Unit 2: Credit

Content Area: **Business Management and Information**
Course(s):
Time Period: **Marking Period 1**
Length: **2-3 Weeks**
Status: **Published**

Summary

The Financial Literacy course is designed to provide students with a foundational understanding of fundamental financial concepts, develop students' practical and money management skills, and instill a sense of financial responsibility and sound decision-making. The course aims to equip students with the knowledge and skills needed to make informed and responsible financial decisions throughout their lives, fostering confidence in navigating real-world financial scenarios.

This unit is part of the larger aforementioned course sequence and specifically focuses on credit where students will understand how an individual's credit rating is based on their length of credit history, number of loans open, amount of debt owed, payment history, and types of credit. Students will further explain how a strong credit score is essential to future loans and financial well being and how credit and borrowing practices differ based on individuals' spending practices and needs. By the end of this unit, students will be able to explain the difference between revolving credit and an installment loan, explain the benefits and detriments to using a credit card, analyze a credit card statement, explain the purpose and factors of a credit score, calculate how debt can accumulate through interest rates and unpaid balances, identify and explain the key factors of a loan, read a financial aid awards statement, differentiate between a subsidized and unsubsidized loan, compare loan rates for automobiles and mortgages for homes to optimize purchases, explain the dangers of predatory lending and bankruptcy, and connecting existing systemic inequality to financial hardships related to borrowing. Students will also know the functions of FAFSA, the components of a FICO credit score, the types of predatory lending, the varying forms of loans, the challenges to loan repayment, the impact of interest on a loan and total payment, the ways to maintain a stable debt-to-credit ratio, how to utilize loan repayment and mortgage calculators, the ways to diversify a credit profile, and how to compare loan and credit card options.

Students in Business Management and Information Systems classes develop skills that are intended to give them a competitive advantage in the workplace. Through the study of core business topics and current events, this curriculum encourages students to refine their speaking and listening skills, collaborate with their peers, and explore and research potential career paths. This course fulfills the 2.5 credits in financial literacy coursework required by both Cranford High School and the state of New Jersey for graduation.

Revision Date: August 2024

Standards

9.1.12.CDM.1: Identify the purposes, advantages, and disadvantages of debt.

9.1.12.CDM.2: Compare and contrast the advantages and disadvantages of various types of mortgages.

9.1.12.CDM.3: Determine ways to leverage debt beneficially.

9.1.12.CDM.4: Identify issues associated with student loan debt,
requirements for repayment, and consequences of failure to repay student loan debt.

9.1.12.CDM.5: Identify the types of characteristics of predatory lending practices and the importance of collateral (e.g., payday loans, car title loans, high-risk mortgages).

9.1.12.CDM.6: Compute and assess the accumulating effect of interest paid over time when using a variety of sources of credit. (e.g., student loans, credit cards, auto loans, mortgages, etc.).

9.1.12.CDM.7: Calculate a mortgage payment based on type of loan, down payment, credit score, and loan interest rate.

9.1.12.CDM.8: Compare and compute interest and compound interest and develop an amortization table using business tools.

9.1.12.CDM.9: Summarize the causes and consequences of personal and corporate bankruptcy and evaluate the implications for self and others.

9.1.12.CDM.10: Determine when credit counselling is necessary and evaluate the resources available to assist consumers who wish to use it.

9.1.12.CP.1: Summarize how one's credit history can affect finances, including loan terms, employment, and qualifying for loans.

9.1.12.CP.2: Identify the advantages of maintaining a positive credit history.

9.1.12.CP.3: Summarize factors that affect a positive credit rating, including on-time payments, debt versus available credit, length of open credit, and how often you apply for credit.

9.1.12.CP.4: Identify the skill sets needed to build and maintain a positive credit profile.

9.1.12.CP.5: Create a plan to improve and maintain an excellent credit rating.

9.1.12.CP.6: Explain the effect of debt on a person's net worth.

9.1.12.CP.7: Summarize factors that affect a particular credit scoring
system.

9.1.12.CP.8: Identify different ways you can protect your credit.

9.1.12.CP.9: Analyze the information contained in a credit report, how scores are calculated and used, and explain the importance of
disputing inaccurate entries.

9.4.12.CI.1: Demonstrate the ability to reflect, analyze, and use creative skills and ideas (e.g., 1.1.12prof.CR3a).

9.4.12.CI.3: Investigate new challenges and opportunities for personal growth, advancement, and transition (e.g., 2.1.12.PGD.1).

