




## Lesson Guide

Climbers are introduced to the fundamentals of credit and credit card use, focusing on building and maintaining good credit. They explore credit reports, card selection, and their responsible usage. By the end of the lesson, they will apply what they've learned to a series of scenarios that test their knowledge of how to build and maintain good credit.

<p><b>Learning Objectives</b></p>	<p><b>Learn</b> the importance of credit and how to start building it responsibly over time.</p> <p><b>Understand</b> how credit scores are calculated and why they impact financial decisions.</p> <p><b>Explore</b> different credit card types and how to choose one that fits your financial goals.</p> <p><b>Avoid</b> common credit card pitfalls and practice responsible financial habits.</p>
<p><b>WIOA Program Elements</b></p>	<p><b>E11. Financial Literacy Education.</b> Directly addresses budgeting, managing income, understanding taxes/pay stubs, and using digital banking platforms.</p>
<p><b>Key Concepts</b></p>	<p><b>Credit:</b> The ability to borrow money and pay it back later, usually with interest.</p> <p><b>Credit Score:</b> A three-digit number (typically 300-850) that summarizes your creditworthiness based on your credit history.</p> <p><b>Credit History:</b> A record of how you've borrowed and repaid money over time.</p> <p><b>Credit Utilization:</b> The percentage of your available credit that you are currently using.</p>
<p><b>Materials</b></p>	<p><b>Coach Deck:</b>  The Credit Climb Lesson Deck</p> <p>Internet-ready devices with Hats &amp; Ladders access</p> <p><b>Activity:</b> <a href="#">Extra Credit</a></p> <p><b>Rubric:</b> <a href="#">Extra Credit</a></p>

## Coach Prep

1. Review lesson instructions and activity materials, including the **Coach Deck**, an optional resource to guide Climbers through the lesson, and digital Career Climb.
2. Arrange a computer lab or laptop cart, or instruct your group to bring their own devices with internet connectivity.
3. *Optional:* From the Coach platform, assign **The Credit Climb** Career Climb to your group. This will allow you to track their progress from your dashboard.

## Warm-Up

1. Introduce the topic by starting with the word "credit" and have participants take turns saying the first word that comes to mind. Keep the pace brisk. To make it even more challenging, encourage Climbers to come up with a word not already mentioned.  
Answers might include:
  - **Positive/Neutral Associations:**
    - i. **Money:** This is a very common and direct association.
    - ii. **Loan:** Reflects the borrowing aspect of credit.
    - iii. **Card/Credit Card:** The most tangible form of credit for many.
    - iv. **Payment:** Related to using and repaying credit.
    - v. **Score/Credit Score:** Indicates awareness of creditworthiness.
  - **Negative Associations:**
    - i. **Debt:** A common and often feared consequence of credit use.
    - ii. **High Interest/Interest Rate:** Focuses on the cost of borrowing.
    - iii. **Stressed/Stress:** Reflects the anxiety associated with debt.
    - iv. **Problem/Trouble:** Highlights the negative potential of credit misuse.
2. Help identify some common themes that emerge from this word association exercise.  
Suggested prompts:
  - *What are some positive and negative associations with credit?*
  - *How do you think our feelings and attitudes about credit affect our behavior?*
3. Summarize the discussion by acknowledging that credit can be a powerful tool, but it's important to understand how it works and how to use it responsibly
4. Briefly outline other topics that will be covered in the lesson, including practical steps you can take to understand your credit, choose a credit card wisely, and develop the skills to

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maintain a good credit score. We'll even put your knowledge to the test with some real-world scenarios.

## Guide a Career Climb

1. Direct Climbers to the Hats & Ladders platform to start the **Getting Paid Your Due** Career Climb which consists of four Ladders:
  - **Credit Building Basics** (9 min)
  - **Credit Scores and Credit Reports** (7 min)
  - **Credit Card Choices** (7 min)
  - **Do's & Don'ts for Credit Card Success** (8 min)
  - **Credit Card Savvy: Put Your Skills to the Test** (10 min)
2. Climbers can complete the entire Career Climb **at once**, or they can **pause** to share out takeaways and questions along the way.
3. After they complete the Career Climb, lead a brief discussion. Suggested prompts:
  - **What are the three main factors that influence your credit score, and which one has the biggest impact?** Payment history (most important), amounts owed (credit utilization), and length of credit history. Other factors include new credit and credit mix, but these have a smaller impact.
  - **You're shopping for your first credit card. What are three things you should look for beyond the advertised interest rate?** Annual fees (or lack thereof), rewards programs (if they align with your spending), and other fees (like balance transfer fees or late payment fees).
  - **What are three key strategies for using a credit card responsibly and avoiding debt?** Pay your balance in full and on time every month, keep your credit utilization low (ideally below 30%), and avoid applying for multiple credit cards in a short period.
  - **Why is paying in full so important? How does keeping your credit utilization low impact your credit score?**
  - **Why is it important to check your credit report regularly, and how often should you do it?** To check for errors or signs of identity theft. You should check your credit report at least once a year (you can get a free copy from each of the three major credit bureaus at [AnnualCreditReport.com](http://AnnualCreditReport.com)).

