



ASSOCIATED
CREDIT UNION

YOUTH ACTIVITY PACKET



HIGH
SCHOOL

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ANALYZE: Categorizing Credit

Part I: Categorize Different Types of Credit

❖ **Teacher Tip:** There is substantial overlap between the content of this worksheet and another game called [MOVE: Credit Musical Chairs](#). We recommend using only one of the two. Or, if you choose to play the game in-class, this activity could be used with absent students.

For each TYPE OF CREDIT listed in the first column, you'll categorize it in the remaining three columns, using the following descriptions:

Installment Loans	Revolving Credit
used to finance a specific purchase for a specific amount of time. Regular payments are made to pay the interest and the principal.	an open line of credit that can be used for any purchases as long as you're under the credit limit. Payment amounts vary each pay period based on the size of the debt.
Secured Debt	Unsecured Debt
debt is tied to a specific asset that can be used as collateral and repossessed if borrower doesn't make payments	debt is not tied to a specific asset; there is no collateral that can be repossessed if borrower defaults
Variable-Rate	Fixed-Rate
interest rate can change during the duration of the loan based on the prime rate or an index rate	interest rate remains constant during the duration of the loan

If you're unsure where a type of credit belongs, you can use these links as a resource:

- [Types of Consumer Credit & Loans](#) - Debt.org
- [The Difference Between Secured and Unsecured Debts](#) - About Money
- [Fixed and Variable Rate Loans: Which Is Better?](#) - Investopedia

If you can't find the answer using the links above, you can do your own internet search to

help you complete the work.

TYPE OF CREDIT	1. Installment Loans vs Revolving Credit I = installment R = revolving CBE = could be either	2. Secured vs Unsecured Debt S = secured U = unsecured CBE = could be either	3. Variable vs Fixed Rate V = variable F = fixed CBE = could be either
Auto loan			
Credit card			
Mortgage			
Payday loan			
Personal loan (from bank)			
Small business loan (from bank)			
Student loan (Federal)			

Part II: Reflection

1. Why do people sometimes use credit to pay for items instead of just using cash?
2. When applying for credit, is it preferable to receive a low interest rate or a high interest rate?
3. Sometimes, lenders allow or require a downpayment before they extend you the loan. What would be the advantage to the lender? What would be the advantage to the borrower?

4. What questions do you have about these different Types of Credit? Use the space below to note these questions and see if they are answered as you learn more throughout this unit.

Ways to Modify This Activity:

1. Gamify!

Instead of filling out a worksheet, students can hold up a sign or signal to indicate the characteristic that the type of credit has. (Ex: cards with the letters printed or written on them, white boards, hand / arm signals, etc). Then, use the reflection questions to facilitate a whole class discussion.

2. Jigsaw

Have students break up into 7 groups (one group per type of credit) and research the characteristics for their assigned type of credit. Then, each group presents to the whole class as they take notes.



Where to Stash Your Cash

LESSON 10: STUDENT ACTIVITY SHEET 1

There are lots of different choices when it comes to saving and investing your money. Understanding your options will help you make more informed decisions. Study the table below to familiarize yourself with different savings and investing strategies.

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
Certificate of Deposit (CD)	Savings certificate issued by a bank or credit union	Minimal risk because it is insured by the Federal Deposit Insurance Corporation (FDIC) through a bank and the National Credit Union Share Insurance Fund (NCUSIF) through a credit union	<ul style="list-style-type: none"> - Higher interest rates than a traditional savings account - Not risky - The longer the term, the higher the interest you usually earn 	<ul style="list-style-type: none"> - Must be left in the bank for a fixed amount of time - Steep penalties for withdrawing money early - Minimum balances required
Savings Account	A deposit account that earns interest and is issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Not risky - No restrictions on withdrawals - Low or no minimum balances required 	<ul style="list-style-type: none"> - Lowest interest rates - Some banks charge fees for opening and maintaining accounts
Money Market Account	A type of checking and savings account issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Higher interest rates than a savings account - Can withdraw money (with some restrictions) 	<ul style="list-style-type: none"> - Higher minimum balance required - Some withdrawal restrictions (e.g., limits on number of withdrawals per month) - Subject to fees if balance below certain amount
Retirement Account	An account such as an IRA and 401(k) that helps you set aside money for retirement	Investment choices range from very secure government bonds to higher risk stocks	<ul style="list-style-type: none"> - Tax-deferred growth - Some employers will match contributions - Helps create long-term savings 	<ul style="list-style-type: none"> - Steep penalties for withdrawing money before retirement - Contribution limits

Continued on the next page.



