



Part 2, Module 6: Sorting Out Credit: Sources and Costs

Lesson Overview:

Module 6 in Part 2 of this course helps students understand the different options for building credit. The consequences and benefits of using various types of credit will be examined. Students will create a personal plan for building their credit.

As a result of this lesson, students will:

- Distinguish between loans that are secured or unsecured.
- Understand the consequences for using loans from the “non-mainstream economy”.
- Design a plan for beginning to build credit.

Materials you will need to teach this lesson include:

- Copies of *Characteristics of Loans* worksheet (download here) for each student

Students will need:

- Notebook
- A pen or pencil

Activity:

There are lots of options for students to use to build their credit. With many advertising strategies targeted at the young adult population, it’s important that students are aware of the benefits and consequences of agreeing to different types of loans. The *Characteristics of Loans* worksheet will help students outline the pros and cons of different loan options, both within and outside of the “mainstream economy”. Completing this worksheet will help students evaluate types of loans. For each loan type, students will decide whether they should consider using that type of loan to build credit or not.

Homework Assignment:

Students should play a board game: Monopoly, The Game of Life, or Pay Day. Alternatively, students could play one of the various online or computer SIMS games (Sim City, Sim Theme Park, Sim Tower, Sim Lemonade Millionaire, etc.). While playing, students should pay attention to the instructions in the game about monetary transactions (e.g. taking loans, acquiring credit and debt, and making payments for items). After 2 hours, or completing the game (whichever comes first) the student will write a reflection about their experience playing the game:

- How well did you manage their money?
- Did you take risks with your money?
- Did you understand the rules and objectives of the game?

In addition, students will share how the game compares to managing money in real life.

- Would you make the same decisions in the game if you were using “real” money you had earned?
- What motivated you to make decisions to spend or not to spend your money?
- What lessons do people learn about managing money by playing this kind of game?

Visit www.mycollegemoneyplan.org for additional resources and information.



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Characteristics of Loans Worksheet

Recall from the online modules that there are sources within and outside of the “mainstream economy”. If needed, refer to Part 2 Module 6 while completing this worksheet.

Type of Loan	Secured or Unsecured?	High Risk or Low Risk?	“Mainstream economy” Yes or no?	I would consider using this type of loan: yes or no?
Rent-to-own Furniture or Appliance				
Credit Card				
Home Mortgage				
Auto Title Loan				
Auto Loan				
Finance Company Loan				
Payday Loan				