

Learning Objectives

Students will be able to

- Differentiate between amortized installment loans and revolving credit lines
- Read an amortization table and understand how the payments are structured
- Consider whether taking out a loan is a good or bad idea in a given circumstance

Approximate Time

- Lesson length: 45 mins

Distribute to Students

- [Student Activity Packet 9WK-5.4](#)

Jump\$tart Standards

Managing Credit

- 1b: Compare the cost of borrowing \$1,000 by means of different consumer credit options
- 10c: Create a plan for a person who is having difficulty repaying debt

Plan Your Unit

- [9-Week Course Types of Credit Unit Plan](#)
- [Customizable Parent Newsletter: Types of Credit](#)



LESSON PLAN

	Resources	Questions	Est. Time
1	DATA CRUNCH • How Easy Is It To Get a Loan? • Publisher: NGPF	DATA CRUNCH: How Easy Is It To Get a Loan? In the past two lessons, we learned specifically about credit cards. Now, let's take a look at other lines of credit you can apply for -- loans. Use the chart to answer the 5 questions on this Data Crunch.	10 mins
2	VIDEO (1:38) • Understanding How Loan Payments Work • Publisher: Honest Finance	Understanding How Loan Payments Work Unlike credit cards, where you ultimately decide how much of the monthly balance to pay off each month, most loans are amortized. Watch this video to learn how most installment loans work and answer the following questions. 1. When loan payments are amortized, the total amount you owe every month _____. 2. Why does the amount of INTEREST you pay decrease every month? 3. What happens to the principal paid over time?	5 mins
3	ACTIVITY • ANALYZE: Understanding Amortization • Publisher: NGPF	ANALYZE: Understanding Amortization Now that you've learned a little about amortized loans, you should dive into the math to understand the topic a little deeper. Follow the directions on the sheet to complete the activity.	20 mins*

4	VIDEO (2:43) • Preparing Your Child to Make Borrowing Decisions • Publisher: Better Money Habits	Preparing Your Child to Make Borrowing Decisions Credit cards and loans each come with their own advantages and disadvantages. And taking on some credit and using it responsibly helps you build a solid credit history for the future. But, what should you consider before taking on debt? Watch this video and answer the question. 1. The video suggests you consider these 4 things before deciding to take out a loan: Is it necessary? Do the monthly payments fit in your budget? Could you save instead of borrow? Is it worth the added interest? If you were trying to decide whether to take out an auto loan for \$6500 to buy your first car, thereby allowing you to commute for an impressive summer internship program next year, would that loan meet the requirements?	5 mins
5	EXIT TICKET ❖ Teacher Tip: To access this Exit Ticket, please see the Sample Completed Student Activity Packet (SSAP). You can find this on the Unit Page this resource is in.	Exit Ticket Follow your teacher's directions to complete the Exit Ticket.	5 mins

***Teacher Tip:** Completing all of this activity will likely take longer than the designated time. You may want to assign the remainder for homework.



EXTEND THE LEARNING

DO MORE...	LEARN MORE...
ACTIVITIES • MATH: Percent Change in US Household Debt • Publisher: NGPF • MATH: Loan Repayments Using Simple Interest • Publisher: NGPF • MATH: Mortgage Payments & Function Notation • Publisher: NGPF INTERACTIVE • Quizlet Vocabulary Types of Credit • Publisher: NGPF	ARTICLE • Beginner's Guide to Home Loans • Publisher: The Ascent • Home Ownership as an Investment • Publisher: Investopedia LESSON • How Red Lines Built White Wealth *CRE & Equity • Publisher: Zinn Education Project VOCABULARY • NGPF Personal Finance Dictionary • Publisher: NGPF

FAST FACTS...

- When you apply for a loan, the lender will pull your credit as part of the application process. This is known as a hard inquiry and will usually lower your credit scores by a few points (Credit Karma, 2019).
- Personal loans make up 1.5% of outstanding consumer debt and just under 5% of outstanding non-mortgage consumer debt (LendingTree, 2019).
- As of Q3 2018, the Federal Reserve Bank estimated the value of consumer loans, at all commercial banks, to be \$1.49 trillion in the United States (SuperMoney, 2019).