

YOUR NAME: Ryan McRobert
LESSON: Consumer Debt
SOURCE: Online Resources, Links and Presentations from Professor Gold
TIME AND DAY TAUGHT: 55 Minutes, February 16, 2011

I. GOALS: Studying the differences of how laws are created helps students:

- A. Understand the concept of consumer debt
- B. See the different ways that consumer debt can influence them in their lives
- C. Better understand how to not fall prey to having too much debt

II. OBJECTIVES:

- A. Knowledge Objectives - As a result of this class, students will be better able to:
 1. Define various financial and consumer debt terms
 2. Explain different forms of debt and how it applies to them
 3. Give reasons, both pro and con, for availability of consumer debt
- B. Skills Objectives - As a result of this class, students will be better able to:
 1. Have skills to negotiate the purchase of something on credit.
 2. Perform research in order to find the credit card with the terms best available to them
 3. Critique various credit card offers.
 4. Make improved sound financial decisions.
- C. Attitude Objectives - Students will be better able to feel:
 1. That they will never have to feel bullied into making a purchase that is not in their best interest.
 2. That they can have an impact on helping others to make sound financial decisions.

III. CLASSROOM METHODS

- A. Icebreaker (5 Minutes)
 1. Dumb Laws
 - Put the attached "Dumb Laws" paper on the overhead
 - Individually go through the laws and poll the class as to whether they think the laws are real or not
 - Reveal the answer for each one only after asking the class
- B. Introduction (5 Minutes)
 1. Show topic with PowerPoint Slides
 - Consumer debt
 - Why it is important
 - How it impacts students
 - CREDIT CARDS ARE EVERYWHERE
- C. Skit (10 minutes)
 1. Car Purchase
 - Scenario: young college student goes to a used car dealership to purchase a car. The car is worth \$7,000. In negotiations the car dealer says that he can finance the car for the students. However, because the student doesn't have any credit (or bad credit) the car dealer will only finance the car with terms that the student does not understand. Additionally the student only has \$500 for a down payment, but is very interested in the \$0 down option. Terms Include:

- \$0 down- with 10% APR over 48 months, or 15% APR over 24 months.
- Late Fee will be \$45 after the first 10 days. Then \$20/day after the 10th day it is late.
- If there is 1 late payment, the dealer has the right to increase the APR to 35% for the remainder of the loan
- Purchasing Fees include \$440 (this does not go towards the principle of the car).
- Execution: It will be best if one of the students plays the “student” in the skit, and one of the teachers plays the car dealer.
 - **Teacher:** Here is the goal of the teacher/car dealer:
 - Ask whether the student is over 18. Explain, that is good because you can't get a loan to purchase a car if you are below the age of 18.
 - Explain to the student that he has nearly no credit, and therefore his credit score is poor
 - To sell the \$0 down with the 48 month financing plan (it produces the most revenue for the dealer).
 - Make a promise that he will cover all costs of repairs (this is only an oral promise and doesn't want to write them down).
 - **Student:** We want the student to provide some insight into some of the rights they have. For example:
 - Ask the car dealer to see your credit score and what credit reporting agency was used.
 - Ask whether the car has a warranty or is sold “as is”;
 - Ask all promises to be in writing.
 - Ask for the car to be inspected by an independent mechanic before you buy (this may be an out-of-pocket expense).
- ***See attached documents (below) for basic information given to the student.**

- D. Rights as a Car Purchaser (5 minutes)
1. Ask students to brainstorm what they saw from the skit, what questions they have
 2. Show Powerpoint slides with rights of car purchaser
 - Ask whether the car has a warranty or is sold “as is”;
 - Ask all promises to be in writing.
 - Ask for the car to be inspected by an independent mechanic before you buy (this may be an out-of-pocket expense).
 - Lemon Law protection in Washington and Federally.
- E. Financial Definitions (15 minutes)
1. Distribute papers to students with words, but no definitions
 2. Go through words one by one
 3. Ask students what the words mean
 4. Show definitions on powerpoint slides
 5. Have students fill in definitions

