

How Much You Borrow

Notes:

Learner Outcomes

Outcome #1: Participants will be able to name one example of how to improve a person's credit.

Outcome #2: Participants will be able to describe one example of how to correct credit problems.

Outcome #3: Participants will be able to describe what bankruptcy is.

Target Audience

Teenagers

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 website), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Three copies of the Script #3-BO-T (downloaded for free from the Bank It website)
6. Evaluation #3-BO-T for each participant
7. Bank It Notes #3-BO-T for each participant
8. Optional: PowerPoint Presentation PDF #3-BO-T
9. Optional: Handout #3-BO-T for each participant
10. Optional: Handout Answer Guide #3-BO-T

Timing

1 hour

Want more background and training tips?

See the free, downloadable Bank It Leader's Guide at www.bankit.com.

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1. Welcome and Overview (5 minutes)

Arrive early. Highly consider using the optional PowerPoint Presentation PDF and the optional Handout. Both will greatly enhance your sessions. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room. Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give them a copy of the Bank It Notes #3-BO-T and either a pen or pencil. Have participants 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 teens and parents that make it easier to understand, talk about, and manage your 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 borrowing, and we plan on meeting three goals.

One: By the end of this session, you will be able to name one example of how to improve a person's credit. Two: You will be able to describe one example of how to correct credit problems. Three: You will be able to describe what bankruptcy is. Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation.

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

2. Activity: Role-Play a Script (15 minutes)

Ask for three volunteers who are comfortable reading aloud. Give each a copy of the Credit Script. As a group of three, have them read the script aloud to the group. When they finish, have the group applaud the volunteers.

Then ask questions such as these: *Why were the two teenagers so hard on the other teenager for borrowing money?* (Answers: Because he already owed five other people money. Most likely he wouldn't pay them back since he owed so many people money. Borrowing is not a good way to get money. Earning money is better.)

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Why is it tempting to borrow? (Answers: Because at first the money just appears. But later it can get bad if you're not paying people back. It destroys your reputation.)

Say: Adults use credit. They use credit cards. They take out loans. These are all forms of borrowing. So if we're saying that borrowing isn't a good idea for teenagers, then why would adults do it?

(Give participants time to answer. If they don't know, say that using credit well can be a positive money strategy. Say that some people use credit cards to pay for things and then they pay off their credit card bill every single month. Yes, they're borrowing, but they're paying back what they borrowed when the bill is due. In the meantime, they're building their credit score. A high credit score makes it easier for you to get other forms of credit, such as loans or a mortgage to buy a house. A high credit score also will often give you a better rate when you borrow money.)

Say: So let's go back to the role play that we saw. Teenager #1 was borrowing money from everybody and not paying it back. What is one thing this teenager can do to make better money choices? (Give participants time to respond. Answers could include: Stop borrowing. Earn money. Pay back all the money that he owes people. Make a decision not to borrow money again until you know you can pay it back quickly.)

Say: Okay, let's say this teenager doesn't pay the money back. Let's say he keeps borrowing from more and more people. Let's say that pretty soon he owes money to 20 people. What do you think is going to happen to this teenager?

(Give participants time to respond. Answers might include: Someone will come and take something valuable he owns, such as an MP3 player, and say that they're now even. Someone may threaten to hurt him. Someone actually may hurt him. People will stop being his friend. The word will get out fast, and no one will lend him money.)

3. Present: Using Credit Well and Avoiding Credit Problems (15 minutes)

Say: This role play showed you how to use credit well, both now and when you're an adult. You also saw how you can avoid credit problems. Remember: The number one way to avoid credit problems is to not overspend. You want to have good credit when you become an adult, right? But how do you do this?

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(On a flip chart write: “Good Credit Choices.”) Say: *Here are three important ways to keep your credit in good shape: 1. Pay your bills on time (or early). 2. Pay down your debts, or what you owe. 3. Have a mix of different kinds of credit. It’s better to have a credit card and a loan rather than only credit cards. These three ideas are great ways to improve your credit, but what do you do if you have credit problems?*

On a flip chart, write these ideas: *1. Slow down or stop your credit card use. Put away your credit cards until you’ve paid them off. Don’t cut them up. Don’t close your account. Work to pay off your account.*

2. Create a plan. Figure out how to cut back on your spending. Decide how to pay back (without borrowing money) to pay back what you owe. Most companies you owe money to will work with you if you contact them about creating a payback plan.

