

Grades 4-5

Lesson 3



INTRODUCTION TO CREDIT

Rationale: This lesson is intended for elementary students in fourth through fifth grades during a forty minute time period. The lesson introduces the concept of credit and allows students to explore it on a meaningful and concrete level through activities and examples. Each activity guides students in becoming aware of how credit is obtained, retained, and used in a responsible manner.

Lesson Objectives: Students will be able to:

- Define credit.
- Describe how to get credit.
- Recognize and explain why banks/institutions offer credit to their customers.
- List perks offered by credit card companies.
- Compare/contrast borrowing money with borrowing an object.

Materials:

- 3-5 pictures of items students are eager to possess
- Markers
- Chart paper
- Poster board
- Play dollar bills
- Tape
- Book to represent the library analogy
- Worksheets or chart paper drawings with a Venn Diagram and Brainstorming Webs

Setting the Stage:

Background Builder #1: Show students 3-5 colorful pictures of items that children of this age would like to possess. For example: Motorized Scooters, Play Station 3, Concert Tickets, Gameboy etc. On prepared chart paper have a graph set up to show how many students would buy each item if given the money. Each student should write their name on a play dollar bill and go attach it to the chart where applicable, thereby assembling an instant bar graph that shows which item is most in demand.

At that point the task will be to brainstorm all the ways to gain ownership with regard to the item of choice.

State the Objective: tell the students what they will be able to do upon conclusion of the lesson.

“Today we are going to learn about credit which will help you in the future when you may decide to make purchases and buy expensive items for which you do not have enough cash to buy or afford all at once. You should be able to define credit and describe how to get it. You should also be able to explain why banks offer credit and what incentives they may offer you to entice you to borrow.”

The Lesson Procedure:

Have students volunteer to read the following blurbs printed on large poster board. The information in parentheses will allow for you to elaborate on the point of interest once it's been read from the poster. As you move to a new poster, cover the old poster to keep pupils focused on the one that needs to be attended to currently.

- **Credit is when the bank agrees to buy a product for you and trusts that you will pay them back over time.** (Types of credit can be in the form of a credit card or a loan. A loan lets you buy something expensive that you really want such as a boat, a car, an education, or even a home.)
- **In order to get credit you have to apply or ask for it.** (The bank will grant credit to you if you've proven yourself to be a person who is responsible with money. They can find out by running a credit report that lists how you've handled money in the past. They will also base their decision on the money you have or expect to receive in the future as well as what you own. If you can't pay the bank back, the collateral you provide may be cashed in to repay the loan. You should also know that the bank will put a limit on how much you can spend/borrow to protect you from taking more than you're able to pay back. If the bank decides to offer you credit, you may have to pay a fee every year to use this service.)
- **The bank lends you money because it gives them an opportunity to make money.** (If you decide to take a long time paying back the money you borrow, you have to pay back extra which is called interest.)
- **Credit companies often times reward you for borrowing money from them.** (Some companies put money towards flying, buying cars, etc. Commerce Bank gives money back to the community depending on how much you borrow.)
- **Getting credit protection is a great idea!** (There are two types of protection you may want to consider. One involves protecting you in case your credit card is lost or stolen and someone else makes purchases with it. The other ensures your debt gets paid in case you become unable to work and generate an income.)

Create a Venn Diagram to compare a library with an institution providing credit. The analogy will give pupils something concrete to attach meaning to when learning this new concept. (See attached information on Venn Diagrams for an explanation of how to create and complete one with students.) The task should be presented as follows:

“Let’s compare borrowing a library book with borrowing money to help you understand credit.” Respond to and record ideas generated for the diagram. Lead students if necessary to discover the following points as well as others that are shared between the bank and library.

- You can borrow a book/money because the librarian/bank trusts that you’ll give it back.
- As long as you give it back within a week/month that’s all you owe.
- If you keep the book/money longer, you have to pay the library/bank money for each day that it’s kept past the due date.
- You may get good things in return for going to the library/bank such as a bookmarker, having a story read to you, a yo-yo, a key chain, a lollipop, etc.
- Both entities want you to borrow.
- Both want to make money.
- Both want you to give the item back within a reasonable amount of time so that someone else can borrow the book or money.

Ask students to respond to the following question on a piece of paper. “How do you suppose getting a lunch might relate to getting credit?” Allow 5-7 minutes for them to generate a response. Then ask students to share their responses; guide students to uncover the idea of getting lunch based on credit when you lose or forget your lunch money without having a packed lunch to eat.

Closing the Lesson:

Review with students why people obtain credit and how they use it. You may also select any number of activities from the section entitled “Ways to End and Review Lessons” in order to encourage students to work with, relate to, and retain the presented information.

National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000.

Connections – (Students will) Recognize and use connections among mathematical ideas.
Connections – (Students will) Recognize and apply mathematics in contexts outside of mathematics.

Ways to End and Review Lessons

Beach Ball Toss: Write end of lesson review questions on a beach ball. When it's tossed the individual who catches it must read and answer the question written under his/her right thumb.

Sample Questions:

- Give an example of something you might buy with credit.
- Define credit.
- Who gives credit?
- How does a bank decide whether to give you credit?
- Does credit cost anything? Explain.
- What is a credit card limit?
- Why should banks place a limit on credit?
- When do you have to pay interest?
- What do you give the lender in return for the money?
- Give an example of what you may expect from the bank in addition to the loan?
- How can credit be used in your life now or in the future?
- Why should you have credit protection?

