

Describing credit scores

Students work collaboratively to interpret a text about credit and then express their understanding in a summary paragraph.

Learning goals

Big idea

A person's credit score is a number that communicates the person's history of paying back loans or paying bills.

Essential questions

- How are credit scores determined?
- What results in high or low credit scores?

Objectives

- Understand what a credit score is and why it's important
- Recognize what factors are used to calculate credit scores

What students will do


- Read about credit scores to learn how they're calculated.
- Discuss and explore money practices that result in a high or low credit score.

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Borrow (Getting loans, Managing credit)

School subject: CTE (Career and technical education), English or language arts, Social studies or history

Teaching strategy: Direct instruction

Bloom's Taxonomy level: Remember

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Managing credit: 12-7, 12-8, 12-9, 12-10

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

- Present their new understanding and learn from their classmates.
- Synthesize their understanding in a summary statement.

Preparing for this activity

- While it's not necessary, completing the "[Reading about credit scores](#)" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- [Describing credit scores \(guide\)](#)
[cfpb_building_block_activities_describing-credit-scores_guide.pdf](#)

STUDENT MATERIALS

- [Describing credit scores \(worksheet\)](#)
[cfpb_building_block_activities_describing-credit-scores_worksheet.pdf](#)
- [All about credit scores \(handout\)](#)
[cfpb_building_block_activities_all-about-credit-scores_handout.pdf](#)
- [Credit scores: An infographic \(handout\)](#)
[cfpb_building_block_activities_credit-scores-infographic_handout.pdf](#)

Exploring key financial concepts

Most consumers will interact with a lender at some point in their lives. For instance, they might get a credit card or borrow money to buy a car or house. When lenders consider whether to loan you money, they often look closely at your credit report, which details your credit history. Your credit report helps lenders determine whether they will lend to you. Lenders may also view your credit score, which is a mathematical prediction of how likely you are to repay debt based on the information in your credit report. Your credit score uses key pieces of your credit history to calculate your score at a moment in time – like a photograph. A credit

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

score reveals a snapshot of your current financial life and may change as your financial habits and financial decisions play out. Since credit reports and credit scores play an important role when you choose to borrow money, it's wise to get to know what's in your credit report and how credit scores work.

Credit scores are calculated using the information in your credit report, and many lenders use them when they decide whether to lend you money and how much interest to charge. Companies use different scoring models to compute your score. Typically, five categories are used to determine an individual's credit score: your payment history, balances/amounts owed, length and depth of credit history, new or recent credit, and the mix of credit types used. Each category represents a percentage of the score. (See the "Credit scores: An infographic" handout for a breakdown of these categories.)

Teaching this activity

Whole-class introduction

- Ask students if they or someone they know has ever lent someone money.
- Ask students what kinds of things people consider before lending someone money.
 - Examples may include whether and when the borrower can pay the money back or how much the lender would be willing to lend.
- Ask students to share what they think a credit score is.
- Read the "Exploring key financial concepts" section to students to explain credit scores.
- Be sure students understand key vocabulary:
 - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.
 - **Credit report:** A summary of your credit activity and current credit situation such as loan paying history and the status of your credit accounts. Lenders use these reports to help them decide if they will loan you money and what interest rates they will offer you. Other businesses might use your credit reports to determine whether to offer you insurance; rent a house or apartment to you; or provide you with cable TV, Internet, utility, or cell phone service. If you agree to let an employer look at your credit report, it may also be used to make employment decisions about you.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Credit score:** A number created from a scoring model that uses information from your credit history.
- **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.
- **Loan:** Money that needs to be repaid by the borrower, generally with interest.

Individual and group work

- Distribute the “Describing credit scores” worksheet and the “All about credit scores” handout to each student.
- Divide students into four groups and assign each group a different focus question from the worksheet.
- Give students time to read the handout on their own.

A tip for differentiating instruction

To differentiate instruction for English language learners or students working below grade level:

- Use the “Credit scores: An infographic” handout instead.
 - Read the handout aloud as students read along.
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- As students read or listen, they should reflect on their assigned question and construct their own response to share with their group.
 - Once students have finished reading and reviewing the text, ask them to discuss and answer their assigned question, coming to a group consensus.
 - Each student in the group should document the group’s answer in their worksheet.
 - After a few minutes of discussion, bring the class back together. Have each group present their answers to the rest of the class.
 - Students not presenting should take notes on their worksheet on what they learn from their classmates.
 - Students will then write a paragraph summarizing what they’ve learned about credit scores.

Wrap-up

If time allows, ask a few students to read their paragraph to the class.

Suggested next steps

Consider searching for other CFPB activities that address the topic of borrowing, including getting loans and managing credit. Suggested activities include “Identifying the missing credit score category” and “Role-playing borrowing and lending”.

You also may consider having students get an estimated credit score at the FICO Score Estimator¹ at <https://www.myfico.com/fico-credit-score-estimator/estimator>.

Measuring student learning

Students’ answers on their worksheets and during discussion can give you a sense of their understanding. **Keep in mind that students’ answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.

¹ The CFPB does not endorse this third party or guarantee the accuracy of this third-party information.