

Helping Your Child Borrow Money Well

Notes:

Learner Outcomes

Outcome #1: Participants will be able to explain why it is important to establish a positive credit history.

Outcome #2: Participants will be able to describe steps a person could take to regain a lender's trust after losing or damaging borrowed personal property.

Outcome #3: Participants will be able to give examples of protections from consumer credit laws.

Target Audience

Parents of elementary-age kids (grades 3 to 6)

Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It Web site), one for each participant
3. A pen or pencil for each participant
4. A kitchen timer, clock, or watch to track time
5. Evaluation Pretest #2-BO-PE for each participant
6. Evaluation Posttest #2-BO-PE for each participant
7. Notes #2-BO-PE for each participant
8. Optional: PowerPoint Presentation PDF #2-BO-PE
9. Optional: Handout #2-BO-PE for each participant

Timing

1 hour

Want more background and training tips? See the free, downloadable Bank It Elementary Quick Start Leader's Guide at www.bankit.com.

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1. Welcome and Overview (5 minutes)

Arrive early. We highly recommend that you use the optional PowerPoint Presentation PDF and the optional handout. Both will greatly enhance your session. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room.

Greet participants individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Notes #2-BO-PE and either a pen or pencil. Encourage them to take notes during your session. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for kids and parents that make it easier to understand, talk about, and manage money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.

Today we will focus on helping your child borrow money well, and we plan on meeting three goals. One: By the end of this session, you will be able to explain why it is important to establish a positive credit history.

Two: You will be able to describe steps a person could take to regain a lender's trust after losing or damaging borrowed personal property. Three: You will be able to give examples of protections from consumer credit laws.

If this session is not the first session you're presenting to this group, consider briefly discussing the challenge you may have given participants at the end of your previous session.

2. Pretest and Activity (15 minutes)

Say: The first activity we'll do is a short pretest. The pretest has only six questions, and I don't want you to worry about how well you'll do on it. We'll take this exact test again at the end of our session after we have learned about the money concepts on the pretest.

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What matters most is how much you learn and how well you do on the test at the end of our session, not on how well you do on this test.

Distribute the Evaluation Pretest #2-BO-PE to participants. Give them time to complete the pretest. Then collect the pretests when they have finished. The Evaluation Key #2-BO-PE has all the answers for your information.

Ask: What are important qualities of a person who borrows well? Give participants time to respond. After they name a number of qualities, emphasize three: honest, responsible, and trustworthy.

Explain that an honest person does not lie. An honest person tells the truth, even when it is hard to do so. A responsible person takes good care of things and of money. A responsible person pays people back on a regular basis and on time when he or she borrows money.

A trustworthy person is someone you can trust. He or she keeps promises. If a trustworthy person promises to pay you back in full in one month, a trustworthy person will do that.

Ask: How can you use a borrowed item responsibly? Give participants time to respond. After they name a few ideas, emphasize two in particular: 1. Take good care of the item. 2. Return the item when you promised you would.

Say that you're going to do a quick activity called "What Kind of Quality?" Explain that you're going to name a quality of a person. If it's a quality that participants think they should have to borrow money and items well, they should raise their hand high. If the quality is not one they think they should have for borrowing, they should lower their hand and place it in their lap.

Say: Honest. Give participants time to either raise their hand or lower their hand. The correct answer is: Raise their hand. Then give examples that participants understand. Adults who speak English as a first language tend to have a larger vocabulary than first-wave immigrants who have limited English skills.

Give other examples one at a time, such as these: *Being mean* (lower hand). *Forgetful* (lower hand). *Respectful* (raise hand). *Wasteful* (lower hand). *Mature* (raise hand). *Careless* (lower hand). *Grateful* (raise hand). *Dependable* (raise

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hand). *Bossy* (lower hand). *Dishonest* (lower hand). *Trustworthy* (raise hand). *Responsible* (raise hand).

Explain that when we're honest and responsible, we can become better borrowers.

3. Present (15 minutes)

Explain that there are three important steps adults can take to avoid credit problems. On a flip chart write: 1. Do not overspend. 2. Pay bills on time or early. 3. Call the company right away if you're having trouble paying a bill.

Say: Whether an adult is using a credit card or taking out a loan, it's important not to overspend. The same is true when children borrow money from us. It's too easy for a child to think that he or she can start borrowing from everybody and getting more money. But that's overspending.

Say: It's also important for adults to pay bills on time or early. When adults take out a loan, they need to make payments regularly and on time or early. They need to pay their credit card bills. They need to pay all their bills, just like we need to pay people back when we borrow money from them.

