

Lesson Plan – Credit Report Evaluation

Course Title: Banking & Financial Systems

Session Title: Credit Report Evaluation

Performance Objective:

- Upon completion of this lesson, the student will evaluate the creditworthiness of an applicant based on his/her credit report.

Specific Objectives:

- Students will identify the principal functions of financial institutions.
- Students will understand the basic concepts of consumer economics.

Preparation

TEKS Correlations:

This lesson, as published, correlates to the following TEKS. Any changes/alterations to the activities may result in the elimination of any or all of the TEKS listed.

- 120.43 (c)(2)(D)
...critique the methods of credit investigation and concepts related to the use of credit analysis.

Interdisciplinary Correlations:

Economics:

118.2 (c)(11)(A) – Consumers and Credit

...analyze the factors involved in the process of acquiring consumer goods and services including credit, interest, and insurance;

English:

110.42 (b)(6)(A) – Vocabulary Development

...expand vocabulary through wide reading, listening and discussing;

110.42 (b)(6)(B) – Vocabulary Development

...rely on context to determine meanings of words and phrases such as figurative language, idioms, multiple meaning words and technical vocabulary;

110.42(b)(7)(A) – Reading/comprehension

...establish a purpose for reading such as to discover, interpret, and enjoy;

110.42(b)(7)(I) – Reading/comprehension

...use study strategies such as skimming and scanning, note taking, outlining, and using study-guide questions to better understand texts;

110.42 (b)(7)(J) – Reading/comprehension

...read silently with comprehension for a sustained period of time.

Accommodations for Learning Differences:

It is important that lessons accommodate the needs of every learner. These lessons may be modified to accommodate your students with learning differences by referring to the files found on the [Special Populations page](#) of this website

Teacher Preparation:

Teacher will review PowerPoint, sample credit reports, and the independent practice activity on the day before class. In addition, the teacher will ensure that the appropriate equipment is available to view the video and copies of the credit reports are produced.

References:

1. [Banking and Financial Systems](#) (Texas state-adopted textbook)
2. www.myfico.com/crediteducation
3. www.youtube.com
4. www.frbsf.org

Online credit reports

5. http://www.mortgage-investment.com/Credit_reports/sample_credit_report.htm
6. <http://www.consumerinfo.com/n/expsam.htm>
7. http://www.creditreport.com/report_sample_sxpn.html
8. http://www.thelpa.com/lpa/sample_tu_credit_report.html

Instructional Aids:

1. ***Understanding Your FICO® Score*** published by Fair Isaac Corporation. Found at website http://www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf
2. Video found at <http://www.youtube.com/watch?v=iH6A41KASgl&feature=related>
3. NEFE High School Financial Planning Program Teacher's and Student's Guides. Found at website <http://hsfpp.nefe.org/home/> (Free material found through the website. Request early to allow time for material shipment.)
4. Pamphlet found at <http://www.frbsf.org/publications/consumer/creditrighs.pdf>
5. Credit Report Evaluation PowerPoint presentation
6. Guided Practice Graphic Organizer Instructions
7. Guided Practice Graphic Organizer
8. Sample of Completed Guided Practice Graphic Organizer
9. Independent Practice Graphic Organizer Instructions
10. Independent Practice Graphic Organizer #1 and Answer Key
11. Independent Practice Graphic Organizer #2 and Answer Key
12. Group Planning Research Project – Evaluating Credit History/Content Analysis Rubric
13. Internet

Materials Needed:

1. Sample credit reports
2. PowerPoint
3. Handouts - ***Understanding Your FICO®***
4. Assignment portfolio
5. Transparencies or ELMO (optional)

Equipment Needed:

1. Computer with Internet access
2. Copier
3. Color printer, if available
4. SmartBoard or Infocus

Learner Preparation:

The teacher will need to distribute copies of the handout, **Understanding Your FICO® Score**, on the day before the class. Students are to read/review the entire document, and also Unit Four of the NEFE booklet.

Lesson Plan

Introduction (LSI Quadrant I):

The teacher will lead the students in evaluating credit reports.


