

# Identifying the missing credit score category

After reviewing basic facts about the lending process and credit scores, students play a game to reinforce their understanding of what goes into a credit score.

## Learning goals

### Big idea

When lenders determine eligibility for a loan, they consider many factors, including a person's credit history and credit score.

### Essential questions

- How can understanding credit scores and credit history help improve your likelihood to get approved for a loan?
- How are the financial decisions people make represented in their credit history?

### Objectives


- Understand what a credit score is and how lenders use it to determine eligibility for a loan
- Become familiar with the factors used to calculate credit scores

### 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), Math, Social studies or history

Teaching strategy: Gamification

Bloom's Taxonomy level: Remember

Activity duration: 45-60 minutes

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#### National Standards for Personal Financial Education, 2021

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

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.

## What students will do

- Read a handout about credit scores to understand how credit scores may influence lending decisions.
- Play “The case of the missing credit score category” game.

## Preparing for this activity

- While it’s not necessary, completing the “[Reading about credit scores](#)” activity and/or the “[Describing 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.
- Gather five sheets of paper per team or five dry erase boards and markers for teams to write answers during the game.
- Print a copy of “The case of the missing credit score category: Lending scenarios” in this guide for yourself to read during the game and share the answers with students.

## What you’ll need

### THIS TEACHER GUIDE

- [Identifying the missing credit score category \(guide\)](#)  
[cfpb\\_building\\_block\\_activities\\_identifying-missing-credit-score-category\\_guide.pdf](#)
- “The case of the missing credit score category: Lending scenarios” (in this guide)

### STUDENT MATERIALS

- [Identifying the missing credit score category \(worksheet\)](#)  
[cfpb\\_building\\_block\\_activities\\_identifying-missing-credit-score-category\\_worksheet.pdf](#)
- [All about credit scores \(handout\)](#)  
[cfpb\\_building\\_block\\_activities\\_all-about-credit-scores\\_handout.pdf](#)
- Paper or dry erase boards and markers

## Exploring key financial concepts

Most consumers 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 a 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 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 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 if 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 how much money to lend you and how much interest to charge. 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 "All about credit scores" 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.

### TIP

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

### TIP

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Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

- **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.
- **Credit score:** A number created from a scoring model that uses information from your credit history.
- **Credit utilization ratio:** The amount of credit a person has compared with the amount they've used.
- **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 “All about credit scores” handout and the “Identifying the missing credit score category” worksheet to each student.
- Give students a few minutes to review the handout to be sure they're familiar with the five categories of credit.
  - Note: If you did not previously complete the “Reading about credit scores” activity, you may want to give students extra time to read the handout.
- Divide the students into three to five teams.
- Each team should have five pieces of paper or a dry erase board and markers to write their answers on.
- Introduce “The case of the missing credit score category” game.
- Ask teams to create a lineup (an order of play) for members to participate.
- Explain that there will be five rounds of this game, and a different student will be the captain for each round. The captain will write the team's answer.
- Instruct teams to keep their answers face down so others don't see what they've written.
- Teams should be careful not to let other teams hear their discussion.
- For each round of the game:
  - Read a lending scenario to the students.

- Students should check off on their worksheet each credit score category they notice in the scenario.
  - Teams should confer and decide which of the five credit score categories is missing (which might cause a lender to withhold loan approval).
  - They should understand that more than one category may be missing.
  - The captain will write down the missing category(ies) and be prepared to explain their answer.
  - Ask each team to share their answer and discuss their explanation.
  - Share the correct answer and explanation if needed.
  - Award each team one point for each correct answer. If you choose, award another point for a valid explanation of their answer.
- Continue through all five scenarios.
  - Add up the team points and celebrate the winning team(s).

## Wrap-up

Have students complete an exit ticket that answers these questions:

- Which credit score category do you think would be the easiest for you to do well on? Why?
- Which would be the most difficult? Why?

## Suggested next steps

Consider searching for other CFPB activities that address the topic of borrowing, including getting loans and managing credit. Suggested activities include “Describing credit scores” and “Distinguishing between credit myths and realities”.

You also may consider having students get an estimated credit score at the FICO Score Estimator<sup>1</sup> 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.** The important thing is for students to have reasonable justification for their answers.

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

# The case of the missing credit score category: Lending scenarios

## Instructions

- Read the scenarios one at a time and have the teams decide which of the five credit score categories is missing (more than one category may be missing).
- Students should check off on their worksheet each credit score category they notice in the scenario.
- Teams should confer and decide which of the credit score categories is missing.
- Team captains will write down the missing category(ies).
- Teams will share their answer and discuss their explanation.
- Share the correct answer and explanation if needed.
- Continue through all five scenarios.
- Add up the team points and celebrate the winning team(s).

## Rules

- Award each team one point for each correct answer.
- If you choose, award another point for a valid explanation of their answer.
- Answers may vary; the important thing is for students to have reasonable justification for their answers.

