

## The Good Credit Game – Alignment with Financial Education National Standards

There are a number of national standards for teaching personal finance and financial literacy. Many of the learning objectives in these standards are similar (if not exactly the same), however, there is a lack of standardization across these guidelines. In some standards and curricula, credit reports are a separate section; in some, credit is its own section; in some, credit and credit reports are covered as part of other topics like buying a house or car.



Therefore, in creating The Good Credit game teaching package, we set out to cover what we believed were the most common and important elements with respect to the topic of credit reports, credit scores and credit cards. Note that while this material certainly touches on many interrelated topics, it is not meant to replace other modules that go into great depth, including: how to get a loan, evaluating different payment methods, comparing loan terms, understanding consumer protection laws, preventing identity theft, etc. That said, we believe that after going through the lessons in The Good Credit Game, participants will be more open to and interested in pursuing these other topics in more depth.

Below, you will find an outline of how The Good Credit Game fits with some of the more popular financial education standards:

<b>Consortium for Entrepreneurship Education - National Content Standards for Entrepreneurship Education</b>
<p><b>Money Basics</b> G.01 Explain forms of financial exchange (cash, credit, debit, etc.)</p> <p><b>Personal Money Management</b> G.26 Build positive credit history G.27 Improve/repair creditworthiness</p>
<b>Council for Economic Education - National Standards for Financial Literacy</b>
<p><b>Section IV: Using Credit</b> At the 4th grade level, students should understand the concept of credit and the cost of using credit—namely, the obligation to repay what is borrowed plus interest on the amount borrowed. Students should recognize that a reputation for repaying loans contributes to a person’s ability to obtain loans in the future. At the 8th grade level, attention turns to why people use credit, the sources of credit, why interest rates vary across borrowers, and the reasons for using credit to invest in education and durable goods. Students should be able to make basic calculations related to borrowing, including principal and interest payments as well as compound interest. At the 12th grade level, the focus is on credit reports, credit scores, behaviors that contribute to strong credit reports and scores, and the impact of credit reports and scores on consumers. Consumer protection laws as they apply to credit and credit card use are also covered.</p> <p><b>Grade 4 Benchmarks: 1, 2, 4</b> <b>Grade 8 Benchmarks: 1, 4, 7</b> <b>Grade 12 Benchmarks: 2, 3, 5, 6, 7, 8, 11, 13</b></p>
<b>FDIC (Money Smart)</b>
<p><b>Module 2: Borrowing Basics</b> Participants will understand how credit works, types of credit that are available, and if they are ready to apply for credit. To achieve this objective, the participants will be able to:</p>

- Define “credit” and “loan.”
- Distinguish between secured and unsecured loans.
- Identify three types of loans.
- Identify the costs associated with getting a loan.
- Identify the factors lenders use to make loan decisions.
- Explain why installment loans cost less than rent-to-own services.
- Explain why it is important to be wary of rent-to-own, payday loan, and refund anticipation services.
- Describe how to guard against predatory lending practices.

### Module 7: To Your Credit

Participants will understand how to read a credit report, and build and repair their credit history. To achieve this objective, the participants will be able to:

- Define credit.
- Explain why credit is important.
- Describe the purpose of a credit report and how it is used.
- Order a copy of their credit report.
- Read and analyze their credit report to determine if they are ready to apply for credit.
- Differentiate between “good” and “bad” credit.
- Describe the implications of “good” and “bad” credit scores.
- Identify ways to build and repair your credit history.
- Recognize how to correct errors on your credit report.
- Recognize how to guard against identity theft.

### Module 8: Charge It Right

Participants will understand how to use a credit card responsibly and what to do when a credit card is lost or stolen. To achieve this objective, the participants will be able to:

- Define credit.
- Explain why credit is important.
- Describe the purpose of credit cards.
- Determine if you are ready to apply for a credit card.
- Determine which credit card is best suited for you.
- Identify the factors creditors look for when making credit decisions.
- Describe how to use a credit card responsibly.
- Identify the steps to take when a credit card is lost or stolen.