Where to Stash Your Cash

LESSON 10: STUDENT ACTIVITY SHEET 1

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
529 Savings Account	A savings account designed specifically for educational expenses	Risk varies depending on investment choice. Some accounts offer FDIC or NCUSIF insurance while others can be invested in higher risk stocks	<ul style="list-style-type: none"> - Low minimum starting balance - Some states offer tax breaks - Tax deferred growth 	<ul style="list-style-type: none"> - Have to use the money for college or face a 10% penalty
Mutual Funds	A collection of stocks, bonds or other investments that are professionally managed in a portfolio	Risk varies depending on the type of mutual fund	<ul style="list-style-type: none"> - Creates an opportunity to diversify investments 	<ul style="list-style-type: none"> - Return is not guaranteed - If portfolio is professionally managed, it may be subject to high fees
Stocks	A stock is a share in the ownership of a company	Risk varies depending on investment choice	<ul style="list-style-type: none"> - If the market value increases, there is potential for great gain 	<ul style="list-style-type: none"> - If the market value decreases, there is the potential for great loss - No guarantee for a return on investment and principal could be lost - Managing stock options may require professional help
Bonds	A bond is a loan in which you are the lender and the government is the borrower	Risk varies depending on investment choice	<ul style="list-style-type: none"> - Usually provides more security than stocks 	<ul style="list-style-type: none"> - Historically lower return rates



STUDENT TIP

When you invest your money in CDs, savings accounts or money market accounts, a bank will insure your money through the Federal Deposit Insurance Corporation (FDIC) and a credit union insures your money through the National Credit Union Share Insurance Fund (NCUSIF). While the interest rates may be lower than other investment options, your money is always protected.

How to Read a CREDIT REPORT

- IT'S A -
**MONEY
THING®**

YOUR CREDIT REPORT

Info

Name: Address: **1**
Date of Birth: Previous Address:
SSN: Employer:

Consumer Statement **2**

I requested a fraud alert because a credit card was opened without my knowledge on November 17th 2014. It is still under investigation.

Account History

Credit Card #1	R1	R1
Balance: \$280	R1	R2
	R1	R1
	R1	R1
	R1	R1

3

Inquiries **4**

So and So Bank August 2013
Car Rental Place February 2014

*** Please contact consumer before extending credit *** **5**

If you know what to look for, your credit report can be a powerful tool in boosting your credit score and protecting you against identity theft.

1 PERSONAL INFORMATION

Review your personal information and make sure it is up-to-date.

2 CONSUMER STATEMENT

If something on your credit report is in the process of being disputed (like an error or activity related to identity theft), your explanation of the issue appears here.

3 ACCOUNT HISTORY

Go over this section carefully. Some credit bureaus use symbols or codes to indicate the status of your account (we've included some common examples). Keep an eye out for:

- Accounts that aren't yours
- Closed accounts listed as open (and vice versa)
- Errors in your account history (like late payments)
- A missing notice of dispute (there should be a record of any errors you've reported in your account history)
- Negative activity that's more than seven years old

4 INQUIRIES

Here you can see which lenders and companies have pulled up your credit report. Contact any companies that accessed your report without your permission.

5 FRAUD ALERT

If you suspect that you're a victim of identity theft, you can request a fraud alert. This requires lenders to verify ID before extending any credit in your name.

NORTH AMERICAN STANDARD ACCOUNT RATINGS

R0	Too new, approved but not used
R1	Pays within 30 days of due date
R2	Pays within 60 days of due date
R3	Pays within 90 days of due date
R4	Pays within 120 days of due date
R5	Account at least 150 days past due date, not yet rated R9
R6	This rating does not exist
R7	Making regular payments through a special arrangement
R8	Repossession or foreclosure
R9	Bad debt, placed for collection

Ratings can be combined with different letter codes

CREDIT REPORT LETTER CODES

C	Line of credit
I	Installment (e.g., car loan)
M	Mortgage
O	Open account (e.g., accounts with utility companies)
R	Revolving (e.g., credit cards)

Need more help? Each of the major credit bureaus provides a detailed guide on reading their credit reports that can be accessed through their website.