Important Terms for this Lesson:









- Collections – Trade lines that have been sent to Collections department or third party collector for unpaid, overdue bills.
- Installment Account - A loan in which the payments (principal plus interest) are paid in equal monthly payments over a specific period of time.
- Revolving Account - A credit account in which the balance incurs interest and does not have to be paid in full. A minimum payment is required.
- Open Account - A charge account in which the balance is normally paid in full within 30 days of billing (i.e., American Express).
- Real Estate - A mortgage (loan) secured by a house either used as a residence or for rental property.
- Child Support - Accumulated unpaid payments in support of children from a previous marriage.
- Judgments - Outstanding debts that are incurred due to court proceedings.
- Foreclosure - Legal proceedings in which the mortgagor loses the asset securing the mortgage (house) due to default on the loan.
- Bankruptcies are legal proceedings. They are noted on the credit report as Chapter 13 or Chapter 7 bankruptcy.
- Chapter 13 – A reorganization of debt.
- Chapter 7 – Liquidation of assets in payment of debt owed to creditors. Note: There are exceptions to the types of debt that can be covered in this type of bankruptcy, i.e., child support and property taxes will still be owed by the individual.
- Lien - A hold placed on a property until specific performance has been rendered to satisfy the debt.
- Garnishment - A court-ordered payment of debt through required deductions from any monthly wages.








Outline











Outline (LSI Quadrant II):

Instructors can use the PowerPoint presentation, slides, handouts, and note pages in conjunction with the following outline.

MI	Outline	Notes to Instructor
	I. Introduction and Video Video 1. The teacher presents three short, attention-getting videos to introduce the idea of knowing your credit score and what is on your credit report.	I. Introduction and Video Video 1. Press ctrl while clicking icon. Go to the website below: http://www.youtube.com/watch?v

 	 <p>2. Review Checking Your FICO Score.</p> <p>3. Review Fair and Accurate Credit Transactions Act.</p>	<p>=iH6A41KASgl&feature=relate</p> <p>Select and view the free credit report videos.</p> <p>2. Understanding Your FICO Score, page 17</p> <p>3. Websites for FACTA http://www.whitehouse.gov/news/releases/2003/12/20031204-3.html</p>
 	<p>II. Review Credit Report Terms</p> <p>A. Sections of the credit report</p> <p>B. Account Summary</p> <p>C. Public Records</p>	<p>II. Review Credit Report Terms</p> <p>A. See Notes</p> <p>B. Review definitions</p> <p>C. Review definitions</p>
  	<p>III. Review a credit report (teacher-led discussion)</p> <p>A. Distribute copies of a sample credit report and corresponding graphic organizer</p> <p>B. Utilize a graphic organizer to notate items that will affect the credit score. Complete graphic organizer as a class and discuss results.</p>	<p>III. Analyze credit reports (teacher-led discussions)</p> <p>A. Distribute graphic organizer and credit report to each student (See Guided Practice Graphic Organizer) <i>Teacher should read the document entitled Guided Practice Graphic Organizer Instructions prior to discussing the rubric.</i></p> <p>B. Discuss each section of the credit report</p> <p>1. Complete the graphic organizer on overhead transparency, SmartBoard, or computer with Infocus while students write comments on their respective copies</p> <p>a. Highlight credit strengths</p> <p>b. Discuss credit risks</p> <p>c. Integrate credit-related vocabulary into discussions</p>

  	<p>IV. Review a credit report (student-led discussion)</p> <p>A. Distribute copies of a sample credit report and corresponding graphic organizer</p> <p>B. Utilize a graphic organizer to notate items that will affect the credit score</p> <ol style="list-style-type: none"> 1. Students to complete graphic organizers. 2. Notate items that will affect the credit score. 3. Discuss results in teams 4. Present results to class 	<p>IV. Analyze credit reports (student-led discussions)</p> <p>A. Distribute graphic organizer and credit report to each student (See Independent Practice Graphic Organizers #1 and #2)</p> <p><i>Teacher should read the document entitled Independent Practice Graphic Organizer Instructions prior to allowing the students to discuss the rubric.</i></p> <p>B. Students to discuss each section of the credit report Complete the graphic organizer</p> <ol style="list-style-type: none"> a. Highlight credit strengths b. Discuss credit risks c. Integrate credit-related vocabulary into presentations <p>Note: Two credit reports with accompanying rubrics are included in the lesson plans. If additional independent practice credit reports are needed, please see the Extension/Enrichment section of the lesson plan.</p>
  	<p>V. Present results in a three-minute presentation</p> <p>A. Utilize PowerPoint</p> <p>B. Involve each student in the presentation</p> <p>C. Allow one minute for Questions and Answers from classmates and to discuss grade per grading rubric</p>	<p>V. Present results in a three-minute presentation</p> <p>A. Students will need time to create PowerPoint from graphic organizer (presentation will need to be made during the next class).</p> <p>B. Allow students time to organize presentation</p> <p>C. <i>Utilize Independent Activity Grading Rubric for grading purposes</i></p>
	<p>VI. Closing</p>	<p>VI. Closing remarks can be found in the PowerPoint</p>

								
Copy and paste Multiple Intelligences Graphic in appropriate place in left column.								
								
