

Learning About Credit and Debt



Facilitator Guide



**Department of
Developmental
Disabilities**



LifeCourse Nexus

Training and Technical Assistance Center
UMKC Institute for Human Development • UCEDD

Learning About Credit and Debt Facilitator Guide

Training Description

Financial skills are important for young people as they transition to adulthood and understand how to manage money. Up to this point, young people have had family members make many decisions for them and have had limited opportunity to take care of their own money. This training has information about what it means to use a credit card or get a loan, and what a credit report shares about your credit history and paying back debt.

Audience

Young people transitioning into adulthood.

Time

30 minutes

Materials

To facilitate this training, you will need:

- PowerPoint presentation
- Facilitator Guide
- Computer
- Projector (if in person)
- Audio
- EZ-Reader
- Worksheets (see appendix)
- Chart paper
- Sticky notes
- Markers, highlighters, pens and pencils

Learning Objectives

The participant will:

- Identify the different types of credit
- Describe how you get and manage a credit score
- Summarize ways to pay back debt

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Facilitator Notes

This training is scripted with additional ways you can engage participants. Please review this Facilitator Guide and the notes section of the PowerPoint before you begin the training. This training can be presented by a trainer or co-trainers. There will be opportunities for an additional trainer or a person with lived experience to share their experiences throughout the training.

Vocabulary on the Facilitator Guide:

- **Read Slide**—read word for word from the slide.
- **SAY**—read the script provided (sentences are not on the slide—they are available for extra ways to discuss the slide)
- **ASK**—read the scripted questions (additional ways to engage the participants added if no response)
- Person with lived experience—self-advocate or family member

Key Words

Credit—an agreement with a bank or business to purchase an item right now and make payments in the future.

Credit card—a card used to purchase an item right now and make payments in the future.

Debt—an amount of money you owe to a person, bank or business that you have not paid back.

Debit Card—a card used to deposit and withdrawal from a checking account.

Interest—the amount of money you pay a bank when you borrow money.

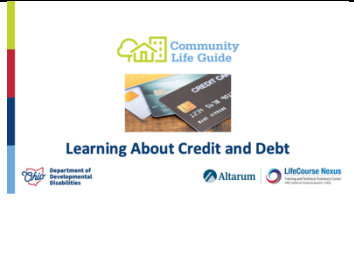
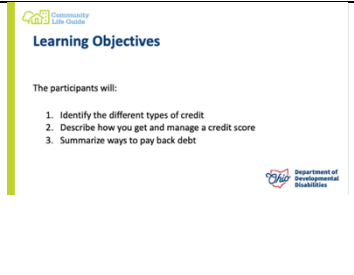
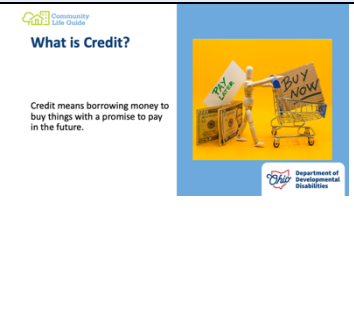
Loan—a sum of money is loaned with the understanding of future repayment with added interest.

Late fee—extra money the loan or credit company charges for not making credit payments on time.


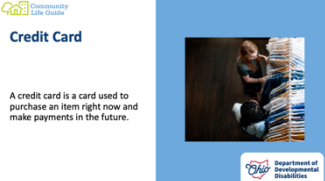



Credit score—a number that grades you on how well you pay back what you owe.

Credit history—a record of how debt and money is handled.


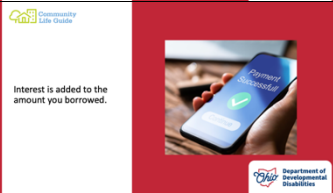
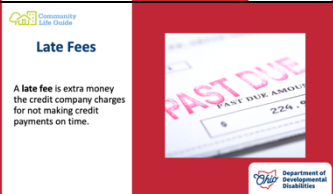
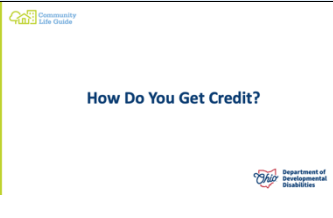
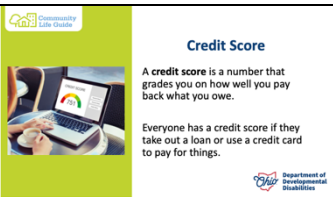
Learning About Credit and Debt Facilitator Guide

