

Lesson Plan – Understanding the Credit Score-Part I

Course Title: Banking & Financial Systems

Session Title: Understanding the Credit Score – Part I

Performance Objective:

- Upon completion of this lesson, the student will understand and verbalize a basic understanding of credit.

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:

For ED, ESL, LD, Special Ed, at Risk, 504, etc. allow the following:

1. Allow students less than best responses to vocabulary and assignment sheets.
2. Allow students more errors on research and PowerPoint assignments.

Teacher Preparation:

Teacher will review PowerPoint, **Understanding Your FICO® Score**, and the Scavenger Hunt Independent Practice activity on the day before class. In addition, the teacher will ensure that the appropriate equipment is available to view the video.

References:

1. Banking and Financial Systems (Texas state-adopted textbook)
2. www.myfico.com/crediteducation
3. <http://whatsmyscore.org/>
4. NEFE High School Financial Planning Program

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.myfico.com/crediteducation/videos/Why-myFICO.aspx?demo=yes>
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. Understanding Your Credit Score – Part 1 PowerPoint Presentation
5. Handouts - **Understanding Your FICO® Score** pp. 1-12
6. Scavenger Hunt Activity
7. Scavenger Hunt Score Sheet

Materials Needed:

1. Handouts - **Understanding Your FICO® Score** pp. 1-12, one copy per student
2. Assignment portfolio – Scavenger Hunt Activity Sheet, one copy per student
3. Scavenger Hunt Score Sheet – one copy for teacher

Equipment Needed:

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

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 pages 1 – 12

Lesson Plan**Introduction (LSI Quadrant I):**

The teacher will lead students in a discussion of the one factor that indiscriminately impacts each person's buying potential - - the credit score. A person's creditworthiness is measured by a number referred to as the **FICO® Score**. This score ranges from 300 – 850 and is used to determine whether and how much credit will be rewarded to an individual. An individual's application for credit cards and loans will be impacted by how well he/she manages his/her credit. From this lecture, each individual

should be aware of this score – what it represents and the power behind the numbers.





Important Terms for this Lesson:









- Credit - The amount of debt (through mortgage loans, consumer loans, and credit cards) you have obtained. Your total debt is the total that you owe to a financial institution. In accounting, credit is a liability. In this case, it is one’s personal liability.
- Credit score - A three-digit number that communicates how well you handle credit (your total debt).
- Credit limit – Maximum dollar amount that a bank or financial institution will extend to a customer for a particular line of credit
- Credit history - A document that cites debt-related transactions and your history of paying them.
- Credit report - This document records and compares information retrieved from one or more of the three credit reporting agencies.

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
 	<p>I. Introduction and Video</p> <p>A. Video</p> <ol style="list-style-type: none"> 1. The teacher presents this short, attention-getter, two-minute video to introduce the FICO credit score.  <p>B. Introductory questions</p> <ol style="list-style-type: none"> 1. What is credit score? FICO®? 2. Why is it important? 	<p>I. Introduction and Video</p> <p>A. Press ctrl while clicking on “Why go with FICO®?”</p> <p>B. Introductory questions</p> <ol style="list-style-type: none"> 1. <i>Understanding Your FICO Score</i>, page 1 2. <i>Understanding Your FICO Score</i>, page 2
	<p>II. The History of FICO®</p> <p>A. Who was Bill Fair ?</p> <p>B. Who was Earl Isaac?</p>	<p>II. The History of FICO®</p> <p>A. Answers can be found at the site below:</p> <p>http://www.fairisaac.com/fic/en/company/history.htm</p> <p>and on <i>Understanding Your FICO</i></p>

		Score , page 1
 	<p>III. Understanding the Credit Score</p> <p>A. What is a credit report?</p> <p>B. What's in your credit report?</p> <p>C. How do FICO® scores work?</p> <p>D. What a FICO® score considers?</p> <p>E. What entities publish these scores?</p>	<p>III. Understanding the Credit Score</p> <p>A. <i>Understanding Your FICO Score</i>, page 3</p> <p>B. <i>Understanding Your FICO Score</i>, page 4</p> <p>C. <i>Understanding Your FICO Score</i>, page 5</p> <p>D. <i>Understanding Your FICO Score</i>, page 7</p> <p>E. <i>Understanding Your FICO Score</i>, page 6</p>
 	<p>IV. What does a FICO® score consider?</p> <p>A. Payment History</p> <p>B. Amounts Owed</p> <p>C. Length of Credit History</p> <p>D. New Credit</p> <p>E. Types of Credit in Use</p>	<p>IV. What does a FICO® score consider?</p> <p>See <i>Understanding Your FICO Score</i>, pages 8 – 12 For A - E</p>
 	<p>V. Assignment Portfolio</p> <p>A. Guided Practice</p> <p>1. Concept Review</p> <p>2. Classifying debt</p> <p>B. Independent Practice</p> <p>1. Scavenger Hunt</p> <p>2. Scavenger Hunt Score Sheet</p>	<p>V. Assignment Portfolio</p> <p>A. Socializing intelligence group activities available in the Assignment Portfolio</p> <p>B. Scavenger Hunt activity can be found in the Assignment Portfolio</p>
	<p>VI. Closing</p>	<p>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 credit scores and credit reports, including