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## Activity: Extra Credit

1. Divide Climbers into small groups or pairs to complete the [activity handout](#).
2. Climbers complete the activity handout which checks their understanding of how credit scores are determined, and how their borrowing and spending decisions affect it.
3. Review answers to Part 1 matching activity:
  - Payment History: 35% (most important)
  - Credit Utilization: 30%
  - Length of Credit History: 15%
  - New Credit: 10%
  - Types of Credit: 10%
4. Share out responses to the scenarios and discuss.

## Wrap-Up

1. Summarize the benefits of knowing how credit works — it allows you to leverage an important tool for spending and borrowing money and limits the risks, such as high credit card debt and low credit score.

## Assessment

- To assess the **Climbers' understanding** of the lesson, use the provided [activity rubric](#).

## Modifications

- If you do not have access to devices, have Climbers complete the digital Career Climb at home.

## Activity: Extra Credit

Credit can seem like a foreign or scary concept; however, the more you know about it, the less scary it becomes. A credit score is an important aspect of life. It's a way to measure financial responsibility. The higher your credit score, the easier it is to receive financial aid for things like buying a home, an apartment, or even a car.

### Step 1: Credit Building

Match each category to how *much* it impacts your overall Credit Score.

Payment History	30%
Credit Utilization	15%
Length of Credit (How long you've had credit)	10%
New Credit	35%
Types of Credit	10%

### Step 2: Credit is a Balancing Act

Discuss each scenario with your partner or group and make the best decision for your overall credit (and financial health). Discuss each decision and option before making your selection.

#### Scenario 1: Credit Card Offer

You receive a pre-approval in the mail for a new credit card with a \$5,000 credit limit. It boasts a low introductory APR of 0% for the first 6 months and offers a rewards program that gives you 2% cash back on all purchases. You've been thinking about getting a new credit card to help you with some upcoming big expenses, like new furniture and a computer. You currently have one credit card with a \$1,000 limit that you use occasionally and always pay off in full each month.

#### Decision Points

- **Option A:** Apply for the new card, use it for some furniture and a computer, and take advantage of the 0% APR and cash back.
- **Option B:** Decline the offer and stick with your current credit card, and choose one purchase that you know you can pay off in a month.

#### Discussion Points

- What are the potential benefits and risks of opening a new credit card, even if it's a

pre-approval? What happens after the introductory period ends?

- How might having a higher credit limit impact your spending habits?
- How does having multiple credit cards affect your credit score? Is it always a negative?

### Scenario 2: Dealing with Debt

You're carrying \$2,000 on a credit card that has a \$3,000 limit and you've been making just the minimum payments. The monthly interest is 10% of whatever you still owe. A new card offers to transfer your balance with 0% interest for 12 months but charges a transfer fee of \$300. What will you do?

#### Decision Points

- **Option A:** Transfer the balance to the new card, pay the fee, and work to pay off the debt during the no-interest period.
- **Option B:** Keep the debt on the current card and try to pay more than the minimum to reduce it faster, despite the interest.

#### Discussion Points

- Is what you save from "no interest" higher or lower than the cost of the transfer fee?

### Scenario 3: Getting Your First Car

You're looking to buy a car and need a \$10,000 loan. One option is a bank loan with a low interest rate but a hard inquiry on your credit, and the other is a dealership loan with a higher rate but only a soft inquiry. **Which will you pick?**

#### Decision Points

- **Option A:** Accept the bank's loan for the lower interest rate despite the hard credit check.
- **Option B:** Go with the dealership's loan to avoid a hard credit check, even though it'll cost more over time.

#### Discussion Points

- How does a hard inquiry temporarily affect your credit score?
- What are the trade-offs between saving money on interest and potentially lowering your credit score briefly?

## Rubric: Extra Credit

Criteria	1: Needs Improvement	2: Developing	3: Proficient	4: Exemplary
<b>Understanding of Credit Impact</b>	Limited understanding; many misconceptions about how credit works.	Basic understanding with some correct matches and reasonable decisions.	Good understanding; mostly correct matches and decisions.	Excellent understanding; all matches and decisions are correct and well justified.
<b>Decision-Making</b>	Decisions are poorly justified and show little understanding of credit impact.	Decisions somewhat justified but lack depth in understanding long-term impacts.	Decisions are mostly justified with a clear understanding of short and long-term credit impacts.	Decisions are well justified with comprehensive explanations covering all impacts.
<b>Discussion Quality</b>	Minimal discussion; lacks depth and clarity in reasoning.	Basic discussion; some relevant points but lacks detail.	Good discussion; relevant and detailed points that reflect understanding.	Excellent discussion; insightful, detailed, and demonstrates deep understanding.
<b>Participation and Collaboration</b>	Minimal participation or works alone; does not engage with group.	Participates but with limited engagement or interaction.	Good participation and engages well with the group, contributing to discussions.	Highly active participation; leads and enhances group discussions with insightful contributions.