9.4.12.CT.1: Identify problem-solving strategies used in the development of an innovative product or practice

(e.g., 1.1.12acc.C1b, 2.2.12.PF.3).

9.4.12.CT.2: Explain the potential benefits of collaborating to enhance critical thinking and problem solving (e.g., 1.3E.12profCR3.a).

9.4.12.DC.3: Evaluate the social and economic implications of privacy in the context of safety, law, or ethics (e.g., 6.3.12.HistoryCA.1).

9.4.12.IML.3: Analyze data using tools and models to make valid and reliable claims, or to determine optimal design solutions (e.g., S-ID.B.6a., 8.1.12.DA.5, 7.1.IH.IPRET.8)

9.4.12.IML.4: Assess and critique the appropriateness and impact of existing data visualizations for an intended audience (e.g., S-ID.B.6b, HS-LS2-4).

9.4.12.TL.1: Assess digital tools based on features such as accessibility options, capacities, and utility for accomplishing a specified task (e.g., W.11-12.6.).

9.4.12.TL.2: Generate data using formula-based calculations in a spreadsheet and draw conclusions about the data.

9.2.12.CAP.3: Investigate how continuing education contributes to one's career and personal growth.

9.2.12.CAP.4: Evaluate different careers and develop various plans (e.g., costs of public, private, training schools) and timetables for achieving them, including educational/training requirements, costs, loans, and debt repayment.

9.2.12.CAP.5: Assess and modify a personal plan to support current interests and postsecondary plans.

9.2.12.CAP.10: Identify strategies for reducing overall costs of postsecondary education (e.g., tuition assistance, loans, grants, scholarships, and student loans).

9.2.12.CAP.11: Demonstrate an understanding of Free Application for Federal Student Aid (FAFSA) requirements to apply for postsecondary education.

8.1.12.IC.1: Evaluate the ways computing impacts personal, ethical, social, economic, and cultural practices.

8.1.12.AP.6: Create artifacts by using procedures within a program, combinations of data and procedures, or independent but interrelated programs.

8.2.12.ITH.1: Analyze a product to determine the impact that economic, political, social, and/or cultural factors have had on its design, including its design constraints.

8.2.12.ITH.3: Analyze the impact that globalization, social media, and access to open source technologies has had on innovation and on a society’s economy, politics, and culture.

NJSLSA.R1. Read closely to determine what the text says explicitly and to make logical inferences and relevant connections from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

NJSLSA.R2. Determine central ideas or themes of a text and analyze their development; summarize the key supporting details and ideas.

NJSLSA.R4. Interpret words and phrases as they are used in a text, including determining technical,

connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

NJSLSA.R7. Integrate and evaluate content presented in diverse media and formats, including visually and quantitatively, as well as in words.

NJSLSA.R8. Delineate and evaluate the argument and specific claims in a text, including the validity of the reasoning as well as the relevance and sufficiency of the evidence.

NJSLSA.R9. Analyze and reflect on how two or more texts address similar themes or topics in order to build knowledge or to compare the approaches the authors take.

NJSLSA.R10. Read and comprehend complex literary and informational texts independently and proficiently with scaffolding as needed.

NJSLSA.W1. Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.

NJSLSA.W2. Write informative/explanatory texts to examine and convey complex ideas and information clearly and accurately through the effective selection, organization, and analysis of content.

NJSLSA.W4. Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.

NJSLSA.W5. Develop and strengthen writing as needed by planning, revising, editing, rewriting, or trying a new approach.

NJSLSA.W6. Use technology, including the Internet, to produce and publish writing and to interact and collaborate with others.

NJSLSA.W7. Conduct short as well as more sustained research projects, utilizing an inquiry-based research process, based on focused questions, demonstrating understanding of the subject under investigation.

NJSLSA.W8. Gather relevant information from multiple print and digital sources, assess the credibility and accuracy of each source, and integrate the information while avoiding plagiarism.

NJSLSA.W9. Draw evidence from literary or informational texts to support analysis, reflection, and research.

NJSLSA.W10. Write routinely over extended time frames (time for research, reflection, and revision) and shorter time frames (a single sitting or a day or two) for a range of tasks, purposes, and audiences.

NJSLSA.SL1. Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on others' ideas and expressing their own clearly and persuasively.

NJSLSA.SL2. Integrate and evaluate information presented in diverse media and formats, including visually, quantitatively, and orally.

NJSLSA.SL4. Present information, findings, and supporting evidence such that listeners can follow the line of reasoning and the organization, development, and style are appropriate to task, purpose, and audience.

NJSLSA.SL5. Make strategic use of digital media and visual displays of data to express information and enhance understanding of presentations.

