



Financial Literacy Education Lesson Plan



Lesson 9: Credit Consequences

55 minutes¹

Domain

- Credit and Debt

Oregon High School Personal Financial Education Content Standards²

- **HS.PFE.A.3:** Analyze the long-term impacts of high and low credit scores.

Essential Questions

- How do I build and improve my credit score?

Learning Targets

I can:

- Explain how my credit score can affect me now and in the future.
- Identify ways to build and keep good credit.

Supplies

1. Projector
2. Presentation slides (Note: Speaker notes are provided in the lesson plan and in the accompanying PowerPoint slides.)
3. Student handouts
4. A large writing surface such as chart paper and markers, whiteboard, or chalkboard

Preparation

1. Make copies of student handouts.

¹ This lesson is designed for approximately 55 minutes, but timing may vary based on student discussion, reflection, and engagement. Feel free to adjust the pacing or extend activities as needed.

² The Oregon High School Personal Financial Education Content Standards are located at:
https://www.oregon.gov/ode/students-and-family/OregonDiploma/Documents/FINAL%20PFE%20Standards_AdoptedAccessible.pdf

2. Set up projector with presentation slides.

Overview

This lesson builds on **Lesson 7, What is Credit?** and **Lesson 8, Your Credit Story** to introduce to students ways credit history and credit scores shape both short-term and long-term financial stability and opportunities. Through discussion and activities, students learn how high and low credit scores affect borrowing as well as potentially employment, housing and insurance. Students work collaboratively to evaluate realistic scenarios and then create a personal credit-building action plan to apply lesson insights to their future selves and reinforce the importance of good financial habits such as paying on time, budgeting, and planning ahead.

Instructions

Activity 1: Warm-Up

5 minutes

1. Display the **Title slide (Slide 1)** and distribute the handout packets to students, if you have not already.
2. Display the **Warm-up slide (Slide 2)** and point students to the copy of the prompt on the slide (*Imagine two people apply for an apartment. One gets approved easily, while the other must pay a larger security deposit or gets denied. What do you think made the difference?*) that is provided on the first page of their handouts.
3. Invite students to take a moment to write down their responses to the prompt in the space provided in their handouts. Tell them there are no right or wrong answers—they should simply write whatever comes to mind.
4. Invite a handful of volunteers to share their ideas with the whole class and write down what they share on the writing surface.
5. Explain that landlords often check potential tenants' credit scores to assess their financial reliability. In the scenario, differences between the two applicants' credit scores may have been the deciding factor in why one was approved while the other was denied or required to pay a larger deposit.
6. Remind students of what they learned in **Lesson 8, Your Credit Story** regarding credit reports and credit scores and how companies use them to assess how risky it is to do business with someone. This lesson reinforces the importance of developing financial habits that build and improve credit to avoid the consequences of lower credit.
7. Display the **Learning targets slide (Slide 3)** and point students to the copy of the learning targets provided on the first page of their handouts. Review the learning targets with them.
8. Point students to the copy of the lesson glossary provided on the first page of their handouts and review the terms with them.

9. Point students to the **Note Catcher handout** and invite them to use it to take notes during the lesson.

Activity 2: Presentation

20 minutes

1. Display the **Presentation slide (Slide 4)**.
2. Create a T-chart on the classroom writing surface with the left side labeled “Short Term” and the right side labeled “Long Term.”
3. Ask students to popcorn out how they think credit scores have consequences for people in the short term and write their responses on the left side of the T-chart.
4. Ask students to popcorn out how they think credit scores have consequences for people over the long term and write their responses on the right side of the T-chart.
5. Display the **Short-term impacts of credit scores slide (Slide 5)** and use the information on the slide to affirm and add to the student examples provided on the left side of the T-chart.
6. Explain that credit scores affect access to everyday financial services. Higher scores lead to easier approvals and lower costs, while lower scores raise costs and may limit housing and job opportunities.
7. Display the **Impact example slide (Slide 6)** and review with students the information provided. Highlight that, in the auto loan example on the slide, a person with the lowest credit score would pay nearly \$8,000 more in interest over five years than a person with the highest score.
8. Ask students what they might do with an extra \$8,000 and ask for a handful to share their ideas. Offer your own examples, such as taking a nice vacation, paying college or career-training costs, or building an emergency fund.
9. Display the **Impact example (continued) slide (Slide 7)** and give students a few moments to review the slide. Explain that the slide shows simplified *amortization* schedules for the auto loans with the highest and lowest APRs from the previous slide.
10. Explain that the \$8,000 difference between the two loans happens because a loan payment is split into two parts: interest (the cost of borrowing) and principal (the amount borrowed that has to be paid off). At the beginning of a loan, the balance is at its highest, so the interest charge is bigger. That means a smaller portion of the payment lowers the balance.
11. Ask students which APR they think causes more of the early auto loan payments to go toward interest. Confirm that it is the higher APR, typically paid by the borrower with the lowest credit.
12. Explain that a higher APR means more of each early payment goes toward interest and less toward reducing the loan balance. As a result, borrowers pay more in interest over time and may feel like they are making little progress on the loan at first.

