**Student Guide: Where to Turn When There Are No More**

**Pennies to Pinch**

A Lesson in:

* Credit Decisions
* Credit Report
* Failure to Repay
* Debt Assistance

**Before the Reading:**

1. When is the last time you have gotten “in a bind” and needed some help? Who did you turn to to help you out?

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1. Did you find that you really wanted help to navigate your difficulty, or were you more interested in having someone simply listen?

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1. **Explain.** What does it mean to have a balance on a credit card?

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**During the Reading with Newspapers in Education:**

1. Read the Dear Penny letter written by “L.” It is obvious that their family is going through financial turmoil. *Without reading Penny’s reply, what would you write in response?*

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| Dear “L,” |

**After the Reading:**

1. **Ponder.** Would you know where to turn for financial help? *If so, explain where you would turn for to gain the help you needed and share how you know it was the right choice. If not, where might you look to find a helpful resource?*

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1. **Think about it.** Debt is not a goal, yet many Americans find themselves in the hole financially. According to Nerd Wallet, the average household credit card debt surpassed $6,000 in 2018. *List at least 4 reasons why you believe that households may choose to use credit cards.*

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1. **Evaluate.** Identify the ideas on your list as beneficial or detrimental. Next to the “reasons” above, write a (+) sign for beneficial, or a (-) for detrimental use of credit.
2. **Examine.** When might you use a credit card? How would you use a credit card?

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| *When:* | *How:* |
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1. Those who lend money have to consider the borrower’s history to make decisions on if they are willing to lend money, how much money, at what interest rate and for how long the life of the loan. *If you were the lender, what information would you want to know about the individual asking for the loan?*

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1. Lenders make credit decisions based in part on consumer payment history. Credit bureaus record borrowers’ credit and payment histories and provide that information to lenders in credit reports. *Did you include consumer payment history on your list? Why or why not?*

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1. In addition to assessing a person’s credit risk, credit reports and scores may be requested and used by employers in hiring decisions, landlords in deciding whether to rent apartments, and insurance companies in charging premiums.
2. **Examine.** The failure to repay a loan has significant consequences for borrowers such as negative entries on their credit report, repossession of property (collateral), garnishment of wages, and the inability to obtain loans in the future. *Work with a partner and make a note about what each of these things are.*

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| **Negative Credit Entries** |  |
| **Repossession of Property** |  |
| **Garnishment of Wages** |  |
| **Inability to Obtain Future Loans** |  |

1. *Learning new information from this activity, rewrite your letter to “L” to provide some good information for their family.*

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| Dear “L,”  (attach your letter to this page) |

1. **Investigate.** Some families are unable to pay off their debt monthly and run into an overwhelming problem where each month they become further and further into debt. With a partner, read the Nerd Wallet 2018 American Household Credit Card Debt Study (be sure to look at each graph carefully). <<https://www.nerdwallet.com/blog/average-credit-card-debt-household/>>

*Pick two visuals (graphs/charts) from the NerdWallet article, identify their title and interpret your findings from each graphic organizer .*

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| *Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_* | *Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_* |
| *Interpretation:* | *Interpretation:* |

**Extension: Demonstrate your understanding using the NerdWallet Article.**

Make a newsletter that reports on the following:

* Type of Debt
* Total owed by Average US Households (compare to US totals)
* Three Reasons Americans Have Debt
* Summarize:
  + Income Compared to Cost of Living in 2011, 2013, 2015, 2018
  + Debt Trends over the last 3 years (2015-2018)
  + Difference in the Cost of Living Compared to Debt over the last year of data (2017-2018)
  + Compare Median household income over the last 10 years to the following:
    - Medical expenses
    - Food (away from home)
    - Food at home
    - Education
    - Transportation
    - Housing
* Where (in what spending category) are Americans spending more money than they anticipate?
* Infer why households are having a tough time paying down debt.
* Create a chart of your own to demonstrate what student debt means to household finances.
* Ways to work on paying off debt.