



Personal Finance Virtual Learning

11th and 12th/ Lesson: Why Credit Matters



Lesson: 4/29/2020

Students will be able to:

- **Evaluate and explain the purpose of a credit score**
- **Understand the elements of credit scores, and what impacts them**
- **Discover the best way to maintain a high credit score**

Question Starter:

Have you ever loaned a friend money, clothes, or anything else and expected to get it back within a specific timeframe?

What does it mean to be credit worthy?

Answer: Someone who may be eligible to receive credit from a lender because they have a history of paying bills on time.

CATEGORY	SCORE
Excellent (30% of People)	750 - 850
Good (13% of People)	700 - 749
Fair (18% of People)	650 - 699
Poor (34% of People)	550 - 649
BAD (16% of People)	350 - 549

Think back to your answer to the question starter.

If you've loaned someone something of value (money, clothes, jewelry etc.), list at least 3 factors you considered or would consider before giving them a loan?

Examples: having a job, being your friend, being a family member etc.

Factors that lenders look at to determine whether someone is credit worthy:

- Payment history (whether or not you pay your bills on time)
- Amount owed to current creditors (e.g., whether you have a car payment or a balance on a store credit card)
- Length of credit history (in general, the longer you've had access to credit and paid your bills on time, the better)
- Types of credit used (e.g., car and mortgage payments are often viewed as “better” debt than consumer credit card debt)
- Number of open accounts (lenders can be wary of borrowers with too much credit available)

All of those factors are compiled on a sheet known as a **credit report**. On the credit report you will also see your overall **credit score**.



Credit and GPA comparison

Your credit score is sorta like your current GPA. There are factors, such as your grades, that determine your GPA and you can improve your GPA at any time. Your GPA drops when you don't turn in assignments or you don't do well in class. Your credit score drops when you don't pay bills or pay them on time. Checking your GPA is easy, just log in to Powerschool and for credit score go to your credit report!!

Complete Activity Spot the Credit Crisis

Spot the Credit Crisis

For extended learning, you can
check out the article:

Tips on how to manage
credit

Exit Ticket:

After completing the lesson, how do you think credit scores might impact your short-, medium-, and long-term goals; such as finding a job, buying a house or selecting a cell phone plan?