Verbal Linguistic	Logical Mathematical	Visual Spatial	Musical Rhythmic	Bodily Kinesthetic	Intra- personal	Inter- personal	Naturalist	Existentialist

Application

Guided Practice (LSI Quadrant III):

The teacher will utilize videos and other visuals to describe how to interpret credit reports, including

1. sections of the credit report;
2. negative or derogatory items;
3. account summary and public record items; and,
4. credit report keys.

Independent Practice (LSI Quadrant III):

The students will complete an analysis of several credit reports and complete 2 Graphic Organizers.

The instructor should divide the class into groups and provide each group with copies of a specific credit report and accompanying graphic organizer. The students should be allowed time to (1) utilize the graphic organizer to cite specific issues regarding the credit report and (2) prepare presentations describing and interpreting their findings. The presentations should be completed on a separate date to be determined by the instructor. The “Group Planning Research Project – Evaluating Credit History/Credit Analysis Rubric” will be used to evaluate the student presentations.

Summary

Review (LSI Quadrants I and IV):

Q. What law allows the consumer to obtain a free credit report each year?

A. Fair and Accurate Credit Transaction Act

Q. Compare and contrast an installment account and a revolving account.

A. An installment account has equal monthly payments over a specified period of time at a fixed rate of interest. A revolving account has varying monthly payments over an unspecified period of time at a variable interest rate.

Q. What are five types of public record items?

A. Liens, judgments, bankruptcies, foreclosures, and child support

Q. What do codes like I2, O3, and R4 communicate?

A. I – Installment Accounts, O – Open Accounts, and R – Revolving Accounts

- 2 - Pays 31 – 60 days; not more than 2 payments past due
- 3 - Pays 61 – 90 days; not more than 3 payments past due
- 4 - Pays 91–120 days; not more than 4 payments past due

Q. What types of information can be found in the Report Summary section of the credit report?
A. Total numbers of items in the Inquiries, Collections, and Account Summary sections

Evaluation

Informal Assessment (LSI Quadrant III):

1. Instructor will observe students during Independent Practice assignments, and class participation, during introduction discussion and PowerPoint discussions.
2. Instructor will assist individuals as needed.

Formal Assessment (LSI Quadrant III, IV):

Students will evaluate a credit report in teams and present their findings/recommendations to the class. The “Group Planning Research Project – Evaluating Credit History/Content Analysis Rubric” will be used to evaluate the student presentations.

Extension/Enrichment (LSI Quadrant IV):

Reading a credit report

<http://www.orcredit.com/HowToReadACreditReport.pdf>

<http://www.orcredit.com/credit101.pdf>

http://www.practicalmoneyskills.com/english/resources/tutor/statements/credit_report.php

http://www.experian.com/credit_report_basics/pdf/samplecreditreport.pdf

<https://www.truecredit.com/popup/mergeExample.jsp>

<http://www.creditcards.com/credit-card-news/sample-credit-report-1270.php#top>

<http://www.thelpa.com/TransUnionGuide.pdf>

http://www.consumerinfo.com/docs/cic_eqx_rptkey.pdf

http://www.creditreport.com/report_sample_sxp.html

http://www.experian.com/credit_report_basics/pdf/samplecreditreport.pdf

Guided Practice Graphic Organizer Instructions

The goal of this exercise is to promote examination and interpretation of credit reports.

The instructor should provide the credit report and graphic organizer to each student. Before the students begin completing the **Guided Practice Graphic Organizer**, the instructor should complete the following:

Step One

Review the Trans Union Credit Report Codes, especially **number of days past due** and **types of accounts**.

Step Two

Understand how to interpret the credit report using the references on the page entitled **Trans Union Credit Report Fields**. For example, **section 6 Public Records**.

Step Three

Briefly review the credit-related laws referenced in the credit report: **Equal Credit Opportunity Act (ECOA)** and **Fair Credit Reporting Act (FCRA)**.

After completing this overview, the instructor should begin to complete the graphic organizer with the students. Allow the students to discuss their understanding of the codes. A sample, completed graphic organizer has been attached. Use the information included in the completed document to help guide the discussion.

Guided Practice Graphic Organizer

Print and distribute (1) the Trans Union Credit Report Guide found at the following site: <http://www.thelpa.com/TransUnionGuide.pdf>; and, (2) the graphic organizer below. With the class, complete the graphic organizer with facts obtained from the credit report.

