

# EVERFI: Financial Literacy™

## Lesson Overview: Credit Scores

90 - 120 minutes

### Learning Objectives:

#### *Students will be able to:*

- Explain the importance of credit scores, credit history, and responsible credit care.
- Identify and define important terms associated with credit, the major credit agencies, and circumstances which can effect credit both positively and negatively.



### Lesson Strategy:

#### **Problem Solving Groupwork**

This strategy teaches students the skills necessary to work together successfully in small groups, both in the classroom and later in life.

#### **Writing for Understanding**

Writing for Understanding activities give all learners, even those with lesser linguistic skills, something memorable to write about.

### Materials Needed

- Anticipation interview launch activity (attached)
- Student Budget Simulation
- Guided Writing Questions (attached)
- EVERFI Credit Poster

### Overview

This lesson is designed to help students learn the importance of credit and credit scores. Students will learn how a credit score is calculated and why it matters, how to monitor, manage and avoid damaging their credit score, and the implications of good or bad credit history. Students will examine how financial behavior positively or negatively impacts credit history and create a rubric to measure credit worthiness.

## Lesson Plan

### **Launch (10 -15 minutes)**

- In this launch activity, students will predict and discuss ways to help establish a solid credit foundation based on their current habits and financial activities.
- Students will form small groups, discuss and answer the credit preview questions.
- Instruct students to keep their responses to revisit at the end of the lesson.

### **Gather Information (35 - 45 minutes)**

- Students will enter the *EVERFI: Financial Literacy* module “Credit Score”. Students will complete the Credit Score module and earn a score of 70% or higher.
- Students will understand what a credit score is, how it is calculated, and the implications of good or bad credit.
- Students will participate in activities that focus on financial decision-making, including those that are most detrimental to a credit score and highlight how easily one’s credit can be ruined.
- Students are exposed to major credit concepts including FICO, the three major credit bureaus, credit checks, and purchases that typically require good credit.

### **Production/Process (25 minutes or homework)**

- Students will create a credit evaluation survey to profile and rate potential credit borrowers.
- As a class, discuss and list the criteria creditors would want to know prior to lending money (have students read off their answers to #1 from the launch activity). This will include having a job, income, payment history, negative credit reports, amount of outstanding debt, collateral etc.
- Ask students to create a spectrum of the range of credit worthiness for each category. Distribute the *Credit Worthiness Evaluation* instructions and have students design their survey and rubric.

### **Extension Activity (Homework)**

- Pass out the credit surveys to an anonymous group of other teachers, students, etc. (let them know they do not have to answer accurately and some embellishment may even make the evaluations more interesting). Students could also survey people within their network.
- Come together and evaluate the data and compare the results.

### **Closing (10 minutes)**

- Instruct students to review the Establishing Credit launch activity.
- Students will then take a few minutes to re-answer each of the questions given the knowledge gained during this lesson.
- As a class, discuss some of the response changes and the reasoning behind them.

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## Establishing Credit

**Directions:** Read and discuss each step in your small groups. Use the space below as well as the back of this paper to number and record your information.

**1.** Assume a friend of a friend wants to borrow a moderate sum of money from you. List the information you would want to know about a potential borrower prior to lending them money?

**2.** In your small group list the ways in which you may be earning credit right now? List any and all of these possibilities. (Include any methods you think may be building your credit even if you are not totally sure we can discuss these as a class later. If you think you are not, record that as well).

**3.** Discuss and list steps consumers can take to help establish credit for themselves. Be as specific as possible and include as many possibilities as you can think of.

**4.** Choose the best method(s), from your knowledge of credit thus far, to help establish a positive credit history. Explain why you made this/these choice(s).

**5.** Explain why understanding credit and managing it responsibly may or may not be an important part of your future?

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## Credit Worthiness Evaluation

**Using your understanding of the criteria that lenders and credit agencies look for in issuing credit, create a credit survey and evaluation rubric to measure the creditworthiness of a potential borrower. In designing your rubric keep in mind the following:**

1. Record the type information would you want to know about the potential borrower.
2. Write out a survey questionnaire of what you would want to ask them to learn more about them.
3. Record a grade for each question (letter or number) based on their response.
4. Based on a summation of all individual answers and scores, evaluate the creditworthiness of potential borrower as **poor - below average - average - good - very good**.