Discussion Points and Learning Activity	Materials/Slides	Co-Trainer or Person with Lived Experience
Section 1 – Introduction 1-2 minutes		
<p>SAY: You have learned about how you get income and how you pay for your expenses. This training will discuss managing your debt through credit and how to make sure you are paying back the money you owe. Refer to the EZ-Reader <i>Learning About Credit and Debt</i> throughout the training. A learning activity will be midway through the training. Please ask questions as we go through.</p>		
<p>ASK: Credit and Debt—What does that mean? What do you do if you do not have enough money to pay for something?</p> <p>SAY: In the training today, we will talk about:</p> <ul style="list-style-type: none"> • Different types of credit • How to get and manage a credit score • The importance of paying back debt 		
Section 2 – Credit 5 minutes		
<p>SAY: You have learned about how you get income and how you pay for your expenses, but what do you do if you need or want something, and you do not have enough money? You can get credit.</p> <p>SAY: The different types of credit we will talk about today are loans and credit cards</p> <p>Read Slide</p>		









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<p>Read Slide</p>	 <p>Loan</p> <p>A loan is a type of credit that allows you to borrow money for a large purchase like a house or a car.</p>	
<p>Read Slide</p> <p>SAY: A credit card is a payment option that allows you to purchase items now and pay later. Credit cards can be powerful tools that need to be used carefully.</p>	 <p>Credit Card</p> <p>A credit card is a card used to purchase an item right now and make payments in the future.</p>	
<p>Read Slide</p>	 <p>Using a Credit Card</p> <p>Credit cards can offer more secure options to purchasing items.</p> <p>They can . . .</p> <ul style="list-style-type: none"> • protect you from fraud. • eliminate the need to carry large amounts of cash. 	
<p>ASK: How do you pay back the money (or credit) you borrowed?</p> <p>Read Slide</p>	 <p>How Do You Pay for Credit?</p> <ul style="list-style-type: none"> • It is important to have a plan to pay back the money before you use credit. • If you pay the amount borrowed during the pay period, you are not charged interest. 	<p>Share examples of how credit is paid back (if comfortable, share personal examples).</p>
<p>SAY: If you are not able to pay back the money you borrowed within a time period, you will be charged interest.</p> <p>Read Slide</p>	 <p>Interest is . . .</p> <ul style="list-style-type: none"> • an extra cost you pay when borrowing money using credit. • the cost of borrowing money from banks or credit card companies. 	

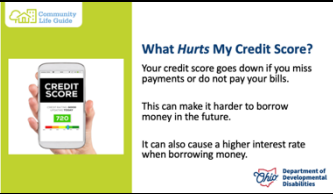

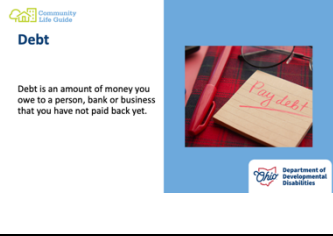
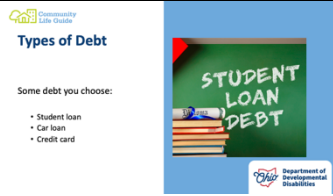

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<p>Read Slide</p> <p>SAY: We will talk about credit score later in the training.</p>		
<p>Read Slide</p> <p>SAY: Quickly paying back the money you owe means you will pay less interest.</p>		
<p>SAY: It is important to make credit payments on time. A late fee is charged if you make late credit payments or skip payments.</p> <p>Read Slide</p>		
<p>Section 3 – How to Get Credit <i>3-5 minutes</i></p>		
<p>SAY: Any person can apply for credit. The bank or business will determine if they extend credit to you based on your credit score and credit history.</p>		<p>Share examples of credit you have applied for, if comfortable.</p>
<p>Read Slide</p> <p>SAY: Your credit score can change anytime based on how you use credit. The higher your score the more likely you are to receive the credit amount. If you have a low credit score, you may not be able to get the</p>		

