

Lesson Plan- Understanding the Credit Score –Part II

Course Title: Banking & Financial Systems

Session Title: Understanding the Credit Score – Part II

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:

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, *Understanding Your FICO® Score*, and the independent assessment activities on the day before class. Also, the teacher will download and review the Federal Reserve Bank of San Francisco's consumer information document, *Your Credit Rights: How the Law Protects You*, and the TransUnion sample credit report, *True Credit*. Make copies for distribution to students. 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](http://www.myFICO.com/crediteducation)
3. whatsmyscore.org
4. www.frbsf.org
5. www.truecredit.com
6. [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://whatsmyscore.org/contest/videos.php>
3. Pamphlet found at <http://www.frbsf.org/publications/consumer/creditrighs.pdf>
4. Sample credit report found at http://www.truecredit.com/pdf/learnCenter/Reading_Your_Report.pdf
5. 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.)
6. Understanding Your Credit Score Part II PowerPoint presentation
7. Jeopardy Game PowerPoint presentation
8. Handouts – Understanding Your FICO Score pp. 3 and 3-17
9. Handouts –Sample Report from True Credit
10. Name That Act Assignment Sheet
11. Name That Act Score Sheet

Materials Needed:

1. PowerPoint presentations
2. Handouts - ***Understanding Your FICO®*** pp. 3-17, one copy per student
3. Assignment portfolio, Name That Act Assignment Sheet, one copy per student
4. Name That Act Score Sheet – one copy for the teacher
5. Transparencies or ELMO (optional)

Equipment Needed:

1. SmartBoard or Infocus
2. Computer with internet access
3. Copier
4. Color printer, if available
5. Overhead projector (optional)

Learner Preparation:

The teacher will need to distribute copies of the True Credit and Federal Reserve Bank handouts for

students to read/review in their entirety. Teacher will ask students to read pages 3, and 13-17 from *Understanding Your FICO® Score*, also on the day before the class.

Lesson Plan

Introduction (LSI Quadrant I):

In November 2007, an article in Money Magazine contained this statement, “A year ago a credit score of 720 would have been good enough to get you the best rate...Now to get the same deal, you’ve got to be in the 750 range”

(http://money.cnn.com/2007/11/01/pf/2008_outlook_credit/index.htm).

Why is the credit score so important? 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. The score, along with copious details regarding my personal history, is captured on a document referred to as a credit report. How do I read this report? Are there any laws that protect me as a consumer?



Important Terms for this Lesson:






- *Act* – A federal law is a law enacted by Congress.
- *Creditor* – The lender; the company who approved and distributed a loan or credit card
- *Debt* – The amount that you owe.
- *Discrimination* – Unfair treatment of a person, a group, or minority.
- *Creditworthiness* – The state of being trustworthy with credit; having a good credit history.
- *Revolving accounts* – Credit accounts with open terms and varying payments.
- *Installment accounts* – Loans that are made up of fixed payments made on regular intervals.
- *Inquiries* – Occurs when companies request copies of a consumer’s financial statement.
- *Public record* – Items like judgments, tax liens, or bankruptcies that are captured in a consumer’s public record.
- *Identity theft* – Fraudulent use of another person’s personal information, i.e., SSN, credit card number.





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 A. Video 1. The teacher presents this short, attention-getter, 30-second video to introduce the idea of favorable credit scores.	I. Introduction and Video A. Video 1. Press ctrl while clicking icon. Go to the website below: http://whatsmyscore.org/contest/videos.php Select and view the SECOND PRIZE video.

	 <ol style="list-style-type: none"> 2. Review credit score range 3. Review what does a FICO® score consider 	<ol style="list-style-type: none"> 2. <i>Understanding Your FICO® Score</i>, page 5 3. <i>Understanding Your FICO® Score</i>, pages 8-12
 	<p>II. Reading the Credit Report</p> <p>A. Utilize Reading_Your_Report.pdf to view and discuss a sample credit report.</p> <ol style="list-style-type: none"> 1. The credit report reflects information from all three credit bureaus. 2. The credit report typically includes information regarding consumer information, account history, public record information, and inquiries. 3. Due to timing differences, errors and omissions not all of the information from each credit bureau will be the same. 	<p>II. Reading the Credit Report</p> <p>A. View corporately using either a computer/Infocus, a SmartBoard, or an overhead projector the file found at the following website:</p> <p>http://www.truecredit.com/pdf/learnCenter/Reading_Your_Report.pdf</p> <p>B. Distribute copies to each student (in color, if possible).</p> <p>C. Save on school server to encourage improved comprehension.</p>
 	<p>III. Additional information about the credit report</p> <ol style="list-style-type: none"> A. How the FICO® score counts inquiries B. Interpreting your FICO® score C. Checking your FICO® score D. Checking your credit report E. Monitoring for identity theft 	<p>III. Additional information about the credit report</p> <ol style="list-style-type: none"> A. <i>Understanding Your FICO® Score</i>, page 3 B. <i>Understanding Your FICO® Score</i>, page 13 C. <i>Understanding Your FICO® Score</i>, page 14 D. <i>Understanding</i>