1. the history of the credit score;
2. their publication by credit bureaus;
3. types of credit; and,
4. what a credit report communicates.

Independent Practice (LSI Quadrant III):

. The student will complete a Scavenger Hunt activity that reviews information found online on two websites: myfico.com/CreditEducation and fairisaac.com. A Scavenger Hunt Activity sheet and a Score Sheet/Answer Sheet are attached.

Summary

Review (LSI Quadrants I and IV):

Q. Who are Fair and Isaac?

A. Bill Fair and Earl Isaac were the founders of the company that we call Fair Isaac Corporation.

Q. What is credit and how do you establish it?

A. Credit is the amount of debt you have obtained through a lender. You establish credit when you complete a successful application for a loan.

Q. *What is FICO®* and how does it work?

A. FICO® is a score used to communicate the amount of credit risk inherent in a consumer's credit history. This score (ranging from 300 – 850) changes based on five factors – Payment History, Amounts Owed, Length of Credit History, New Credit, and Types of Credit Use.

Q. What are the parts of a credit report?

A. Personal Information, Accounts Summary, Inquiries, and Negative Items.

Q. Who are the three major credit report agencies?

A. Equifax, Experian, and TransUnion

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):

1. Students will complete an internet-based scavenger hunt to find terms associated with the credit score. All answers can be found at fairisaac.com or myfico.com/CreditEducation.
2. Teachers may also use the Scavenger Hunt Score Sheet to evaluate this activity.

Extension/Enrichment (LSI Quadrant IV):

Students can improve their understanding of class content by one or more of the following:

1. Refer to additional material (videos, instructional material, etc.) found at <http://whatsmyscore.org/>
2. Receive one-on-one instruction through tutoring sessions
3. Access documents on school server to research and review content after class.

Scavenger Hunt

Understanding the Credit Score - Part I

Student _____

Complete an internet-based scavenger hunt to find terms associated with the credit score. All answers can be found at fairisaac.com or myfico.com/CreditEducation.

1. The names of the largest credit reporting agencies _____
2. Chief Executive Officer of Fair Isaac Corporation _____
3. The first year Fair Isaac was in business _____
4. One item besides a credit score that a consumer will need in order to obtain credit from a lender. _____
5. Three types of public record and collection _____
6. The lowest FICO® score _____
7. Nearly 2/3 of credit score changes are the result of these two categories. _____
8. When did Fair Isaac go public? _____
9. If credit risk increases, this will decrease _____
10. A term that is synonymous with a missed payment _____
11. The highest FICO® score _____
12. A FICO® score will be calculated for a consumer who has had at least ___ credit account open for ___ months. _____
13. The only company that publishes the FICO® score of the largest three credit scoring agencies. _____
14. Website for ***Understanding Your FICO® Score*** _____

Scavenger Hunt Score Sheet

Understanding the Credit Score - Part I

Student _____

Complete an internet-based scavenger hunt to find terms associated with the credit score. All answers can be found at fairisaac.com or myfico.com/CreditEducation. Student is awarded five points per correct answer. Points available are listed in the parenthesis, for example (5).

1. _____ (15) Equifax, Experian, and TransUnion
 2. _____ (5) Dr. Mark N. Greene
 3. _____ (5) 1956
 4. _____ (5) income, employment history, credit history
 5. _____ (15) Bankruptcies, wage attachments, foreclosures, suits, liens and judgments
 6. _____ (5) 300
 7. _____ (10) Payment History and Amounts Owed
 8. _____ (5) 1987
 9. _____ (5) Credit score
 10. _____ (5) Delinquent
 11. _____ (5) 850
 12. _____ (10) one; six
 13. _____ (5) Fair Isaac
 14. _____ (5) http://www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf
- _____ (100) Total Score