### Module 9: Loan To Own

Participants will understand the characteristics of consumer installment loans. To achieve this objective, the participants will be able to:

- Identify various types of installment loans.
- Identify the factors lenders use to make home loan decisions.
- Explain federal laws that protect you when applying for a loan.
- Identify the questions to ask when purchasing a car.
- Explain why installment loans cost less than rent-to-own services.
- Explain why it is important to be wary of rent-to-own, payday loan, and refund anticipation services.
- Explain how to guard against predatory lending practices.

### Module 10: Your Own Home

Participants will understand the home buying process and the difference between renting versus owning and financially protecting their home. To achieve this objective, the participants will be able to:

#### Pre-Homebuyers

- Explain the advantages and disadvantages of renting versus owning a home.
- Identify questions to ask to determine your readiness to buy a home.
- Identify the steps required to buy a home.
- Identify basic terms and required disclosures used in a mortgage transaction.

- Describe the advantages and disadvantages of different mortgage options.
- Describe how interest rates affect the “amount” of house you can buy.
- Explain how taxes and insurance affect a monthly payment and the “amount” of house you can buy.

#### Homeowners

- Describe the advantages and disadvantages of borrowing against a home.
- Explain what to do if you are having trouble making payments.
- Describe the different types of refinancing options.
- Explain the advantages and disadvantages of a reverse mortgage.
- Identify predatory lending practices and loan scams.

#### Module 11: Financial Recovery

Participants will learn about steps they can take to recover financially and rebuild their credit after experiencing a financial setback. To achieve this objective, the participants will be able to:

- Assess their current financial situation.
- Identify ways to increase income and decrease and prioritize expenses.
- Develop a financial recovery plan.
- Identify steps to successfully implement a financial recovery plan.
- Recognize how to guard against credit repair scams.
- Identify timeframes to review and adjust their financial recovery plan.

#### Young Adult Curriculum: Paying For College and Cars

Participants will understand general information on installment loans, including car loans and student loans. To achieve this objective, the participants will be able to:

- Differentiate between secured and unsecured installment loans.
- Explain why installment loans cost less than rent-to-own services.
- Identify the factors lenders use to make loan decisions.
- Identify the questions to ask when purchasing a car.
- Describe various types of college loans and loan programs.

#### Institute for Financial Literacy - National Standards for Adult Financial Literacy Education

##### Standard II: Credit

Know how and where to obtain credit, and the implications of using and misusing credit.

##### Obtaining Credit

- Differentiate among the types of credit
- Understand which types of credit are better suited for particular purposes than other types
- Identify types of financial institutions where credit can be obtained
- Understand how the credit application process works

##### Utilization of Credit

- Comprehend the legal implications of using credit
- Understand what a credit report is, how to dispute errors in credit reports, and what a consumer’s rights are regarding credit reports
- Understand what credit scores mean and the significance of their use in modern life
- Recognize what precautions can be taken to prevent identity theft and fraud, and what to do if victimized.

#### Jump\$tart Coalition - National Standards in K-12 Personal Finance Education, 3rd Edition

##### Section 4: Credit and Debt

Overall Competency: Maintain creditworthiness, borrow at favorable terms, and manage debt.

##### Standard 1: Identify the costs and benefits of various types of credit.

4th grade student can:

- Explain the difference between buying with cash and buying with credit. Describe the advantages and disadvantages of using credit. Explain why financial institutions lend money.
- Identify credit purchases that adults commonly make.
- Explain why using a credit card is a form of borrowing.

*8th grade student can:*

- Explain how debit cards differ from credit cards.
- Explain how interest rate and loan length affect the cost of credit.
- Using a financial or online calculator, determine the total cost of repaying a loan under various rates of interest and over different periods.
- Give examples of “easy access” credit.
- Given an “easy access” loan amount and a two-week borrowing fee, calculate the interest rate for the loan period and its annual equivalent.
- Discuss potential consequences of using “easy access” credit.
- Explain how students, homeowners, and business owners use debt as an “investment.”
- Explain the potential consequences of deferred payment of student loans.