		<p><i>Your FICO® Score</i>, page 15 E. <i>Understanding Your FICO® Score</i>, page 16</p>
 	<p>IV. Your Rights as a Consumer - - Laws Impacting Credit Reporting</p> <ul style="list-style-type: none"> A. Truth in Lending Act <ul style="list-style-type: none"> 1. Requires disclosure of policies, terms, rates, and conditions B. Equal Credit Opportunity Act <ul style="list-style-type: none"> 1. Prohibits all types of discrimination in determining creditworthiness C. Fair Credit Reporting Act <ul style="list-style-type: none"> 1. Requires fair and accurate reporting 2. Permits consumers lawful access to their records <ul style="list-style-type: none"> a. Fair and Accurate Credit Transactions (FACT) Act <ul style="list-style-type: none"> 1) Establishes the free annual credit report program <p>http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre34.shtm</p> <ul style="list-style-type: none"> D. Provides contact information of companies making inquiries <ul style="list-style-type: none"> 1. Limits access of businesses making inquiries E. Fair Debt Collection Practices Act <ul style="list-style-type: none"> 1. Establishes written standards of fair debt collection F. Fair Credit Billing Act <ul style="list-style-type: none"> 1. Protects consumer while a potential reporting error is in dispute 	<p>IV. Your Rights as a Consumer - - Laws Impacting Credit Reporting</p> <p>Documentation can come from various sources:</p> <p>http://www.frbsf.org/publications/consumer/creditrighs.html</p> <p><u>Banking and Financial Systems</u> (Texas state-adopted textbook)</p>
 	<p>V. Assignment Portfolio</p> <ul style="list-style-type: none"> A. Guided Practice <ul style="list-style-type: none"> 1. Concept Review B. Independent Practice <ul style="list-style-type: none"> 1. Name that Act! 	<p>V. Assignment Portfolio</p> <ul style="list-style-type: none"> A. Using the Jeopardy Game PowerPoint presentation, review new vocabulary, parts of credit report, and laws. B. Assess understanding of laws by asking students to apply appropriate law to each scenario.

	VI. Closing	VI. Closing remarks can be found in the PowerPoint
---	-------------	--

Copy and paste Multiple Intelligences Graphic in appropriate place in left column.

								
Verbal Linguistic	Logical Mathematical	Visual Spatial	Music al Rhythmic	Bodily Kinesthetic	Intra- Personal	Inter- personal	Naturalist	Existentialist

Application

Guided Practice (LSI Quadrant III):

The teacher will utilize videos, booklets, pamphlet downloads and other visuals to describe credit reports and consumer credit laws, including how to

1. read credit reports;
2. review credit scores;
3. monitor credit reports; and,
4. apply credit laws.

The teacher can save a document on server that the students can read for more information after class.

Independent Practice (LSI Quadrant III):

Distribute activity entitled, "**Name that Act**". Students will assist the consumer by identifying and applying the act (law) used to solve the problem. Write the name of the law in the space provided. Select from one of the following laws: Fair and Accurate Credit Transactions, Equal Credit Opportunity Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, or Fair Credit Billing Act.

A 100 point answer sheet is attached, also.

Summary

Review (LSI Quadrants I and IV):

Q. What are some of the parts of the credit report?

A. Consumer Information; Summary Information; Account History; Public Record; Inquiries

Q. What is the difference between installment accounts and revolving accounts?

A. Revolving accounts have fixed payments of principal and interest, whereas, credit cards have varying monthly payments on open-ended accounts.