6. Use website to calculate which is the best payment plan.
 - http://www.efunda.com/formulae/finance/apr_solver.cfm
 - The higher interest rate with a shorter pay period would save the student more money in the long run.
- F. Activity (15 minutes)
1. Collect a number of unsolicited credit card offers. These can be found in newspapers, in magazines, in the mail, at the checkout counter of retail stores, etc. If possible, include some offers made directly to you or another creditworthy adult, and include at least one retail card like Sears or The Gap.
 2. Ask the class what they think the interest rate is on a credit card. Encourage guessing, and record a number of answers on the board or other display area.
 3. Divide the class into groups (for our class we will divide into six groups of five people) and distribute to each group copies of at least two different card offerings. Give each student or group a copy of *Choosing a Credit Card*.
 4. Have each group use the *Choosing a Credit Card* brochure (especially the section “How do I find information about credit cards?”) to complete the “Credit Card Comparisons” handout with information from the credit card companies’ offers. The goal here isn’t necessarily for them to read the entire handout or digest all of the information. The goal is more to get them to see how complex credit cards can be.
 5. Once the exercise is complete, ask each group to appoint a spokesperson to report something that their group thinks is important about credit card interest rates and fees.
 6. Have discussion with class about the pros and cons of having credit cards

IV. EVALUATION

- A. Student performance in the activity and their participation in giving suggestions about the positive and negative aspects of having credit cards.

V . ASSIGNMENT

- A. Find an offer for a car online
- B. Go to http://www.efunda.com/formulae/finance/apr_solver.cfm and find the best payment plan possible
- C. Write down the link to the car and the payment plan that they found and bring it to the next class

Information For Student Purchasing Car

Situation

- You are interested in purchasing your first car
- The car is worth \$7,000
- You only have \$500 to pay right now, but are interested in paying \$0 right now
- You don't know much about interest rates and loans, but need one to buy the car
- You are nervous, this is your first time buying a car and you are all by yourself
- Feel free to tell the salesman that you don't want to be
 - "swindled"
 - "hustled"
 - "ripped off"

Questions to Ask the Dealer

- How do you decide what my interest rate is?
- What is a credit score and how do you get mine?
- What is a "warranty"?
- Does this car have a warranty?
- When the dealer makes promises, ask him, "can that be in writing?"
- Can I have the car inspected by another mechanic?

Financial Terms

1. Interest
2. APR
3. Credit
4. Credit Card
5. Minimum Payment
6. Late Fee
7. Credit Score
8. Credit Agency
9. Warranty

Credit Card Comparisons

| | Offer 1 | Offer 2 |
|---|---------|---------|
| How many interest rates are listed on each offer? | | |
| What is the <i>Purchases</i> interest rate? | | |
| What is the <i>Penalty/Default</i> interest rate? | | |
| Is there a late payment fee? If so, how much is it? | | |
| Is there an annual fee? If so, how much is it? | | |

Use the publication *Choosing a Credit Card* to find the following terms:

- Over the credit limit
- Grace period
- Minimum finance charge

Question: What does your group think is most important to understanding credit card interest rates and fees?

Dumb Laws

A man with a mustache may never kiss a woman in public.

True – Iowa

One may not carry a lunch down the street between 11 and 1 o'clock.

True – California

One may not wear a sideways hat on Sundays

False

It is illegal to push a live moose out of a moving airplane

True – Alaska

It is illegal to have more than two sessions of bingo in one location

True – North Carolina; the sessions may not exceed 5 hours each

It is illegal to give a drivers license to stupid people

False – but maybe it should be a law

Flirting is illegal

True - A fine of \$25 can be given for flirting. This old law specifically prohibits men from turning around on any city street and looking "at a woman in that way."