

LESSON #8

WHY YOU MUST KNOW

YOUR CREDIT SCORE



What to Do

1. Begin by drawing a pie chart on the board representing how a FICO credit score is calculated: 10% credit in use, 10% new credit, 15% credit history, 30% amounts owed and 35% payment history.
2. Working in pairs, have students brainstorm an example representing each category (e.g., payment history includes whether or not you paid your bills on time, credit history includes how long you have been using credit, and so on).
3. Tell students the FICO credit score is the most commonly used score, and it ranges from 300 to 850. The higher the score you have, the less risk you are to lenders.
4. ASK: *Why should we care about checking our credit scores?* Invite students to discuss how credit scores might impact borrowing money to buy a home or to pay for college.
5. Explain checking your credit score can help prevent identity theft. To expand the lesson, review the steps of identity theft protection found at <https://www.identitytheft.gov>.
6. ASK: *How do we check our credit score?* Explain we each have access to a credit report, which is a record of our credit history. Allow students time to explore websites of each of the three main credit-reporting agencies:
 - a. TransUnion – www.transunion.com;
 - b. Equifax – www.equifax.com; c. Experian – www.experian.com.
7. Divide students into small groups and challenge them to brainstorm ways a credit score could go up or down. Have each group present their ideas and discuss that positive behavior, such as paying bills on time, can help strengthen a credit score while negative actions, such as skipping payments or maxing out credit cards, can damage a credit score.
8. Distribute the Lesson #8 Student Activity and allow time to complete. Have students share their answers with the class and close the discussion by reflecting on strategies to improve a credit score.