	Personal and Employment Information/ Special Messages	Credit Summary and Public Records	Collections and Trades	Inquiries and Consumer Statement
Issue or Comment				
Issue or Comment				
Issue or Comment				
Issue or Comment				
Issue or Comment				
Issue or Comment				

Sample of Completed Guided Practice Graphic Organizer

Sample of a completed graphic organizer for the Trans Union Credit Report Guide found at the following site: <http://www.thelpa.com/TransUnionGuide.pdf>

	Personal and Employment Information/ Special Messages	Credit Summary and Public Records	Collections and Trades	Inquiries and Consumer Statement
Issue or Comment	Date of report: 05/20/05	One (1) item reported to a collections agency (COL=1)	Payment history covers the last 12 months	Four inquiries have been made during the last five months.
Issue or Comment	Elizabeth Duncan - Born 02/52 (53 years old)	Two (2) items reported in Public Records section (PR=2)	ABC Bank has payment pattern 4455432	Per the Consumer Statement, E. Duncan is a fraud victim.
Issue or Comment	Hired at ABC Hotels in 3/99; no prior employment cited	Filed Chapter 7 bankruptcy	The first position indicates the information reported one month ago (MOP=4)	Inquiry Analysis is optional.
Issue or Comment	Special Messages include fraud alert	Paid Civil Judgment in June 2003	Explanation: 02 30–59 days past the due date 03 60–89 days past the due date 04 90–119 days past the due date 05 120 days or more past the due date	Inquiry Analysis returns the contact information provided by the consumer when applying for credit within the previous 90 days.

Independent Practice Graphic Organizer Instructions

The goal of these independent practice exercises is to promote examination and interpretation of credit reports.

The instructor should divide the class into groups and provide each group with copies of a specific credit report and accompanying graphic organizer. The students should be allowed time to (1) utilize the graphic organizer to cite specific issues regarding the credit report and (2) prepare presentations describing and interpreting their findings. The presentations should be completed on a separate date to be determined by the instructor.

Before the students begin completing the graphic organizer, the instructor should review basic vocabulary and special codes reflective of typical credit reports, i.e., consumer information, account summary, negative items or collections, public records, inquiries, installment accounts, revolving accounts, and mortgages.

After completing this overview, the students should begin to complete the graphic organizer. Allow the students to discuss their understanding of the codes within their groups. Sample, completed graphic organizers are attached. Use the information included in the completed document to help guide the discussion.

Independent Practice Graphic Organizer #1

Print and distribute (1) the credit report found at the following site:
<http://www.creditcards.com/credit-card-news/sample-credit-report-1270.php#top>;
and, (2) the graphic organizer below.

	Personal Information	Public Records	Collection Items (Adverse Accounts)	Satisfactory Accounts	Inquiries (Credit History Requests)
Issue or Comment					
Issue or Comment					
Issue or Comment					
Issue or Comment					
Issue or Comment					

Independent Practice Graphic Organizer #1

Answer Key

Sample of a completed graphic organizer for the credit report found at the following site:
<http://www.creditcards.com/credit-card-news/sample-credit-report-1270.php#top>

	Personal Information	Public Records and Adverse Accounts	Satisfactory Accounts and Inquiries
Issue or Comment	Date of report: 07/30/08	Civil judgment 7/2004 Plaintiff: Bank of Texas	GMAC Financing Installment account. Balance \$1,145 Credit Limit \$24,568
Issue or Comment	Joe Q. Consumer Date of birth: 04/1965 (43 years old)	Sears installment account charged off; paid after account closed.	Inquiry: FCU; credit extension
Issue or Comment	During last 9 years, he has had two employers (as reported by this credit bureau).	Revolving account that is currently 120 days past due. Balance \$12,745.	Inquiry: Tenant screening Sunshine Apartments via Rentport
Issue or Comment		Discover Financial Service installment account currently 60 days past due. Balance \$2,145. Past due \$136.	Chase Cardmember Services (credit inquiry made on same day as FCU.
Issue or Comment		Student loan; repossession	

Independent Practice Graphic Organizer #2

Print and distribute (1) the credit report found at the following site:

<https://www.creditexpert.com/Message.aspx?PageTypeID=CMFullReportSample>; and,

(2) the graphic organizer below.