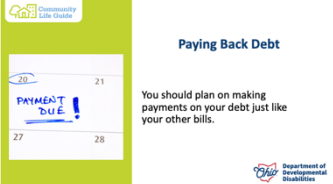

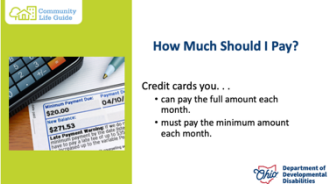

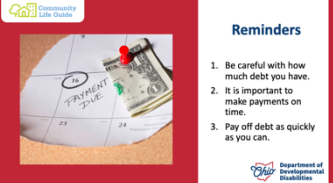
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<p>credit amount OR the credit card company will charge a higher interest rate.</p>		
<p>Read Slide</p> <p>SAY: Your credit score will be checked when you apply for credit. A good credit score or credit history will help you get a loan or credit card.</p>	 <p>Who Has a Credit Score?</p> <p>Everyone has a credit score if they make payments on a:</p> <ul style="list-style-type: none"> • Loan • Credit card 	
<p>Read Slide</p> <p>SAY: A bank or business will look at your credit history when you apply for a loan or credit. Your credit history reports on how you have handled money in the past.</p>	 <p>Credit History</p> <p>Credit history is a record of how debt and money is handled.</p> <p>Your credit history will show the loans and credit cards you are using.</p> 	
<p>Read Slide</p> <p>SAY: Your credit history determines your credit score. Making payments on time will build your credit history.</p>	 <p>Your credit history includes information on:</p> <ul style="list-style-type: none"> • How quickly you pay off credit cards and loans. • How you have paid other bills, like rent and utilities. • Your total outstanding debts. • Your available credit on lines of credit, loans and credit cards. 	
<p>SAY: Your credit score changes when you pay off debt or take on new debt.</p> <p>Read Slide</p>	 <p>What Helps My Credit Score?</p> <p>Your credit score goes up if you pay your bills on time.</p> <p>A higher score can help you when you want or need to borrow money.</p> <p>A higher score can help get a lower interest rate when borrowing money.</p> 	

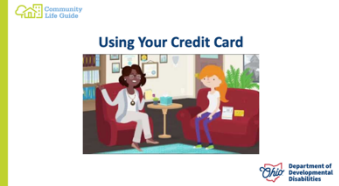
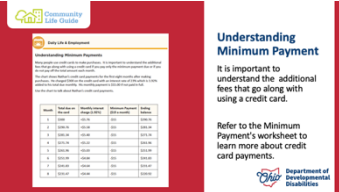
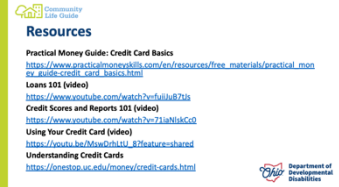
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<p>Read Slide</p> <p>SAY: It is important to always pay off your debt or make monthly payments to keep your credit score high.</p>	 <p>What Hurts My Credit Score? Your credit score goes down if you miss payments or do not pay your bills. This can make it harder to borrow money in the future. It can also cause a higher interest rate when borrowing money.</p>	
<p>Section 4 – Debt 5 minutes</p>		
<p>Read Slide</p> <p>SAY: Every person who borrows money has debt.</p>	 <p>What is Debt?</p>	
<p>Read Slide</p> <p>SAY: You must pay back the debt you owe. You might have to give back what you bought with credit if you do not pay your debt.</p>	 <p>Debt</p> <p>Debt is an amount of money you owe to a person, bank or business that you have not paid back yet.</p>	
<p>Read Slide</p> <p>SAY: You can choose to take out a student loan or a car loan. You can choose to buy things with a credit card.</p>	 <p>Types of Debt</p> <p>Some debt you choose:</p> <ul style="list-style-type: none"> • Student loan • Car loan • Credit card 	Share other examples of debt.
<p>SAY: Unexpected debt could be needing a loan or using a credit card to pay for a home repair. Or it could be from getting sick and being in the hospital.</p>	 <p>Unexpected Debt</p> <p>Some debt is unexpected. This can be hard to plan for.</p> <ul style="list-style-type: none"> • Home repair • Hospital visit 	Share other examples of debt.