NJSLSA.SL6. Adapt speech to a variety of contexts and communicative tasks, demonstrating command of

formal English when indicated or appropriate.

NJSLSA.L1. Demonstrate command of the conventions of standard English grammar and usage when writing or speaking.

NJSLSA.L2. Demonstrate command of the conventions of standard English capitalization, punctuation, and spelling when writing.

NJSLSA.L4. Determine or clarify the meaning of unknown and multiple-meaning words and phrases by using context clues, analyzing meaningful word parts, and consulting general and specialized reference materials, as appropriate.

NJSLSA.L5. Demonstrate understanding of word relationships and nuances in word meanings.

NJSLSA.L6. Acquire and use accurately a range of general academic and domain-specific words and phrases sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when encountering an unknown term important to comprehension or expression.

New Jersey Diversity and Inclusion Law
In accordance with New Jersey's Chapter 32 Diversity and Inclusion Law, this unit includes instructional materi economic diversity, equity, inclusion, and tolerance.

The standards in this unit reflect a developmental progression across grade levels and make interdisciplinary connections across content areas including the humanities, technology, career readiness, cultural awareness, and global citizenship.

Essential Questions/Enduring Understandings

Essential Questions:

- How can building credit early in life help prepare for financial well-being in the long term?
- To what extent is it difficult to control credit use and maintain a strong credit score in the present day?
- Why is it important to diversify the types of credit someone has?

Enduring Understandings:

- An individual's credit rating is based on their length of credit history, number of loans open, amount of debt owed, payment history, and types of credit, and a strong credit score is essential to future loans and financial well being.
- Credit and borrowing practices differ based on individuals' spending practices and needs, however

most credit borrowers should follow the practices of making payments on time and keeping their debt to credit ratio manageable in order to avoid bankruptcy or cyclical debt.

Objectives

Students will know:

- Vocabulary terms including but not limited to: Credit, Credit Card, Credit Score, FICO, Mortgage, Loan, debt, Student Loans, Unsubsidized Loan, Subsidized Loan, Interest Rate, Default, High-Risk, Predatory Loans, Down Payment, Compound Interest, APR, Credit Limit, Bankruptcy, FAFSA, principal, revolving credit, installment loan, variable rate, fixed rate, amortization.
- The factors that contribute to a credit score including payment history, length of credit, types of credit, number of loans, and amount owed.
- The purpose of a credit score in future financial decisions.
- The uses of a credit card, including how it differs from a debit card or cash payments.
- The importance of paying off credit card debt on time.
- The ways to maintain a stable debt-to-credit ratio.
- The difference between a subsidized and unsubsidized loan.
- The difference between a private and public loan, including interest rates.
- The factors that contribute to the cost of college.
- The ways that predatory loans can impact financial well-being.
- The different types of predatory loans.
- The purpose and types of mortgages for homeownership.
- The difference between compound and simple interest in relation to loans.
- The importance of paying off interest and principal on loans.
- The consequences of late payments and defaulting on a loan.
- The difference between a revolving credit and an installment loan.
- The factors that contribute to and consequences of bankruptcy.
- The ways to attain a loan for automobiles, homes, and personal ventures.
- The benefits and detriments to using a credit card and other forms of loans.

Students will be skilled at:

- Defining the different forms of loans and their purposes.
- Explaining the benefits and detriments to credit card use.
- Describing the benefits and detriments to taking out a loan.
- Analyzing a credit card statement and explaining the components.
- Assessing the extent to which credit score can impact an individual's approval for future loans.
- Explaining the purpose of a credit score.
- Comparing revolving credit to installment loans.
- Calculating how carrying a balance on a credit card can contribute to increased debt in the future.
- Comparing credit card offers to pick the card that best meets an individual's needs.
- Explaining the factors that contribute to bankruptcy and how it can impact financial wellbeing.
- Assessing the impacts of making a late payment on a loan in the short and long term.
- Calculating the growth of interest on a loan, such as an auto loan or mortgage.
- Comparing types of loans, such as subsidized and unsubsidized college loans in their growth of interest and applications.
- Explaining how a mortgage can help individuals and families achieve homeownership.
- Connecting financial hardships to systemic inequality in the United States, such as how the lack of growth in middle class wages and disproportionately high denial of mortgage loans to Black and Latinx individuals and families has increased the difficulty of achieving home ownership.
- Creating an individualized plan for future credit card and borrowing practices.

