

# 02\_ Unit 2: Credit and Debt Management

Content Area: **Financial Literacy**  
Course(s):  
Time Period: **Cycle**  
Length: **6 - 7 Lessons**  
Status: **Published**

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## OBJECTIVES, ESSENTIAL QUESTIONS, ENDURING UNDERSTANDINGS

### Unit Summary:

Money management includes examining various aspects of budgeting and building and maintaining a credit profile.

### Essential Question(s):

- What are the advantages and disadvantages of credit?
- What are the various sources of credit?

### Enduring Understanding(s):

- There are strategies build and maintain a good credit history.
- Credit history affects personal finances

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## General Overview, Course Description or Course Philosophy

### Financial Literacy 6

Financial Literacy will provide students with the knowledge and information necessary for making sound financial decisions. During the sixth grade, students will focus on "Money Management", "Credit and Debt Management", and "Credit Profile".

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## CONTENT AREA STANDARDS

PFL.9.1.8.CDM.1	Compare and contrast the use of credit cards and debit cards for specific purchases and the advantages and disadvantages of using each.
PFL.9.1.8.CDM.2	Demonstrate an understanding of the terminology associated with different types of credit (e.g., credit cards, installment loans, mortgages, lines of credit) and compare and calculate the interest rates associated with each.
PFL.9.1.8.CDM.3	Compare and contrast loan management strategies, including interest charges and total principal repayment costs.
PFL.9.1.8.CDM.4	Evaluate the application process for different types of loans (e.g., credit card, mortgage, student loans).

## **RELATED STANDARDS (Technology, 21st Century Life & Careers, ELA Companion Standards are Required)**

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PFL.9.1.K12.P.2	Attend to financial well-being.
PFL.9.1.K12.P.5	Utilize critical thinking to make sense of problems and persevere in solving them.
PFL.9.1.K12.P.8	Use technology to enhance productivity increase collaboration and communicate effectively.
LA.RI.6.7	Integrate information presented in different media or formats (e.g., visually, quantitatively) as well as in words to develop a coherent understanding of a topic or issue.
LA.RI.6.10	By the end of the year read and comprehend literary nonfiction at grade level text-complexity or above, with scaffolding as needed.
LA.W.6.4	Produce clear and coherent writing in which the development, organization, voice and style are appropriate to task, purpose, and audience. (Grade-specific expectations for writing types are defined in standards 1–3 above.)
TECH.8.1.8.A.1	Demonstrate knowledge of a real world problem using digital tools.
TECH.8.1.8.B.CS2	Create original works as a means of personal or group expression.

## **STUDENT LEARNING TARGETS**

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### **Declarative Knowledge**

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#### **Students will understand that:**

- Credit cards and debit cards allow a person to access money without having to carry around cash or a checkbook.
- Credit cards provide a person with a line of credit (amount of money they may borrow) ,as long as, they pay the minimum amount due each month for the amount that they borrowed.
- Debit cards are electronically connected to a persons bank account. The person may access up to the amount of money that they have in the bank.
- Credit cards and debit cards have different advantages and disadvantages.

- Credit or a credit line is the amount of money a person is trusted to borrow from that lender (one lending the money).
- Many different types of credit lines exist; for example, there are secured, unsecured, revolving and installment credit lines.
- When borrowing money, the total original amount borrowed is called the principle.
- When a loan is paid back, it is paid back with interest. Interest is what the borrower is charged for borrowing the money.
- Secured credit means a person promises to pay back the money that they are borrowing (ex. money for a house or car). If they do not, the lender may take back the asset that the person was trying to buy (ex. house/mortgage or car).
- Unsecured credit means that a person is being trusted to pay back the amount that they have borrowed (ex. credit card or medical bill).
- Revolving credit means that a lender can borrow up to a certain amount of money at anytime. Each month they must give the lender a minimum payment based off of the amount that they have borrowed (ex. credit card).
- Installment credit means that a lender has borrowed a set amount for a set time. Fixed payments are established for the lender to provide (ex. mortgage, car loan).
- When a person borrows money they must pay interest, a charge for borrowing the money. Interest rates will vary according a person's credit score, the type of loan they use, and their credit history or report. Unsecured credit normally has a higher interest rate than secured credit.
- Though you should never take on unnecessary debt, sometimes accumulating debt is a necessity for improving your overall opportunities (ex. college).
- Two methods for repaying debt are the snowball method and a high rate method.
- The snowball method is a method in which a person pays off debts according to balance. The person begins with the lowest balance first then moving onto the next lowest balance until all debt has been paid off.
- The high rate method is a method in which a person pays off debts according to the interest rate of each debt. The person begins by paying off the debt with the highest interest rate first, then moving onto the next highest until all debt has been paid off.
- Applying for a credit card takes a small amount of time and usually requires one form. When you are borrowing a larger amount of money (e.g. mortgage, school loan) it may take a few months and requires forms to be completed with the help of the bank.

## **Procedural Knowledge**

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Students will be able to:

- Identify and describe debit and credit cards.
- Compare and contrast the use of credit cards and debit cards for specific purchases and the advantages and disadvantages of using each.

- Define mortgage, loan, interest, principle, interest rates and credit.
- Identify and describe the snowball method of repayment and high interest rate repayment of a loan method.
- Compare and contrast loan management strategies, including interest charges and total principal repayment costs.
- Evaluate the application process for different types of loans (e.g., credit card, mortgage, student loans).

## **EVIDENCE OF LEARNING**

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### **Formative Assessments**

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**For this unit, formative assessments may include:**

- observation
- one-on-one
- questioning
- graphic organizers
- anecdotal notes
- exit tickets

### **Summative Assessments**

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**For this unit, summative assessments may include:**

- graphic organizers
- homework
- culminating activity

## **RESOURCES (Instructional, Supplemental, Intervention Materials)**

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## [Next Gen Personal Finance](#)

All lessons and resources can be accessed via this website. "Click" Curriculum and reference the "Units" and "Middle School" Tabs

### **INTERDISCIPLINARY CONNECTIONS**

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**English/Language Arts** - implementation of conventions of Standard English

**Technology/Muliti-Media** - Audio/visual media analysis

**Math** - computations

**Visual and Performing Arts** - debate

**Social Studies** - ethics

### **ACCOMMODATIONS & MODIFICATIONS FOR SUBGROUPS**

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See link to Accommodations & Modifications document in course folder.