

Distinguishing between credit myths and realities

Students analyze and make judgments about credit and borrowing statements to better understand the reality of debt.

Learning goals

Big idea

Misconceptions about credit can be a barrier on the path to financial well-being.

Essential questions

- How do strong financial knowledge and decision-making skills help people debunk myths and misinformation about credit?
- What concepts and analytical skills help people make informed choices related to credit?

Objectives

- Determine which statements about credit and borrowing are true and false
- Participate in a class discussion about credit and borrowing

What students will do

- Decide which statements about credit can be categorized as myth or reality.
- Engage in class discussion to debunk myths about credit and borrowing.

KEY INFORMATION

Building block:

-  Financial habits and norms
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Borrow (Getting loans, Managing credit)

School subject: CTE (Career and technical education), English or language arts, Fine arts and performing arts, Social studies

Teaching strategy: Gamification

Bloom's Taxonomy level: Remember, Understand

Activity duration: 45-60 minutes

STANDARDS

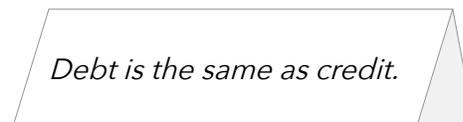
Council for Economic Education
Standard IV. Using credit

Jump\$tart Coalition
Credit and debt - Standard 1

- Optional: Plan quick improvisational skits to act out a credit myth or a credit reality and ask the class to guess which category is being represented.

Preparing for this activity

- Make 11 table tents using poster board or card stock to display in your classroom. Follow the directions in the “Creating the table tents” section in this guide. Your table tents can look like the one illustrated here.
- Print copies of all student materials for each student, or prepare for students to access them electronically.



What you'll need

THIS TEACHER GUIDE

- [Distinguishing between credit myths and realities \(guide\)](#)
[cfpb_building_block_activities_distinguishing-between-credit-myths-realities_guide.pdf](#)

STUDENT MATERIALS

- [Distinguishing between credit myths and realities \(worksheet\)](#)
[cfpb_building_block_activities_distinguishing-between-credit-myths-realities_worksheet.pdf](#)
- Table tents

Exploring key financial concepts

There are many myths, misconceptions, and misinformation about financial topics. Learning to separate fact from fiction can help students make informed spending decisions.

Teaching this activity

Whole-class introduction

- Position the 11 table tents that you created (See “Preparing for this activity”) around the room in places where students can easily access and read them.

- Explain that students will walk around the room to read each of the 11 statements and decide if they are true or false.

TIP

Visit [CFPB's financial education glossary](#) for terms and definitions you may find useful.

Individual and group work

- Distribute the “Distinguishing between credit myths and realities” worksheet.
- As the students read each statement on the table tents, ask them to write an “M” on their worksheet if they believe the statement is a myth or an “R” if they believe it is a reality.
- Encourage them to justify each response.
- Have students return to their seats.
- Have students share their responses to each of the 11 statements. They can present the statement in one of two ways:
 - You can call on students to read a statement aloud, and then share whether they thought the statement was a myth or reality.
 - You can have students work in small groups to plan and then act out a quick improvisational skit that represents, or provides an example of, one of the statements. Student groups can then share whether they thought the statement was a myth or reality.
- Ask the rest of the students to use the thumbs-up gesture if they agree with the response, and the thumbs-down gesture if they disagree with the response.
- Then, for each statement, share the correct answer with the class and open the floor for discussion and debate.
- Continue this process until you’ve discussed all 11 statements.

Wrap-up

If you want to wrap up the activity with an opportunity for reflection, ask students to complete an exit ticket that includes three things they learned about credit and borrowing from this activity.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of borrowing, including paying for post-secondary education.

Measuring student learning

Students' responses to the 11 statements and the follow-up discussion will help you assess how well they understand the concepts in this activity.

Use the answer guide in the "Creating the table tents" section to facilitate discussion and deepen students' understanding of the myths and realities about credit and borrowing.

If you prefer a more formal assessment of student knowledge, ask students to complete an exit ticket that includes three things they learned about credit and borrowing.

Keep in mind that students' answers may vary. The important thing is for students to have reasonable justification for their answers.

Creating the table tents

Write the following 11 statements about credit or borrowing on table tents. Be sure to write only the statement on the table tent. The answer and the description are included to support you in the follow-up discussion.

11 myths or realities about credit and borrowing

Statement	Myth or Reality (M or R)
1. Debt is the same as credit.	M
Reason: Credit is the ability to borrow money, while debt results from using credit.	This cell is empty
2. There is no such thing as good debt.	M
Reason: Borrowing money to further your education with a certification, license, or a degree that can help you get a better-paying job can be an example of good debt if you finish your studies and your future income will support the amount that you borrow. Borrowing money to get a reliable car to get you to work might be another example of good debt if the loan terms fit your budget.	This cell is empty
3. If you are worried about debt, you may have too much.	R
Reason: One way to know if you have too much debt is if your debt causes you a lot of stress.	This cell is empty
4. Co-signing a loan may affect your future ability to get a loan.	R
Reason: A creditor may consider the increased amount of debt that you now have as a result of co-signing for a loan. If the main borrower does not pay, the default can show up on both the borrower's and the co-signer's credit records.	This cell is empty
5. If a debt collector calls you about repayment of a debt, you have the right to tell him/her to stop calling you.	R
Reason: The Fair Debt Collection Practices Act (FDCPA) gives you the right to tell the debt collector to stop contacting you. It does NOT cancel the debt that you owe. It also does not stop the debt collector from reporting nonpayment to the credit reporting agency or from suing you.	This cell is empty
6. The majority of Americans who filed for bankruptcy due to medical debt had health insurance.	R

Statement	Myth or Reality (M or R)
Reason: Medical debt can pile up when someone becomes seriously ill or is injured. Even with health insurance, co-pays and deductibles can add up. This is one reason it's helpful to have emergency savings.	This cell is empty.
7. Information in your credit report is used to make a lot of decisions about you.	R
Reason: An individual's credit report might be reviewed by a potential employer or to get security clearance for the military or a government job. It can be used by a landlord who is deciding whether to rent to the person, an insurer, a utility company deciding whether to impose a security deposit, and a lender deciding whether to issue a credit card and what interest rate to offer on the credit card.	This cell is empty.
8. Whenever you check your credit score, your score goes down a few points.	M
Reason: You can get a copy of your credit report once each year for free from each of the three credit reporting agencies. The website is https://www.annualcreditreport.com/ . Using this site will not affect your credit score.	This cell is empty.
9. It's not uncommon for people to have more than one credit score.	R
Reason: Different banks, credit card companies, and lenders may use different credit scores based on information from different credit reporting companies. These scores may differ from one another.	This cell is empty.
10. Always close credit card accounts that you do not regularly use; keeping them open hurts your credit score.	M
Reason: If a person closes most of their credit card accounts and keep only one credit card open with a high balance on it that may end up hurting their credit score due to the high usage of available credit. It's helpful to keep unused credit cards open to bring down the amount of your overall credit in use. But if you keep old cards open, keep an eye on them to be sure that an identity thief is not using them.	This cell is empty.
11. About one in 10 U.S. consumers (or 26 million people) are considered "credit invisible."	R
Reason: People who do not have any credit record are considered "credit invisible." Having a limited credit history can make it very difficult for a lender to get a credit score for an individual.	This cell is empty.