Interview: In pairs of two, students interview one another with regard to lesson content. When both pupils have had ample time to interview, they must summarize the partner's feedback in either written report or oral format.

Sample Questions:

- How would you define credit?
- How do you get credit?
- What do you give the lender in return for the money?
- Give an example of what you may expect from the bank in addition to the loan?
- How can credit be used in your life now or in the future?
- Why should you have credit protection?

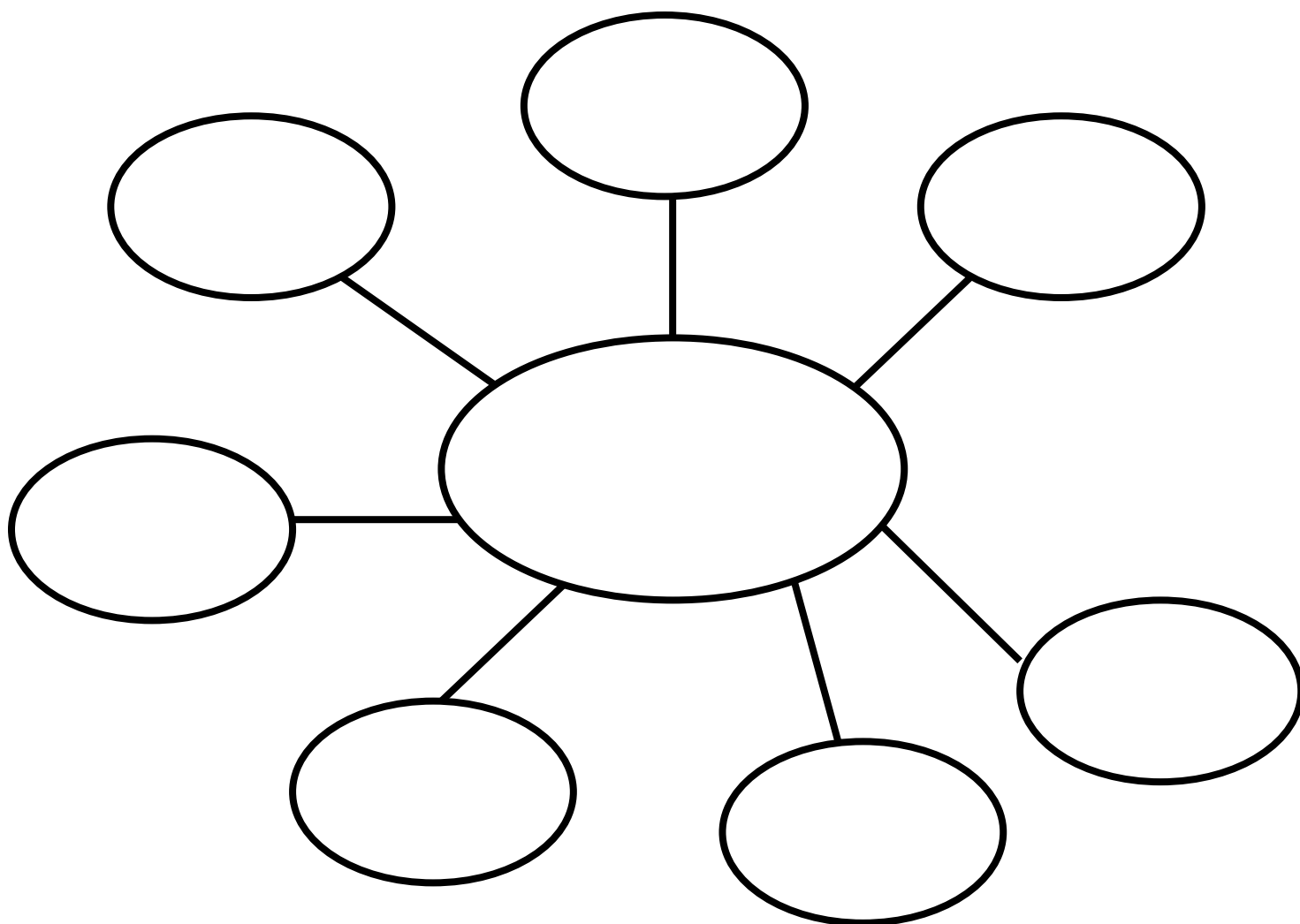
Student generated questions should also be encouraged in place of or in addition to the ones listed above.

Quiz the Teacher: Students have the opportunity to flip roles and ask the teacher the questions typically asked of them. Questions need to be generated by each student.

Storyboard: Have students write and illustrate a storyboard. A piece of paper is folded into 6 or 8 squares, which are filled with a picture and caption for each square. The story should be an example of how credit could be useful in each student's life.

Brainstorming Web

One of the easiest ways to motivate student thinking is through brainstorming. In this process a particular topic is provided and students are then asked to supply all the associations they can think up. Brainstorming can be done individually, but is most effective as a paired, small group, or whole class activity. Record all responses (provided they are appropriate in language) without offering judgment on the ideas.



Venn Diagram

In a Venn diagram, two people, places, or things are compared and contrasted. Two overlapping circles are most often used to contain the comparisons, but other shapes may be used. The shared portion of both circles will list qualities that are held in common, while the opposite portions list characteristics unique to that subject. A sample Venn diagram follows:

