

The Power of Your Credit Score

SUBJECT(S): Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

≡ NBEA STANDARD(S):

- Personal Finance, VII. Using Credit

≡ RELATED ARTICLES:

- [“The Power of Plastic: What to Know about What You Owe”](#)
- [“Take Command of Your Credit Score”](#)
- [“Killing the ‘Cockroaches’ of Myths about Money”](#)
- [“Educator Toolkit: Financial Technology”](#)
- [“Dual Enrollment, Scholarships and Creative Ways to Cut Your College Tuition Bill”](#)
- [“Digital-age Danger: Learning to Protect Your Identity”](#)
- [“Credit Alert: The Dangers of Overspending and Underpaying”](#)
- [“Budgeting Basics: Spending Less than You Earn”](#)

TOPIC/COMPETENCY: Credit and Debt: Credit Scoring

CEE National Standard:

IV Using Credit

Jump\$tart National Standard: Credit and Debt

Standard 2. *Explain the purpose of a credit record and identify borrowers’ credit report rights*

Common Core State Standard:

CCSS.ELA-Literacy.RST.9-10.4

CCSS.ELA-Literacy.RST.11-12.2

ESTIMATED TIME: 50 minutes

MATERIALS NEEDED: Internet access, computer, mobile device, [worksheet](#), [infographic](#)

KEY VOCABULARY/TERMS: [credit agency](#), [credit bureau](#), [credit report](#), [soft inquiry](#), [hard inquiry](#)

WHY THIS MATTERS TO YOU NOW: Knowing what your credit score is and how to increase it will help you save thousands of dollars the next time you borrow money!

_____ 1. Review what a credit report is and what information is available on it from the previous lesson. Relate the credit report to students in terms of a transcript. A transcript is going to show the student's entire record of courses at a school with individual grades for each class. The courses are summarized by the student's grade point average (GPA). This is a numerical way to compare students from different schools. We can do the same thing with a credit report and a credit score. A credit report is going to have the accounts, balances, and borrowing history for an individual and the credit score is a numerical way to compare the credit of different people.

_____ 2. A credit score can vary greatly depending on the organization that calculated it. According to [credit.com](#), the following credit score ranges exist:

- FICO Score range: 300-850
- VantageScore 3.0 range: 300-850
- VantageScore scale (versions 1.0 and 2.0): 501-990
- PLUS Score: 330-830
- TransRisk Score: 100-900
- Equifax Credit Score: 280-850

It is helpful to know which credit scoring range is being used so that you can get an idea of how you rank in comparison to other people. For the most common range of 350-850, these are the general bands of scores:

- Excellent Credit: 781 – 850

- Good Credit: 661-780
- Fair Credit: 601-660
- Poor Credit: 501-600
- Bad Credit: below 500

_____ 3. Brainstorm with students about what activities would increase or decrease a credit score. This could be written on the board or using an online collaboration tool like Padlet.com. Some examples of increase and decrease are listed below:

Activities that would decrease your credit score:

Activities that would increase your credit score:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Paying monthly loan payments on time • Maintaining a credit utilization rate below 30% • Paying off a loan in full • Having a long credit history (7+ years) | <ul style="list-style-type: none"> • Paying bills late • Skipping a payment • Opening too many accounts for credit • Closing all of your accounts • Filing for bankruptcy • Allowing accounts to go into collection |
|---|---|

_____ 4. To have students really see how a credit score can affect borrowing power, show them the “What is a good credit score?” infographic from [Credit.org](https://www.credit.org). This infographic gives general interest rates that various credit scores would qualify for. Point out the differences in how much interest is paid for each purchase.

_____ 5. Have students complete the given worksheet to select their dream vehicle and calculate the amount of interest paid using various credit scores and interest rates on [Bankrate.com](https://www.bankrate.com).

ASSESSMENT

Have students create a public service announcement (PSA) that will help other teenagers understand credit scores and how they can affect borrowing power. The PSA should help teenagers know what can improve their credit scores and why they should want to have a high credit score. To create the PSA, students should create a free account on Animoto.com. This

online tool allows students to quickly make a 30-second video using imported images and short bursts of text. Screen the videos in class for the other students.

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