*High school graduate can:*

- Compare the cost of borrowing \$1,000 by means of different consumer credit options.
- Define all required credit card disclosure terms and complete a typical credit card application.
- Explain how credit card grace periods, methods of interest calculation, and fees affect borrowing costs.
- Using a financial or online calculator, compare the total cost of reducing a \$1,000 credit card balance to zero with minimum payments versus above-minimum payments.
- Given a scenario, apply systematic decision making to identify the most cost-effective option for purchasing a car.
- Identify various types of student loans and alternatives to loans as a means of paying for post-secondary education.
- Identify various types of mortgage loans and mortgage lenders.

**Standard 2: Explain the purpose of a credit record and identify borrowers’ credit report rights.**

*4th grade student can:*

- Describe the qualities that would be desirable in a person who borrows a favorite personal possession.
- Give examples of reasonable conditions to set for the use of borrowed personal property.
- Given a scenario, describe steps that a person could take to regain a lender’s trust after losing or damaging borrowed personal property.

*8th grade student can:*

- Explain why it is important to establish a positive credit history.
- Explain the value of credit reports to borrowers and to lenders.
- Describe the information in a credit report and how long it is retained.
- Give examples of permissible uses of a credit report other than granting credit.

*High school graduate can:*

- Describe the elements of a credit score.
- Explain how a credit score affects creditworthiness and the cost of credit.
- Explain the factors that improve a credit score.
- Identify organizations that maintain consumer credit records.
- Explain the rights that people have to examine their credit reports.
- Analyze the information contained in a credit report, indicate the time that certain negative data can be retained, and describe how to dispute inaccurate entries.
- Discuss ways that a negative credit report can affect a consumer’s financial future.

**Standard 3: Describe ways to avoid or correct debt problems.**

*4th grade student can:*

- List ways to avoid credit problems, including not overspending.

*8th grade student can:*

- Give examples of legal and illegal debt collection practices.
- Identify possible indicators of excessive debt.

*High school graduate can:*

- Describe possible consequences of excessive debt.
- List actions that a consumer could take to reduce or better manage excessive debt.
- Evaluate various credit counseling services.

- Describe the purpose of bankruptcy and its possible effects on assets, employability, and credit cost and availability.
- Given a scenario, write a billing dispute letter that states the problem, asks for specific action, includes references to copies of related documents, and provides contact information.
- Describe debtors' and creditors' rights related to wage garnishment and repossession when an overdue debt is not paid.

**Standard 4: Summarize major consumer credit laws.**

*8th grade student can:*

- Give examples of protections derived from consumer credit laws.

*High school graduate can:*

- Summarize consumer credit laws and the protections that they provide.
- Research online and printed sources of up-to-date information about consumer credit rights.

**National Business Education Association - National Standards for Business Education**

**Standard VII: Using Credit**

Achievement Standard: Analyze factors that affect the choice of credit, the cost of credit, and the legal aspects of using credit.

**National Financial Educators Council - National Financial Literacy Standards**

**Credit & Debt**

- Understand the importance of building a positive credit history.
- Demonstrate proficiency in reading credit reports. Understand how a credit report can impact financial well-being.
- Identify and recognize key elements that go into calculating a credit score, as well as the organizations that maintain credit information.
- Understand how to build a positive credit history and improve credit scores.
- Recognize the importance of monitoring a credit report to avoid fraudulent activity.
- Develop an understanding of how to obtain, evaluate, and dispute items on credit reports.
- Understand how identity theft can affect a credit report, as well as how to protect oneself from credit fraud.
- Develop knowledge of credit card payment policies to positively impact credit scores and build credit history.
- Build an in-depth understanding of the various types of debt and differentiate between positive and negative debt.
- Differentiate between credit card and debit cards. Identify and understand various situations in which a credit or debit card should be used.
- Understand how lenders qualify potential borrowers.
- Demonstrate the ability to prepare a loan application for qualification.
- Identify and understand how to compare the cost of purchasing items under different credit options.
- Reach proficiency in the use of financial calculators and other tools to calculate the cost of borrowing money.
- Understand the consequences of "bad" debt and learn to improve various debt situations.
- Apply systematic decision-making to evaluate loan options for various products, such as student loans, automobile loans, home loans, and credit cards.