



Understanding Credit

Learning About Money

How to do the assessment activity

1. This assessment should be done *individually* so as to determine what the learner needs to do to improve his/her management of using credit wisely.

Understanding Credit—assessment activity

Skill	Can do well	Needs help
Check the learner's ability to discuss the following topics about their understanding of credit. Can they: <ul style="list-style-type: none"> • Explain/demonstrate how to: <ul style="list-style-type: none"> ⇒ Explain the advantages and disadvantages of credit ⇒ Name sources of credit ⇒ Compare costs of credit ⇒ Determine when to use credit ⇒ Check a credit rating ⇒ Set credit limits 		
<ul style="list-style-type: none"> • Describe the services and concerns with alternative banking companies in the community— e.g. payday loans, title loans and cheque cashing companies that charge high administrative fees; "Pay down later" purchases that claim no interest; or pawn shops. 		
<ul style="list-style-type: none"> • Can discuss telephone and/or Internet scams. Check the newspaper for articles about the latest scams or other financial stories that can be used as examples, e.g. skimming of 		
<ul style="list-style-type: none"> • Can identify when they are overspending and can tell how to get help to solve a debt 		
<ul style="list-style-type: none"> • Other questions e.g. Can tell what to check before signing a credit contract? <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		

Note: Assessment activities help you decide where the learner needs to begin.

Note: Select activities that relate to the interests and literacy level of the individual, or group, with whom you are working.

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Discussion Starters

Begin with a discussion about using credit. Start with a *general discussion* about some, or all of the following topics. You may want to use the hand poster/overhead masters for the discussion: See *Discussion Starters UC 100—2*

- ***What do you think credit should be used for?***

Discussion points may include:

 - ⇒ The advantages of using credit (see page *UC 111 –4*)
 - ⇒ Major purchases such as a home, car or furniture
 - ⇒ Some consider it a “safety net” for an emergency
 - ⇒ Convenience.
- ***Is overdraft protection a form of credit?***

Discussion points may include:

 - ⇒ Yes, overdrafts are a form of credit. They may be used for protection against an error in calculating your bank account balance, an unexpected or forgotten bill payment, or used to pay for an emergency.
- ***Is a payday loan a form of credit?***

Discussion points may include:

 - ⇒ Yes, this is a new type of loan in the market place and has gained popularity. It has also been controversial because of its high administration fees. In some cases, it has caused severe problems for many consumers as they find it difficult to pay these loans back. Legislation is being considered federally that will allow provinces to limit the interest and fees that these loans can charge. For more information see the fact sheet, *CE 105 Focus On Short Term Loans*.
- ***How do you find out what kind of credit rating you have?***

Discussion points may include:

 - ⇒ Refer to the fact sheet, *CE 106 Your Credit Record* and also see the Hand Poster/Overhead Master *UC 130-8* which talks about what is needed to establish a good credit history.
- ***What is the difference between a car loan and a car lease?***

Discussion points may include:

 - ⇒ A car loan is a form of credit contract for the purchase of a car, whereas a lease is a form of rental agreement, and at the end of the lease agreement the person is given the option to purchase the car. Check websites for consumer information on buying and leasing cars.

Continued . . .

- *What is financial counselling and how can it help someone who is in debt?*

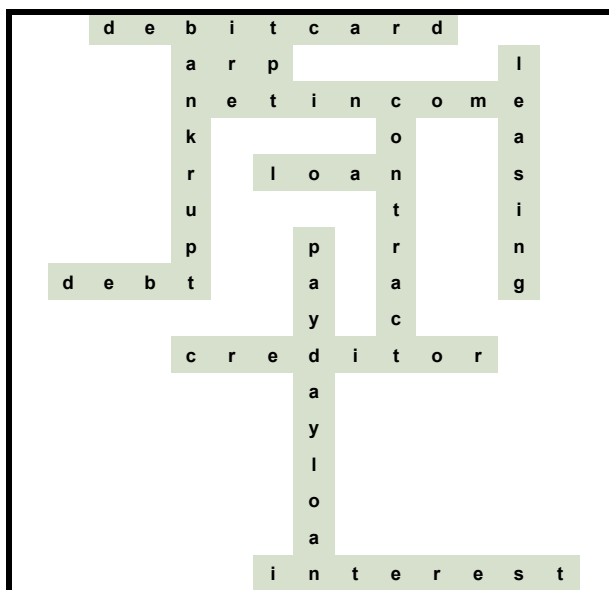
Discussion points may include:

- ⇒ Financial counselling is a process in which a person can get help to review their financial situation, learn new money management skills, and also find out how best to resolve a debt problem if they are overspending.
- ⇒ In this resource you will find information about non-profit community financial counselling services across Canada. See [UC 141—13](#) and [UC 142—14](#) for details.
- ⇒ In cases where a person can budget themselves out of debt, the **PowerPay** method developed by the Extension services of the University of Utah may be helpful. It gives information on how to pay debts off quickly and provides a printed repayment plan. See [UC143—15](#) for details of how to get to this website.