Q. How should you check your credit report and when do you check the credit score?

A. Each year, request your credit report from each of the three credit bureau (or use the free credit

report website); and, definitely request your credit report six months before you are planning to purchase a major item (house, car, etc.) to have time to make corrections.

Q. How do you monitor for identity theft?

A. Regularly check your credit report and, if needed, perform the following actions:

1. Call the credit reporting agency to place a fraud alert on your credit report.
2. Contact the lender and close the account.
3. File a report with the police department of the location of the theft.
4. File a complaint with the Federal Trade Commission.

Q. Name four consumer credit protection laws.

A. Fair Credit Reporting Act, Fair Credit Billing Act, Fair Debt Collection Practices Act, Equal Credit Opportunity Act

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 complete an Independent Practice Activity, "Name That Act", reviewing consumer credit laws to the satisfaction of the instructor. An answer key is also provided. Refer to <http://www.frbsf.org/publications/consumer/creditrightrights.pdf> for the majority of the answers. Use other internet sites for laws not printed on this downloadable pamphlet.

Extension/Enrichment (LSI Quadrant IV):

Read articles about credit to extend learning. The following articles were published in *The New York Times*:

<http://www.nytimes.com/2008/10/11/business/yourmoney/11money.html?em>

http://www.nytimes.com/2008/10/13/business/yourmoney/13yourmoney_qa.html?_r=1&ref=yourmoney&oref=slogin

http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_crisis/index.html

Name That Act!

Understanding Your Credit Score – Part II

Student _____

Assist the consumer by identifying and applying the act (law) used to solve the problem. Write the name of the law in the space provided. Select from one of the following laws: Fair Credit Reporting Act, Fair Credit Billing Act, Fair Debt Collection Practices Act, Fair and Accurate Credit Transactions, or Equal Credit Opportunity Act.

1. Sue Charles wants to order her free credit report.
2. Jazmin experienced discrimination when applying for a loan.
3. Raphael received daily phone calls from a third party creditor harassing him about a delinquent bill.
4. Chase was denied credit when trying to purchase furniture from a local furniture store.
5. While reviewing his credit report Edward, a single businessman, finds charges that he did not initiate on his credit report. He wants to report the error, but he does not want to be penalized with a delinquent account status.
6. Paris found multiple inquiries on her free credit report from XYZ Company. She is going to write a letter to keep the creditor from accessing her credit.
7. Raylene's address was printed incorrectly on her credit report. She would like to submit a correction.
8. Juan was told that annualcreditreport.com is the official website for people requesting their yearly, free credit reports as a result of this law.
9. "This law," said Michael "prevents discrimination based on many different factors."
10. Manuel told his friend that this act allows consumers to place alerts on their credit histories.

Name that Act!

Understanding the Credit Score - Part II

Student _____

Assist the consumer by identifying and applying the act (law) used to solve the problem. Write the name of the law in the space provided. Select from one of the following laws: Fair Credit Reporting Act, Fair Credit Billing Act, Fair Debt Collection Practices Act, Fair and Accurate Credit Transactions, or Equal Credit Opportunity Act.

- 1. _____ (10)
- 2. _____ (10)
- 3. _____ (10)
- 4. _____ (10)
- 5. _____ (10)
- 6. _____ (10)
- 7. _____ (10)
- 8. _____ (10)
- 9. _____ (10)
- 10. _____ (10)

_____ (100) Total Score

Name That Act - Score Sheet

Understanding the Credit Score - Part II

Student _____

Assist the consumer by identifying and applying the act (law) used to solve the problem. Write the name of the law in the space provided. Select from one of the following laws: Fair Credit Reporting Act, Fair Credit Billing Act, Fair Debt Collection Practices Act, Fair and Accurate Credit Transactions, or Equal Credit Opportunity Act.

1. _____ (10) Fair and Accurate Credit Transactions
 2. _____ (10) Equal Credit Opportunity Act
 3. _____ (10) Fair Debt Collection Practices Act
 4. _____ (10) Fair Credit Reporting Act
 5. _____ (10) Fair Credit Billing Act
 6. _____ (10) Fair Credit Reporting Act
 7. _____ (10) Fair Credit Reporting Act
 8. _____ (10) Fair and Accurate Credit Transactions
 9. _____ (10) Equal Credit Opportunity Act
 10. _____ (10) Fair and Accurate Credit Transactions
- _____ (100) Total Score