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<p>SAY: It is helpful to plan how to pay back your debt. The longer it takes you to pay off debt, the more you may end up paying.</p> <p>Read Slide</p>	 <p>Paying Back Debt</p> <p>You should plan on making payments on your debt just like your other bills.</p>	
<p>Read Slide</p> <p>SAY: Paying extra will help pay your loan and get out of debt faster.</p>	 <p>How Much Should I Pay?</p> <p>Loans you...</p> <ul style="list-style-type: none"> • pay the same amount each month. • can add extra money to your payments. 	
<p>Read Slide</p> <p>SAY: The minimum amount can change based on how much you still owe. Interest will be charged to your credit card when you only pay the minimum payment. Paying more than the minimum payment will pay off your debt faster.</p>	 <p>How Much Should I Pay?</p> <p>Credit cards you...</p> <ul style="list-style-type: none"> • can pay the full amount each month. • must pay the minimum amount each month. 	
<p>SAY: The debt collector contacts you if you do not pay. Your credit score will go down and it will be harder to get credit in the future.</p>	 <p>Debt Collection</p> <p>Your debt may be sent to a debt collector if you get behind on making payments.</p>	<p>Explain who a debt collector is. A debt collector is a person or company that collects debts owed to others.</p>
<p>Read Slide</p>	 <p>Reminders</p> <ol style="list-style-type: none"> 1. Be careful with how much debt you have. 2. It is important to make payments on time. 3. Pay off debt as quickly as you can. 	

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Discussion Points and Learning Activity	Materials/Slides	Co-Trainer or Person with Lived Experience
Section 5 – Video/Learning Activity 15 minutes		
<p>SAY: This video reviews:</p> <ul style="list-style-type: none"> • How to use your credit card. • How and when you pay back the amount you borrowed. • Interest and late fees are additional money added to your bill if you do not pay off the total amount. <p>https://youtu.be/MswDrhLtU_8?feature=shared (3:24)</p>		
<p>Facilitator's Notes:</p> <ul style="list-style-type: none"> • <i>Read the slide and refer to the worksheet to complete. Put the participants in groups or work as a whole group based on numbers.</i> • <i>Read through the scenario, review the chart about Nathan's credit card payments and answer the questions on the worksheet.</i> • <i>Give the groups 10 minutes to complete the activity.</i> • <i>Pull the group back together to share out what their group determined.</i> 		<p>Help groups talk through and complete the learning activity.</p>
<p>SAY: These resources were used to create this training. It is important to understand credit and debt. Understanding what it means to borrow money and pay it back. This training goes along with the EZ-Reader <i>Learning About Credit and Debt</i>.</p> <p>Thank you for joining us.</p>		

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Discussion Points and Learning Activity	Materials/Slides	Co-Trainer or Person with Lived Experience
	 <p>Community Life Guide</p> <p>A Project of Department of Developmental Disabilities</p> <p>Developed By: Altarum LifeCourse Nexus <small>University of Illinois at Chicago</small></p>	

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Daily Life & Employment

Understanding Minimum Payments

Many people use credit cards to make purchases. It is important to understand the additional fees that go along with using a credit card if you pay only the minimum payment due or if you do not pay off the total amount each month.

The chart shows Nathan's credit card payments for the first eight months after making purchases. He charged \$300 on the credit card with an interest rate of 23% which is 1.92% added to his total due monthly. His monthly payment is \$15.00 if not paid in full.

Use the chart to talk about Nathan's credit card payments.

Month	Total due on the card	Monthly interest charge (1.92%)	Minimum Payment (\$15 a month)	Ending balance
1	\$300	+\$5.76	-\$15	\$290.76
2	\$290.76	+\$5.58	-\$15	\$281.34
3	\$281.34	+\$5.40	-\$15	\$271.74
4	\$271.74	+\$5.22	-\$15	\$261.96
5	\$261.96	+\$5.03	-\$15	\$251.99
6	\$251.99	+\$4.84	-\$15	\$241.83
7	\$241.83	+\$4.64	-\$15	\$231.47
8	\$231.47	+\$4.44	-\$15	\$220.92