Learning Plan

- **Intro to Credit:** Students will be introduced to credit through a discussion on borrowing. Students will then define the difference between revolving credit and an installment loan, as well as the terms principal, interest rate, and loan term. Students will then analyze an infographic that discusses key understandings of credit such as secured versus unsecured debt and variable versus fixed rates and categories types of credit into the categories described. Students will then reflect on why credit is used and how it can help people achieve their financial goals and/or accumulate debt.
- **Parts of a Credit Score:** Students will examine the parts of a credit score as well as the range of what a credit score could be. Students will then examine scenarios where individuals have varying credit history and will assess how their use of credit impacts their credit score and credit worthiness. Students

will reflect by explaining three ways they will try to maintain a strong credit score using their findings to support their answers.

- **Picking a Credit Card:** Students will be introduced to important aspects of picking a credit card, such as credit score requirements, APR, Annual Fees, Cashback, Rewards, and Penalties. Students will then comparison shop for cards based on a 650 Credit Score, and pick a "starter" credit card, explaining the benefits and detriments to the card, as well as why they chose it as the best option.
- **Credit Card Statement Analysis:** Students will examine a credit card statement and identify the APR, balance, remaining line of credit, and purchase. Students will reflect on best practices regarding paying off credit card balances and challenges that may arise by not monitoring a balanced debt-to-credit ratio.
- **Analyzing Debt Growth:** Students will consider the cost of a good paid for in full with cash or through a debit card. Students will review the benefits and detriments of paying with debit. Students will then analyze how debt can accumulate through credit card purchases not paid off at the end of the month and through online "Buy Now Pay Later" offers, considering the benefits and detriments of credit payments. Students will calculate the cost of not paying off debt in full and how it can lead to higher payments of goods later on. Afterwards, students will reflect on why it is important to pay more than the minimum payment, and create a recommendation for credit card use based on their findings.
- **Should They Open a Credit Card? Analysis:** Students will examine scenarios related to individuals in varying financial situations. Students will read about each person's financial well being and advise them on if they are ready for a credit card, and if so, how they should use it, considering the percentage they should spend on the card limit, what they should use the card for, and what type of card would be best for them. Students will explain their conclusions based on their previous study of credit cards.
- **Intro to Loans:** Students will consider a big purchase that they may need a loan for in the future, and consider the benefits and challenges of taking out such a loan. Students will then define the types of loans that they may take out in the future, including student loans (subsidized and unsubsidized), mortgages, auto loans, and personal loans. Students will then analyze how payments towards loans work through amortization, analyzing the changes in payment towards the principal and interest over time.
- **Analyzing Student Loans and Debt:** Students will first be introduced to the cost of college through the game "Payback" by Next Gen Personal Finance. Students will reflect on how the cost of college differs on where an individual chooses to go, as well as through their decisions while in school. Students will consider the ways to minimize costs without loans, and then compare costs with student loans. Students will define subsidized and unsubsidized loans, and then examine a student loans offer to assess how money is offered by the government, as well as how the cost of college will accumulate over time through interest and amount of monthly payments.
- **Comparing Auto Loans:** Students will review the fundamentals of credit and loans including down payments, APR, and installment loans. Students will then participate in an activity where they act as a financial advisor for someone about to purchase their first car. Students will compare the cost of a car with varying APR rates, considering the monthly payment and amount of interest paid. Students will then make a recommendation on how much their client should pay, and which offer they should take. Students will then extend this activity by examining a car they are interested in and an APR offer, reflecting on how much a monthly payment would be if they were to purchase the car. Students will close out the activity by explaining how APR rates can impact auto loans, as well as their takeaways on what to keep in mind when shopping for a car.
- **Analyzing and Calculating Mortgages:** Students will define terms such as mortgage, down payment, interest, and monthly payment. Students will then examine three scenarios of individuals with varying budgets and calculate the costs of purchasing a home, considering the necessary down payment, monthly payment, amount paid in interest, and length of time required to pay off each mortgage using a mortgage calculator. Students will reflect on the benefits and challenges to obtaining and having a mortgage based on their findings. Students will then compare their findings to the current housing market, where they will analyze the challenges of current young adults who are attempting to buy a home.

- **Protecting Against Predatory Loans PSA:** Students will be introduced to predatory lending through the online game “Shady Sam” by Next Gen Personal Finance. Students will examine how borrowers can be taken advantage of by lenders through high interest rates, late fees, and low monthly payments. Students will work in small groups to split up and examine different types of loans, including payday loans, auto title loans, rent-to-buy, and high interest loans on large purchases, such as college or starting a business. Students will then create a PSA on how to protect against predatory loans, creating three tips to loan borrowing for their assigned predatory loan.
- **Declaring Bankruptcy:** Students will first discuss their understanding of bankruptcy and how it applies to individuals and businesses. Students will then analyze the steps of bankruptcy and its impact on an individual’s current financial situation, as well as its impact on future loans and credit score. Students will then reflect on their understanding of bankruptcy by analyzing a video clip from The Office to clarify the misconceptions of bankruptcy compared to reality.

