aspects of their future, including financial management.

Bell Work:

Have you ever wished you had more money than you have on hand?
(This will be written on the board).

Introduction:

- ✓ **Interest Approach**
Obtain answers from the students about the bell work. Hold up a credit card. Ask the following:
Is this one way to get more money than you have on hand?
What are some bad things about that? What are some good things? Do you need to be careful with credit?
- ✓ **Transition/Draw out objectives**
As with all things, you need to know what you are getting into before you jump in. Credit can be very helpful and useful, but it can also get people into trouble as we have just discussed. Therefore, we are going to: *State Objectives here!*

Content (What are you going to teach?)

- ✓ **Questions and Analysis**
 - *What is credit?*
Credit is a sum of money a person can use before having to reimburse the credit lender. It allows a person to receive a good or service now and pay for it later.

- *Briefly describe the types of credit?*
 - Credit card - Credits cards are issued to people from banks or other financial institutions and allow the cardholder to charge amounts in many different places. Usually you are given a credit limit, which is the maximum amount you are allowed to charge against your account.
 - Charge accounts - This is similar to a credit card, but the company that issues the card normally restricts its use to that particular company. Each business sets its own terms for charge accounts.
 - Loans - People get loans from banks, credit unions, and other financial institutions to make large purchases. Most loans are installment loans, in which you receive a lump sum, then pay it back at regular interval (monthly) payments. You may have to pay an application fee, which is a large sum of money charged to apply for the loan. You also normally have to make a down payment or a percentage of the loan at the time of purchase.
 - Secured Loans - These loans are secured by collateral, an asset such as a person's car or house. If the borrower fails to pay the loan payments, the lender can take the collateral.
 - *What are some disadvantages of using credit?*
 1. Lenders charge a finance charge, which is a fee based on the amount of money you owe. Finance charges are based on a particular interest rate.
 2. The risk of overusing it. You can accumulate too much debt and not be able to make payments. You can loose your collateral in secured loans and it can ruin your financial reputation.
 - *What is the cost of credit?*
Credit costs vary widely. Some of their costs include:
 - Annual fees. Many credit companies charge annual or membership fees.
 - Finance charges - If you pay off your entire balance every month, you will not have to pay finance charges, which is interest on your unpaid balance. Finance charges normally are around 18% per year.
 - *What happens when you apply for credit?*
You fill out a credit application. The lender checks with a credit bureau, which is an agency that collects information about how promptly you pay your bills. The credit bureau gives you a numerical rating that indicates how likely you are to pay your bills. If you have a poor credit rating, you may be denied a loan.
- ✓ **References**
Kimbrell, Grady, and Ben S. Vineyard (1998). Chapter 21: Banking and Credit. Succeeding in the World of Work. 429-432.

Methodology (How are you going to teach it?)

- ✓ **Supervised Study**
Give the students the attached handout. Have them answer the questions. When they have finished, the need to turn in their notes and pick up a credit card application.
- ✓ **Assignments**
Have the students fill out a credit card application that was picked up from a local bank. Have the students work on this quietly.

When they finish that assignment, have the students get on the Internet and locate a credit card application. Have them fill out the application electronically, but not submit it. Have them print their application before clearing the form.

Summary (Teacher's role):

Review objective and key points using questioning.

Conclusion (Student's role):

Have the student write a two-sentence conclusion statement about the day's lesson at the bottom of their notes.

Evaluation:

Students will receive 5 points for each application they fill out, for a total of 10 points.

Students will also be evaluated by their end-of-unit project. Students will be asked to gather information about checking and savings accounts at various banks. They will be required to gather information from at least three financial institutions, including one credit union. At the end of the unit, students will be asked to evaluate this information and indicate which financial institution they would pick for savings and which one for checking and why. The project and report will be worth 25 points.