Say: It is important for adults to establish a positive credit history for two reasons. 1. Adults can earn a higher credit score. 2. Adults can get more financial services at cheaper rates over time. When kids are given opportunities to borrow well, they can become adults who also use credit well.

Say: Sometimes, however, you run into problems when you borrow something. What is important to do if you damage or lose something you borrow? Give participants time to respond. Emphasize these two answers: 1. Apologize. 2. Replace or fix the item. Explain that it's important to teach this to our kids as well.

If you plan to distribute the optional handout, use it at this time.

Say: There are laws that protect us when we borrow money. These are called consumer credit laws. What do these laws do? They protect people who use credit. On a flip chart, write consumer credit laws protect people who use credit.

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Say: *There are many consumer credit laws that protect us. There are three in particular I'd like you to remember. They are: 1. The Credit CARD Act.¹ 2. The Equal Credit Opportunity Act.² 3. The Truth in Lending Act.³ Write these three laws on a flip chart.*

Say: *The Credit CARD (Credit Card Accountability, Responsibility and Disclosure) Act was passed in 2009.⁴ This law says your credit card company must tell you 45 days before it increases the rate for new transactions.⁵*

Say: *The Equal Credit Opportunity Act was passed in 1974.⁶ It prohibits discrimination against people for race, color, religion, nation of origin, sex, marital status, age, and whether they receive public assistance.⁷*

Say: *The Truth in Lending Act was passed in 1968.⁸ It limits your liability to \$50 if your credit card is stolen, lost, or used without your authorization.⁹ It also includes many other protections.¹⁰*

4. Discuss (5 minutes)

Say: *Take some time to talk to the people near you. Talk to about two or three people. Take turns. I want you to do two things: 1. Say your first name. 2. Name one thing you can do to teach your child to be a more responsible borrower. Start with the person who sang or hummed a song most recently. Then have each person take a turn.*

5. Review and Evaluate (15 minutes)

Review what was accomplished during this session. Ask: *What are important qualities of a person who borrows well?* (Answer: 1. Honest. 2. Responsible. 3. Trustworthy.)

Ask: *How can you use a borrowed item responsibly?* (Answer: 1. Take good care of the item. 2. Return the item when you promised you would.)

Ask: *How can an adult avoid credit problems?* (Answer: 1. Do not overspend. 2. Pay bills on time or early. 3. Call the company right away if you're having trouble paying a bill.)

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Ask: *Why is it important to establish a positive credit history?* (Answer: 1. You can borrow more money. 2. You can get more financial services at cheaper rates over time.)

Ask: *What is important to do if you damage or lose something you borrow?* (Answer: 1. Apologize. 2. Replace or fix the item.)

Ask: *What is an example of a consumer credit law?* (Answer: 1. The Credit CARD Act. 2. The Equal Credit Opportunity Act. 3. The Truth in Lending Act.)

At the end of the review, distribute Evaluation Posttest #2-BO-PE to each participant. Give participants time to fill out the posttest. Collect all the posttests after participants finish so you can find out the measurable outcomes for the session. The Evaluation Key #2-BO-PE has all the answers for your information.

6. Close (5 minutes)

Do a short activity for the closing. Ask: *How can you teach your child to become a more responsible borrower?* Encourage participants to list as many ideas as possible, tying what they say with the lessons they just learned from this session.

Say: *We can help our kids become better borrowers by teaching them how to be responsible.* Challenge participants to talk to family members about this topic, which is listed under the Talk about It section of their Notes. Thank participants for coming and for being involved.

Optional Activities

1. Distribute Handout #2-BO-PE: Steps to Teaching Kids about Borrowing. Walk through the handout with participants so they understand the steps. Use an example if possible.

2. Show the PowerPoint Presentation PDF #2-BO-PE. Use the presentation to accompany the one-hour session.

3. Give Participants a Challenge. Encourage participants to use the next week to ask their children how they lend items or money to other people without being taken advantage of. (If you wish, follow up during your next session to find out how the challenge went.)

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Questions? Looking for more ideas? Visit www.bankit.com for answers and more resources.

For More Information

National Standards in K-12 Personal Finance Education (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standards 2 and 3 in the area of Credit and Debt.

An Asset Builder's Guide to Youth and Money by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).

Sources

¹Federal Reserve, "Credit Protection Laws," Board of Governors of the Federal Reserve System, June 15, 2010.

²Ibid.

³Ibid.

⁴Ibid.

⁵Ibid.

⁶Ibid.

⁷Ibid.

⁸Ibid.

⁹Ibid.

¹⁰Ibid.