Assessment

When taking a Business Management and Information course, students demonstrate differentiated proficiency according to their ability to answer the essential questions through formative and summative assessments. Many of the performance tasks below can be implemented as formative and/or summative assessments. As teachers strive for students to demonstrate proficiency, they will need to create additional or alternative assessments based on demonstration or absence of skill.

Formative Assessments:

- Intro to Credit
- Parts of a Credit Score Analysis
- Credit Card Statement Analysis
- Analyzing Debt Growth
- Should They Open a Credit Card? Analysis
- Intro to Loans
- Analyzing Student Debt and Loans
- Comparing Auto Loans
- Analyzing and Calculating Mortgages
- Declaring Bankruptcy

Summative Assessments:

- Credit Cards Quiz

- Picking a Credit Card
- Loans Quiz
- Predatory Lending PSA

Alternative Assessment: Students will create a “Credit Scrapbook” where they identify and explain how different aspects of credit can impact someone’s financial life. Students will include credit cards, credit scores, student loans, auto loans, mortgages, and predatory lending in their scrapbook. For each financial literacy concept, students will include applicable information (such as a credit card statement, credit score pie graph, loan payment calculations, and/or mortgage rates and listings) to connect with their understanding of each concept.

Materials

The design of this course allows for the integration of a variety of instructional, supplemental, and intervention materials that support student learners at all levels in the school and home environments. Associated web content and media sources are infused into the unit as applicable and available In addition to the materials below, the following link connects to district approved textbooks and resources utilized in this course: Core Book List.

The following are approved resources that teachers can include to further unit related objectives:

Intro to Credit (Next Gen Personal Finance)

Analyze: Categorizing Credit (Next Gen Personal Finance)

FICO Credit Scores (Next Gen Personal Finance)

Credit Card Comparison Tool (U.S. News)

Compare: Select a Financial Account or Product (Next Gen Personal Finance)

Fine Print: Credit Card Statement (Next Gen Personal Finance)

Buy Now, Pay Dearly? Podcast (Planet Money)

Credit Card Payoff Calculator (Bankrate)

Shopping with Interest (Next Gen Personal Finance)

Buy Now, Pay Later Apps vs. Credit Cards: The Pros and Cons (WSJ)

Analyze: Should They Open a Credit Card Account? (Next Gen Personal Finance)

Household Debt and Credit Report (Federal Reserve New York)

Analyze: Understanding Amortization (Next Gen Personal Finance)

Loan Fundamentals (Next Gen Personal Finance)

Compare: Auto Loans (Next Gen Personal Finance)

Calculate: Using a Mortgage Calculator (Next Gen Personal Finance)

Why Buying a House in the U.S. is So Hard Right Now (Vox)

Payback: Student Loans Game (Next Gen Personal Finance)

Shady Sam: Loan Shark (Next Gen Personal Finance)

Interactive: Shady Sam Reflection Sheet (Next Gen Personal Finance)

Fine Print: Financial Aid Package (Next Gen Personal Finance)
Create a PSA or Ad for Predatory Lending (Next Gen Personal Finance)

Tuition Tracker (Tuitiontracker.org)

Research: Bankruptcy (Next Gen Personal Finance)

The Office "I Declare Bankruptcy" Video

Bankruptcy Explained Article (Investopedia)

Any additional resources that are not included in this list will be presented to and reviewed by the supervisor before being included in lesson plans. This ensures resources are reviewed and vetted for relevance and appropriateness prior to implementation.

Suggested Strategies for Modification

This link includes content specific accommodations and modifications for all populations:

https://docs.google.com/spreadsheets/d/1Pp6EJOCsFz5o4-opzsXpQDQoa6aClW-bkRGPDRHXVrk/edit?usp=sharing

These additional strategies are helpful when learning Social Studies content and skills:

- Bold terms in directions.
- Read texts aloud for students to assist in comprehension and analysis.
- Provide opportunities for text-to-speech for written responses.

- Use visual presentations of all materials and instructions.
- Provide step-by-step instructions for mathematical problems that require calculation.
- Model of practices to support student understanding.
- Include calculation tools when applicable for determining interest rates and loan repayment.