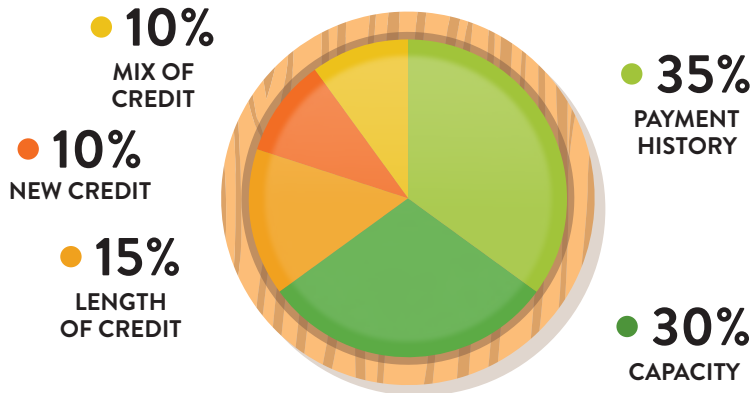
BROUGHT TO YOU BY



Breakdown of a CREDIT SCORE

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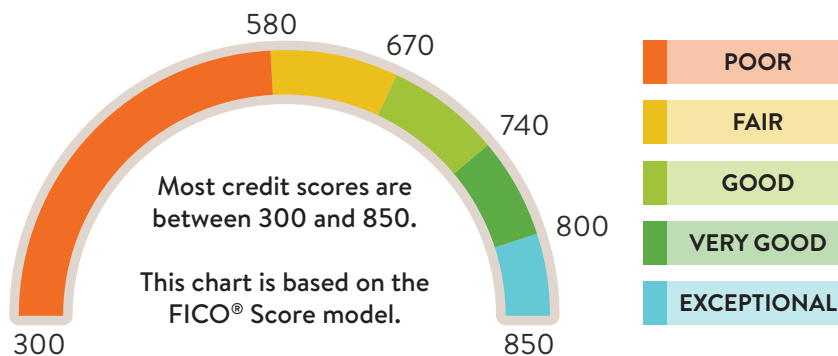
HOW IS A CREDIT SCORE CALCULATED?



PAYMENT HISTORY	Making payments on time boosts your score
CAPACITY	The less you use of your total available credit each month, the better
LENGTH OF CREDIT	A longer history of good credit habits raises your score
NEW CREDIT	Opening lots of new credit cards in a short amount of time can hurt this part of your score
MIX OF CREDIT	A mix of revolving credit (credit cards) and installment loans (mortgages, car loans) boosts your score

WHAT DOES YOUR CREDIT SCORE MEAN?

Actual scores may be interpreted differently, depending on the financial institution.



<580

A low score means you could be denied a loan or credit card.

580-740

You may not get turned down for a loan, but you will likely be charged a higher interest rate.

740+

You're in good shape. This is where you want your credit score to be.

A CREDIT SCORE

is a number used by financial institutions and credit card companies to determine risk level when issuing you a loan or a credit card.

STAY ON TRACK

You are entitled to one free credit report per year from each of the major credit bureaus. Your FICO Score is not shown on the report.

→ annualcreditreport.com



Space out your credit report requests so that you can check on your credit throughout the year.

Curious about your score?

You can get a free estimate through creditkarma.com (but know that it's not your actual credit score—it'll be close, but not exact).

Need access to the real deal?

Credit bureaus usually charge a fee (\$15 to \$25) for your FICO Score.

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keeping a running balance *answer key*

CHECK NUMBER	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE	
					\$612	04
161	6/4	Sound Out	\$216 30		\$395	74
		New Electronics				
162	6/7	Cell USA	\$82 87		\$312	87
		Acct. #7M3406 mobile services				
ATM	6/9	Withdrawal	\$200 00		\$112	87
		Spending Money				
ATM	6/14	Mobile Deposit		\$1,235 18	\$1,348	05
		Paycheck				
163	6/15	Woodland Apartments	\$1,000 00		\$348	05
		Rent				
Debit	6/18	Foodland Groceries	\$55 00		\$293	05
		Food				

CHECK NUMBER	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE	
					\$258	05
ATM	6/18	Withdrawal	\$35 00			
		Movie and pizza				
ATM	6/19	Deposit		\$1,200 00	\$1,458	05
		Transfer from savings				
164	6/25	Tracy's	\$26 31		\$1,431	74
		New clothes				
165	6/26	E-Z Mart	\$10 00		\$1,421	74
		Snacks				
Debit	6/26	City Transport	\$54 11		\$1,367	63
		Transportation				
ATM	6/27	Withdrawal	\$20 00		\$1,347	63
		Spending money				
166	6/27	Lawn Wranglers	\$55 00		\$1,292	63
Direct Deposit	6/30	ACH Deposit		\$986 00	\$2,278	63
		Refund				

use the spreadsheet you just completed to answer the following questions:

- What was your account balance on June 8?
\$312.87
- Could you have written check #163 on June 6 instead of June 26? If not, why?
No — the payment was \$1000.00, but the account balance on June 6 was only \$395.74
- The love of your life has been in a bad mood lately, and you think an expensive present might help. You've found a leather jacket on sale for \$189.00. Can you afford to buy the jacket on June 10? What will your account balance be if you do?
No — the account will be overdrawn by \$76.13
- The hottest new band in town has just released a CD. It costs \$21.99. Can you afford to buy the CD on June 5? What will your account balance be if you do?
Yes — \$373.75
- What was your account balance after you withdrew \$20.00 on June 27?
\$1,347.63
- What was the amount of check #161, to whom did you write it, and for what?
\$216.30, to SoundOut for new electronics.