3. Work with a professional if you need it. This may cost some money, but a professional’s job is to help people with money trouble. Watch out for scam artists. See a banker or another legitimate financial expert for help. It’s very important to take charge of how you use your credit. If you don’t work to get yourself out of credit problems, there will be consequences.

What can happen if you don’t fix your credit problems? Write these ideas on a flip chart: 1. Repossession. This means that the item is taken away from you. This can happen with credit cards, houses, cars, and any item that you cannot pay for.

2. Garnished wages. This means that money is taken out of your paycheck to pay back the lender the money that you owe.

3. Bankruptcy. This is a legal status that states that you are unable to pay off your bills and loans. This status, however, does not get you off the hook. Often with bankruptcy, a number of consequences happen. Items get repossessed. Your wages are garnished. Your credit rating falls to a very bad grade, and it will stay that way for years.

Do whatever you can to avoid bankruptcy. Even if you declare bankruptcy, you are often still expected to pay.

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Ask: *Is a good credit score high or low?* (Give participants time to respond. The answer is high.) Ask: *How can you keep track of borrowing, which is another word for credit?* (Answer: Don't spend more than you earn. Know what you borrow. Pay back what you borrow right away.)

If you plan to distribute the optional handout, use it at this time. Have the handout answer guide available.

4. Discuss (10 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. Say one thing you plan to do to get money without borrowing it. Start with the person who rented a movie most recently. Then have each person take a turn.*

5. Review and Evaluate (10 minutes)

Review what was accomplished during this session. Ask: *What is the number one way to avoid credit problems?* (Answer: Don't overspend.)

Ask: *How can you improve your credit?* (Answer: 1. Pay your bills on time [or early]. 2. Pay down what you owe—your debts. 3. Have a mix of different kinds of credit.)

Ask: *How can you correct a credit problem?* (Answers: Slow down or stop your credit card use. Create a plan. Work with a professional if you need it.) Ask: *What is a consequence of not using credit well?* (Answers: Repossession, garnished wages, and bankruptcy.)

Ask: *What is bankruptcy?* (Answer: It is the legal status that states that you are unable to pay off your bills and loans. However, you often still need to pay. It wrecks your credit report and your credit score.)

Ask: *How can you keep track of credit?* (Answer: Don't spend more than you earn. Know what you borrow. Pay back what you borrow right away.)

At the end of the review, distribute Evaluation #3-BO-T to each participant. Give participants time to fill out the evaluation. Collect all the evaluations after participants finish so you can find out the measurable outcomes for the session.

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6. Close (5 minutes)

Say: *Close your eyes. Think about a time when you may have had money problems. You are not alone. Everyone—at some time—struggles with money. Everyone makes mistakes. This doesn't mean that you are on the wrong path.*

You can be on the right path, starting right now. You can make positive money choices. As we sit in silence for a short moment, I want you to think about one positive step you will take to use money better. (Pause. Give participants a time of silent reflection.)

After a few moments, say: *You can use money well. When you become an adult, you can use credit well. Now open your eyes. Thanks for all of your hard work today. Thank you for coming.* Challenge them to talk to family members about this topic, which is listed under the Talk About It section of their Bank It Notes.

Optional Activities

1. Distribute Handout #3-BO-T: Which Credit Card? Which Place?

Encourage participants to complete the handout. Use **Handout Answer Guide #3-BO-T: Answer Guide: Which Credit Card? Which Place?** for suggested answers that you can refer to while debriefing the activity with participants.

2. **Show the PowerPoint Presentation PDF #3-BO-T.** Use the presentation to accompany the one-hour session.

3. **Give Participants a Challenge.** Encourage participants to use the next week to talk with their family about borrowing money. Encourage them to ask their parents for advice on how to spend less than they bring in.

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), standard 3 in the area of Credit and Debt.
- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 1 in the area of Financial Responsibility and Decision Making.
- *An Asset Builder's Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).