Learning activities

To help learners develop an understanding of how credit is used, it is important to use a variety of *hands-on activities*. These may include working through credit scenarios that are common to the learner. Have learners list topics that they want to learn about and invite appropriate speakers on these topics to your class, or get information for individual learning.

As well, there are many terms and financial concepts that need to be understood. On page 6 you will find a *Credit Word Search* game to help learners with common credit terms. See [Hand Poster/Overhead Master UC 120—6](#) for a list of credit terms and their meanings. This makes a good handout as reference when doing this activity. Below you will find the answers.



You may want to include reading information about credit. See the *Fact Sheets* section below for ideas. Follow the “[blue](#)” links to the fact sheets and also the *Hand Poster/Overhead Masters* described below.

- **Fact sheets**

[Understanding Credit](#) is a fact sheet for Stage Three readers and may be duplicated and used as a reading assignment. It can help learners understand what credit is and how it works. It explains the things to consider when using credit and signing a credit contract. It tells about how to establish a credit history and set credit limits. The issue of credit card fraud and identity theft is also briefly covered.

For some learners, it may be important to discuss *overspending* when using credit and how it results in debt. Reference is made in this resource to the importance of seeking counselling from reliable non-profit credit counselling services when debt situations occur.

In addition, you will find the fact sheets in the [Consumer Education series](#) suitable reading on a variety of credit topics. These are suitable for Stage Two and Three readers.

- **Additional forms**

In addition, there are *forms* included in the *Spending Plans* module and these are a good reference when teaching how to record credit use. See the form below for further information.

- [Form SP30—Recording Account Transactions](#)
- [Form SP40—Tracking Loan and Credit Payments](#)

- **Hand poster/overhead masters:**

With this module are *14 Print Masters* in the *UC series*. They may be used as *hand posters*, *handouts*, or *overheads*. A list of these can be found in the following file—[Understanding Credit: Hand Poster/Overhead Masters](#) with links to each one.

Learners need to know how to evaluate their debt situation and determine when they need help. See the *Hand Poster/Overhead Masters* for further information. Several masters describe how the learners may evaluate if he/she is overspending as well as how to determine if a debtor solution is appropriate.

As indicated earlier, if the learner can not solve the problem by budgeting out of debt, then financial counselling from a reliable non-profit credit counselling agency in the learners’ community may be a wise choice.

Continued . . .

- **Learning About Money video scripts:**

The *scripts* of the *Learning About Money video* are included here as a reference. The video segment, *Credit*, is approximately 12 minutes. It depicts four family situations. These include how a young single mom, a young single man in school, and two families manage their finances. They discuss what they find works best for them. See the script for the dialogue.

If you wish to purchase the Learning About Money video see the [order form](#). This video is available in VHS or DVD format.



Additional resources

Following are *five websites* that have additional information for you to research about credit education topics.

Follow the links, if desired.

- **Your Consumer Agency of Canada:**

Look for the resource—*The Cost of Payday Loans* @ [www.fcac—acfc.gc.ca/eng/publications/Payday Loans/Payday LoanAffects e.asp](http://www.fcac-acfc.gc.ca/eng/publications/Payday%20Loans/Payday%20LoanAffects.e.asp) It has good information about how these loans work.

- **Your Money Network:**

Look for the resource—*Credit 101* @ www.yourmoney.cba.ca This is a student oriented site, with sections for parents as well as students.

- **Industry Canada:**

This site provides consumer information and a credit calculator. It also has information about personal bankruptcy @ www.industrycanada.ca/cmb/welcomeic.nsf/icpages/menu-e

- **VISA:**

Look for the resource—*Practical Money Skills* and *Credit and Debt* @ www.practicalmoneyskills.ca/moneyskills/ This site has sections for consumers, teachers and students. Good credit information.

- **Canadian Foundation for Economic Education:**

Look for *Money and Youth* @ www.cfec.org This is a book for sale, but the book and a teacher's guide can be downloaded. Different topics are covered. See Part III: Working with Money—Chapter 10: Debt and Credit—A Matter of Interest (259 kb.) page 79.

Internet: www.basicskillsforliving.ca

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Credit Word Search

Find the credit terms that are in this word search puzzle and circle the words. See the example—debt.