## Scenarios

#1	<p>Carol Ann is visiting a bank today in hopes of borrowing \$15,000 to buy a car. Here's her credit history:</p> <ol style="list-style-type: none"><li>a. She's always paid her monthly bills on time. (Payment history)</li><li>b. She has a home mortgage, two credit cards, and a student loan. (Types of credit used)</li><li>c. She hasn't applied for any loans in the past three years. (New credit)</li><li>d. She's had a credit card for 12 years, since her first job. (Length of credit history)</li></ol> <p><b>Question:</b> Which of the five categories of a credit score is missing?</p> <p><b>Answer: Total debt, balances, and utilization.</b> This category helps the lender determine how much Carol Ann still owes in outstanding debt.</p>
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<p>#2</p>	<p>Brothers Jacob and Recee want to buy a boat together. After looking at some ads, they realize they don't have enough money for the type of boat they want, so they've decided to get a loan. A loan officer at their local credit union tells them she'll need to take a look at their credit reports and credit scores. Here are their credit histories:</p> <ul style="list-style-type: none"> <li>a. Both Jacob and Recee have been banking there for seven years, and they've had credit cards for the same length of time. (Length of credit history)</li> <li>b. Neither Jacob nor Recee has taken out a loan in the past two years. (New credit)</li> <li>c. Jacob is almost done paying off a car loan; he owes less than \$1,000. Recee has \$4,000 left on his student loans. (Amount of credit in use)</li> <li>d. Other than the credit cards, car payment, and student loan, they have no other debt. (Types of credit)</li> </ul> <p><b>Question:</b> Which of the five categories of a credit score is missing?</p> <p><b>Answer: Payment history.</b> This category shows your payment history and any payments you may have missed during the past seven years.</p>
<p>#3</p>	<p>Ben and his husband, Eli, want to start a small bakery and cafe in a city warehouse that's being redeveloped. They'll need a business loan. A local loan officer tells them their bank will need to know what assets and liabilities they have and also review their individual credit reports and scores before granting them a business loan. Here are their credit histories:</p> <ul style="list-style-type: none"> <li>a. They have outstanding debt of \$100,000 in a home mortgage loan, and \$3,515 on their credit cards; Eli owes \$10,200 on a car loan. (Amount of credit in use)</li> <li>b. They have applied for another car loan and a store credit card in the past two weeks. (New credit)</li> <li>c. They both have made late payments over the past five years. (Payment history)</li> <li>d. Each has two credit cards and a store card, and Eli has a car loan. (Types of credit used)</li> </ul> <p><b>Question:</b> Which of the five categories of a credit score is missing?</p> <p><b>Answer: Depth/length of credit history.</b> Having a longer relationship with a lender can help boost your credit score.</p>

<p>#4</p>	<p>Zion wants to study abroad in his junior year of college. He has money to contribute to his trip, but not enough to pay for meals, transportation, and room and board. To help cover these costs, Zion wants to get a \$2,000 personal loan rather than use credit cards or add to his student loans. Here's his credit history:</p> <ul style="list-style-type: none"> <li>a. Zion has never missed a credit card payment. (Payment history)</li> <li>b. He has had his credit card for two years. (Length of credit history)</li> <li>c. He hasn't applied for any car loans or other loans recently because he knows he won't need a car for another year since he plans to study abroad. (New credit)</li> <li>d. Zion has a credit card with a spending limit of \$5,000 and a balance of \$1,855. This means he is using 37% of his credit limit. (Amount of credit in use)</li> </ul> <p><b>Question:</b> Which of the five categories of a credit score is missing?</p> <p><b>Answer: Types of credit used.</b> He provided his loan officer with information about his credit card, but not about his student loans. Credit scores take into account all types of credit used, and Zion's history of student loan amounts borrowed and history of payments made would appear on his credit report.</p>
<p>#5</p>	<p>Jackie and Blaze just learned they need a new roof on their house because it's leaking. The estimated cost is \$15,000, and insurance won't cover it. Jackie and Blaze have kids in college and don't have the savings to cover that expense. They've decided to look into getting a home equity loan. Here are their credit histories:</p> <ul style="list-style-type: none"> <li>a. They have eight credit cards between them, a store card, a personal loan, and a mortgage loan. (Types of credit used)</li> <li>b. They've applied for two store cards and a personal loan in the past three weeks. (New credit)</li> <li>c. They've had two of their credit cards for six years, while the other six cards have been approved in the past year. (Length of credit history and new credit)</li> <li>d. They each have a car and have paid their car loans in full. (Payment history and types of credit)</li> </ul> <p><b>Question:</b> Which of the five categories of a credit score is missing from this list?</p> <p><b>Answer: Total debt, balances, and utilization.</b> This category helps the lender determine how much Jackie and Blaze still owe in outstanding debt. Even though Jackie and Blaze forgot to include it on their list, it would likely be a part of their credit report.</p>