

Understanding credit scores

Students read an infographic and complete a vocabulary matching exercise to learn basic information about credit scores.

Learning goals

Big idea

A person's credit score is a number that shows how likely they are to pay back money they borrow.

Essential questions

- Why are credit scores important?
- What information is used to create a credit score?

Objectives

- Understand what a credit score is and why it's important
- Recognize what factors are used to calculate credit scores

What students will do

- Watch a video about FICO scores.
- Read an infographic to learn basic information about credit scores.
- Match words and phrases related to credit scores to their definitions.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High School (9-10)

Age range: 13-16

Topic: Borrow (Managing credit)

School subject: CTE (Career and technical education), English or language arts

Teaching strategy: Direct instruction

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 - Standards 1,2,3, and 4

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Review the MyFICO “What is a FICO score?” video¹ at <https://www.myfico.com/credit-education/what-is-a-fico-score> to familiarize yourself with the content.
- Obtain a computer with Internet access and a projector or smartboard to show the video.
 - You also could arrange for students to have individual access to the video.
- While it’s not necessary, completing the “Being a responsible borrower” or “Building a good borrowing reputation” activity first may make this one more meaningful.

What you’ll need

THIS TEACHER GUIDE

- Understanding credit scores (guide)
[cfpb_building_block_activities_understanding-credit-scores_guide.pdf](#)
- The MyFICO “What is a FICO Score?” video at
<https://www.myfico.com/credit-education/what-is-a-fico-score>
- A computer and projector or smartboard

STUDENT MATERIALS

- Understanding credit scores (worksheet)
[cfpb_building_block_activities_understanding-credit-scores_worksheet.pdf](#)
- Credit scores: Exploring one example (handout)
[cfpb_building_block_activities_credit-scores-exploring-one-example_handout.pdf](#)

Exploring key financial concepts

Most people borrow money at some point in their lives. They may get a credit card or take out a loan to buy a car or house. When lenders think about whom they should loan money to, they consider a person’s credit score. A credit score is a number that helps lenders predict how likely a person is to pay back the money

¹ The CFPB does not endorse this third party or guarantee the accuracy of this third-party information.

they borrowed. For example, a person who doesn't pay back loans on time may have a low credit score. Credit scores change over time based on how a person repays the money they've borrowed. It's a good idea to understand how credit scores work because they're important factors for a lender to consider when a person wants to borrow money. FICO stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores. FICO is one of the most common credit score models that lenders use.

TIP

Because products, terms, and laws related to credit change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students if they've ever heard of the term "credit score."
 - If students have heard of credit scores, ask for volunteers to share what they know.
- Let students know that they'll learn about credit scores.
- Introduce the topic by reading the "Exploring key financial concepts" section to the students.
- Show the MyFICO "What is a FICO score?" video at <https://www.myfico.com/credit-education/what-is-a-fico-score>.
- Be sure students understand key vocabulary:
 - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.
 - **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual work

- Distribute the "Understanding credit scores" worksheet and the "Credit scores: Exploring one example" handout to students.
- Students will work independently to complete the worksheet.
- Have students read the handout.
- Tell students to use the handout to complete the worksheet's vocabulary section.
- Students then will answer the reflection questions.

Wrap-up

- Bring the class back together and ask for volunteers to share their answers to the vocabulary section.
- Ask volunteers to share their answers to the reflection questions.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of borrowing, including getting loans and managing credit.

Measuring student learning

Students' responses on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the vocabulary section of the "Understanding credit scores" worksheet.

Keep in mind that students' answers to the reflection questions may vary, as there may not be only one right answer. The important thing is for students to have reasonable justification for their answers.

Answer guide

Vocabulary word or phrase	Definition
1. Credit score	F. A way for lenders to predict how likely a person is to pay back a loan on time
2. FICO	D. Stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores
3. Poor FICO credit score	E. Credit score that is below 580
4. Exceptional FICO credit score	H. Credit score of 800 or more
5. Payment history	G. Whether a person is paying bills on time and as agreed
6. Length of credit history	C. How long a person has had an account or loan
7. New credit	B. All new loans or accounts and all creditor credit report requests
8. Total debt, balances, and utilization	A. Total owed as well as how much available credit a person is using