13. Display the **Long-term impacts of credit scores slide (Slide 8)** and use the information on the slide to affirm and add to the student examples provided on the right side of the T-chart you recorded earlier.
14. Explain that credit scores also affect a person's financial opportunities and stability over many years. Higher credit scores lower long-term costs and support wealth-building, while lower scores increase costs and financial insecurity.
15. Display the **Health effects of financial insecurity slide (Slide 9)** and review with students the information provided.
16. Display the **Unequal access to credit slide (Slide 10)** and review with students the information provided.
17. Display the **Predatory lending slide (Slide 11)** and review with students the information provided.
18. Display the **Signs of predatory lending slide (Slide 12)** and review with students the information provided.
19. Display the **Reminder: Ways to build and keep good credit slide (Slide 13)** and review with students the information provided. The slide reviews key points from **Lesson 8, Your Credit Story** about factors that affect credit scores and tips for building and maintaining good credit.
20. Display the **Credit recovery slide (Slide 14)** and review with students the information provided. Remind students of the idea from **Lesson 8, Your Credit Story** of a credit score as a type of "financial GPA" that reflects past borrowing behavior and can be improved with focused effort. Past mistakes do not have to define a person's financial future.
21. Take any questions from students before moving on.
22. (Optional) Provide students with a short break. The **Break slide (Slide 15)** is provided if you choose to give students a break at this point or later in the lesson.

Activity 3: Application Activity

15 minutes

1. Display the **Application Activity slide (Slide 16)**.
2. Divide the class into small groups.
3. Display the **Activity instructions slide (Slide 17)** and point students to the **Credit Consequences** and **Personal Credit Action Plan handouts**. Review the activity instructions as a class.
 - For the **Credit Consequences handout**, they will work with their groups to review a handful of scenarios and answer questions about them to analyze how consumer and borrower choices impact credit costs and opportunities.
 - They will then work individually on their own in silence to complete the **Personal Credit Action Plan handout** to think about how they may choose to use credit in the future and steps to make sure they use credit carefully.
4. Invite groups to begin working on the **Credit Consequences handout**.
5. Circulate among the groups as they work to answer questions and make sure they are staying on task.
6. After 10 to 12 minutes, or when it looks like groups have completed their work together on the **Credit Consequences handout**, get their attention and have students move on to working on the **Personal Credit Action Plan handout**. Remind them that they should complete the action plan individually and in silence.
7. After 8 to 10 minutes, or when it looks like students have completed their work on the **Personal Credit Action Plan handout**, get their attention and move on to the activity debrief.

Activity 4: Activity Debrief

10 minutes

1. Display the **Debrief slide (Slide 18)**.
2. Using the **Credit consequences answer key slides (Slides 19-23)**, have students compare their work on the credit consequences scenarios with the answers provided on the slides. If students have questions about or disagree with any of the suggested answers, encourage them to explain their reasoning. Students' answers do not need to match the exact wording as long as they are conceptually or directionally correct.
3. If time permits, ask if a few volunteers would be willing to share some of what they wrote on their **Personal Credit Action Plan handout** (but don't require students to share if they don't want to).

Activity 5: Wrap-Up

5 minutes

1. Display the **Wrap-Up slide (Slide 24)**.
2. Display the **Exit ticket slide (Slide 25)** and point students to the copy of the prompts on the slide that is provided on the last page of their handout packets. Invite students to write their responses to the prompt in their handouts in the spaces provided.
3. Remind students that credit scores do not just affect today, they shape future choices, costs, and financial freedom. Emphasize that managing credit responsibly can reduce stress, increase opportunities, and build wealth.
4. Highlight that the **Personal Credit Action Plan handouts** students completed are an important first step in thinking about how they will access and use credit as they turn 18 and take on adult responsibilities.
5. Display the **Thank you! slide (Slide 26)**.
6. Answer any final questions and thank students for their participation.

Extension

Ask students to interview a trusted adult, such as a parent, guardian, relative, teacher, coach, or family friend, about a real-life experience involving credit. Students should ask questions such as:

- How has your credit score affected a financial decision you made?
- What is one credit-related mistake you made or almost made?
- What advice would you give someone who is just starting to build credit?
- What habits have helped you maintain good credit?

Have students summarize what they learned in a short, written reflection or class discussion. Encourage them to identify at least one lesson or strategy they can apply to their own future credit use.

Conclude by discussing common themes that emerged from the interviews. Emphasize that credit scores can influence many aspects of adult life and that responsible habits, such as paying bills on time and borrowing carefully, can create opportunities and reduce financial stress over the long term. This activity reinforces the lesson's focus on the real-world consequences of credit decisions and connects classroom learning to personal experiences.

Glossary

Amortization: The process of paying off a loan over time through regular payments, where each payment covers some interest and some of the principal.

Annual percentage rate (APR): A credit card's cost of borrowing expressed as a percentage, including interest and certain fees. It tells a borrower how much they will pay if they carry a balance on their card.

Auto title loans: Loans that use a car as collateral and risk vehicle repossession.

Banking deserts: Areas where people have little or no access to nearby banks or credit unions, making it harder to save money or get loans.

Credit access: An individual's ability to obtain credit, such as loans or credit cards, from financial institutions.

Credit recovery: The process of improving a credit score after it has been damaged by missed payments, high debt, or other financial setbacks.

Insurance premiums: Regular payments made to an insurance company to maintain coverage (e.g., health insurance, auto insurance).

Payday loans: Short-term loans with extremely high interest that often trap borrowers in cycles of debt.

Predatory lending: Lending that takes advantage of borrowers by offering loans with unfair, deceptive, or abusive terms.

Rent-to-own contract: An agreement where a person rents an item with the option to buy it later. Rent-to-own contracts can be predatory because they seem affordable upfront but often charge much more over time and let companies take back the item while keeping all the payments if the buyer falls behind.

Subprime: Describes loans or borrowers with lower credit scores, which usually leads to higher interest rates and fewer options.