	Personal Information and Credit Summary	Public Records	Collection Items	Account History	Inquiries
Issue or Comment					
Issue or Comment					
Issue or Comment					
Issue or Comment					
Issue or Comment					

Independent Practice Graphic Organizer #2

Answer Key

Sample of a completed graphic organizer for the credit report found at the following site:
<https://www.creditexpert.com/Message.aspx?PageTypeID=CMFullReportSample>

	Personal Information and Credit Summary	Public Records	Account History and Collection Items	Inquiries
Issue or Comment	Report Date: 9/26/2003	Suit filed in District Court on 1/12/98 (nearly 6 years ago)	17 accounts; all accounts are current	4 Inquiries cited – 3 from 2001 and 1 from 2002 (Wells Fargo Bank)
Issue or Comment	John Consumer	Chapter 13 Bankruptcy filed 6/19/97		
Issue or Comment	Year of birth: 1976 (about 27 years old)			
Issue or Comment	<u>Credit Score: 768</u>			
Issue or Comment				

Additional Credit Reports

Other sample credit reports available through the internet:

<http://www.creditreport.com/creditscore-sample.html>

<http://www.homebycountrywide.com/files/docs/SampleCreditReport.pdf>

http://www.myfico.com/products/ficoone/sample/creditreport/sample_summary.aspx

Group Planning – Research Project:
Evaluating Credit History –Content Analysis
Rubric

Student Name: _____

CATEGORY	4	3	2	1 or less
Plan for Organizing Information	Students have developed a clear plan for organizing the information as it is gathered and in the final research product. All students can independently explain the planned organization of the research findings.	Students have developed a clear plan for organizing the information in the final research product. All students can independently explain this plan.	Students have developed a clear plan for organizing the information as it is gathered. All students can independently explain most of this plan.	Students have no clear plan for organizing the information AND/OR students in the group cannot explain their organizational plan.
Delegation of Responsibility	Each student in the group can clearly explain what information is needed by the group, what information s/he is responsible for locating, and when the information is needed.	Each student in the group can clearly explain what information s/he is responsible for locating.	Each student in the group can, with minimal prompting from peers, clearly explain what information s/he is responsible for locating.	One or more students in the group cannot clearly explain what information they are responsible for locating.
Ideas/Research Questions	Researchers independently identify at least 2 reasonable, insightful, creative ideas/questions to pursue when doing the research.	Researchers independently identify at least 2 reasonable ideas/questions to pursue when doing the research.	Researchers identify, with some adult help, at least 2 reasonable ideas/questions to pursue when doing the research.	Researchers identify, with considerable adult help, 2 reasonable ideas/questions to pursue when doing the research.
Content of Oral and PowerPoint presentation	Shows a full understanding of the topic.	Shows a good understanding of the topic.	Shows a minimal understanding of the topic	Does not seem to understand the topic very well.
Comprehension	Students are able to accurately answer 90% of questions posed by classmates about the topic.	Students are able to accurately answer most questions posed by classmates about the topic.	Student is able to accurately answer a few questions posed by classmates about the topic.	Student is unable to accurately answer questions posed by classmates about the topic.
Collaboration with Peers	Almost always listens to, shares with, and supports the efforts of others in the group. Tries to keep people working well together.	Usually listens to, shares with, and supports the efforts of others in the group. Does not cause "waves" in the group.	Often listens to, shares with, and supports the efforts of others in the group but sometimes is not a good team member.	Rarely listens to, shares with, and supports the efforts of others in the group. Often is not a good team member.
Speaks Clearly	Speaks clearly and distinctly all (100-95%) the time, and mispronounces no words.	Speaks clearly and distinctly all (100-95%) the time, but mispronounces one word.	Speaks clearly and distinctly most (94-85%) of the time. Mispronounces no more than one word.	Often mumbles or can not be understood OR mispronounces more than one word.

Volume	Volume is loud enough to be heard by all audience members throughout the presentation.	Volume is loud enough to be heard by all audience members at least 90% of the time.	Volume is loud enough to be heard by all audience members at least 80% of the time.	Volume often too soft to be heard by all audience members.
Uses Complete Sentences	Always (99-100% of time) speaks in complete sentences.	Mostly (80-98%) speaks in complete sentences.	Sometimes (70-80%) speaks in complete sentences.	Rarely speaks in complete sentences.
Posture and Eye Contact	Stands up straight, looks relaxed and confident. Establishes eye contact with everyone in the room during the presentation.	Stands up straight and establishes eye contact with everyone in the room during the presentation.	Sometimes stands up straight and establishes eye contact.	Slouches and/or does not look at people during the presentation.

Total Score _____
Maximum Score 40 pts.

GRADING SCALE	
A	35 - 40 points
B	30 - 34 points
C	25 - 29 points
F	Below 25 points