

MONEY MATTERS

Lesson Descriptions

Money Matters 1: Understanding Credit

What is credit and why does it matter to me?

Money Matters 2: Credit Cards

What are the risks of choosing and using credit cards?

Money Matters 3: Let's Go Car Shopping

What are the most important things to consider when buying a car?

Money Matters 4: Paying For A Car

How much will it cost to buy, operate, and insure a car?

Money Matters 5: Renting Your First Place

What do I need to know before I rent my first place? How is renting different than buying?

Money Matters 6: Signing a Lease

How can a lease help me, and what other protection do I have in case of a dispute with my landlord?

PLANNING PYRAMID

GRADE 11, Unit 6, Money Matters



Some Students Will:

- Understand relationships between down payment, interest rate, and term of loan in determining a monthly car payment.



Most Students Will:

- Understand how high interest rates and minimum payments affect credit card balances.
- Know what to consider when choosing a credit card.
- Identify online resources for researching a car purchase.
- Understand how to determine a reasonable monthly car payment, given a particular budget.
- Understand how to determine a reasonable monthly rent payment, given a particular budget.
- Understand the contents of a lease, and know how to resolve problems re: a rental property (for example, getting repairs made in a timely manner).



All Students Will:

- Know what a credit rating is, where to find it, and its potential impact on a person's ability to buy a house or car.
- List advantages and disadvantages of credit cards.
- Identify criteria to consider when choosing a car.
- Understand the need for car insurance.
- Identify the costs of operating a car.
- Identify household expenses other than rent.
- Understand what to look for in a rental property.

First Apartment

Roads to Success is a new program designed to help middle and high school students prepare for their futures. This newsletter will keep you posted on what we're doing in school, and how families can follow through at home.

For more information about Roads to Success, please visit our website: www.roadstosuccess.org.

Did you know? 94% of students age 16 to 22 say they're likely to turn to their parents for financial info.

79% of students this age have never taken a personal finance course in school.

Source: www.consumerjungle.org

Imagine you're 18. You're eager to start life on your own. Will you buy a new car? Live in luxury? There's one question you'll want to answer before you make a purchase or sign a lease: How much can you afford?

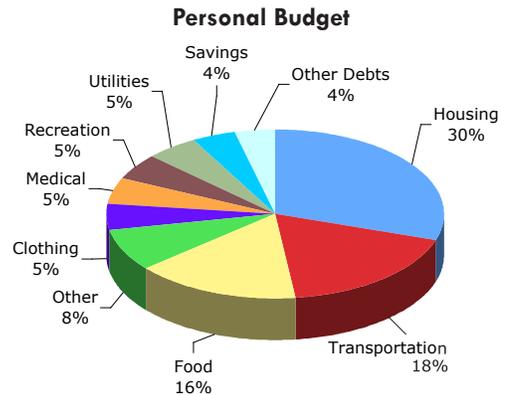
Rent

Experts say it's safe to spend about 30% of your take-home pay on a place to live. (So, if your monthly income is \$1200, you should plan on paying about \$360 for rent.) You'll need another 5% for utilities. For many young people, the cost of housing means sharing their first apartment with roommates.

Questions to Ask

Apartment Questions:

- How much is the rent?
- Are utilities included?
- What security deposit is required?
- Is the neighborhood safe?
- How close is it to work, school, shopping, and entertainment?



Credit: www.practicalmoneyskills.com

- Is it clean and in good repair?
- What extras are included?
- Is the landlord trustworthy?

Roommate Questions:

- How will we split expenses?
- How will we share chores?
- Do we agree on the basics: guests, noise, privacy, cleaning?
- What happens if someone loses his job or wants to move out?

Leases

Leases can cover everything from parking to paint color to pets. Leases protect both the landlord and tenant. Take the time to read the lease carefully. If the landlord promises something that's not in the lease, it's wise to get it in writing. Don't assume that rules in the lease won't be enforced.

For more information: www.consumerjungle.org www.apartments.about.com

Grade by Grade

By high school graduation, Roads to Success students should be able to create a budget for their first year of work or college. To prepare, 11th-graders focus on the top two household expenses, housing and transportation. Topics include:

- Questions renters should ask
- Renting vs. buying a house
- Leases
- Buying a car
- Extra expenses: utilities, moving costs, household insurance; gas, maintenance, repairs, car insurance
- Credit card use

Understanding Credit

The **BIG** Idea

- What is credit and why does it matter to me?

AGENDA

Approx. 45 minutes

- I. Warm Up: What Do You Know About Credit? (10 minutes)
- II. Credit: The Good, The Bad, The Bottom Line (10 minutes)
- III. What Your Credit Rating Means to You (15 minutes)
- IV. Finding Out Your Credit Rating (5 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 154, Your Car, Your Credit
- Student Handbook page 155, How Much Will You Pay?
- Student Handbook page 156, What's Behind Your Credit Rating?
- Student Handbook page 157, Credit Rating Quiz

FACILITATOR PAGES:

- Facilitator Resource 1, Credit Rating Scores
- Facilitator Resource 2, Credit Rating Quiz Answer Key

Overhead projector

Chart paper and markers

Calculators (one per student)

OBJECTIVES

During this lesson, the student(s) will:

- Understand credit, as well as its advantages and risks.
- Understand credit ratings and the advantages of having a good credit rating.
- Understand what actions lead to a good credit rating and a poor credit rating.

OVERVIEW

In this lesson, students read a scenario about making their first car purchase and reflect on what they know about credit and credit ratings. Next, they define credit and discuss its advantages and disadvantages. Then they discuss credit ratings, and complete an activity in which they compare car loans based on different credit ratings. Finally, they talk about what's on a credit report, how to access their own reports, and what to do if there are mistakes.

PREPARATION

- The following handouts can be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 155, How Much Will You Pay?**
 - **Student Handbook page 156, What's Behind Your Credit Rating?**
- Print a copy of **Facilitator Resource 1, Credit Rating Scores** and cut out the individual scores to hand out to students in **Activity III**. You may wish to reproduce this on heavy paper so cards are reusable.
- List the day's **BIG IDEA** and activities on the board.
- Write the day's vocabulary words and definitions on the board.

VOCABULARY

Credit: Money you borrow, for example, from a bank, with the promise to pay it back at a later date or over time.

Interest: The fee paid for borrowing money; usually a percentage of the money borrowed.

Credit report: A record of all the money you've borrowed, including credit cards, and your payment history.

IMPLEMENTATION OPTIONS

If time is an issue, you may choose to omit the quiz in the **Wrap Up, Student Handbook page 157, Credit Rating Quiz**.

In **Activity III, Student Handbook page 155, How Much Will You Pay?**, if your students struggle with math, you may wish to calculate several examples as a class.

ACTIVITY STEPS

I. Warm Up: What Do You Know About Credit? (10 minutes)

1. To begin this lesson, as students enter the classroom, refer them to **Student Handbook page 154, Your Car, Your Credit**. Give students a few minutes to read the scenario and answer the questions.
2. **SAY SOMETHING LIKE:** Welcome, everybody. Before we look at your answers, I'd like to see a show of hands. Who thinks they might apply for a credit card in the next few years? Who here is thinking about buying a car or a house in your future? And if you're not going to buy a house, you'll need to rent, right? And who thinks they just might apply for a job at some point in their lives? Wow, that's everyone! Well, if you think you might do any of these things, then you need to understand and take care of your credit rating.
3. **SAY SOMETHING LIKE:** Today we're launching into a six-week unit that covers money and finances. This unit is called "Money Matters" because it's all about money and how it matters to you as you think about life on your own. We'll be spending this week and next on credit and credit cards, followed by two lessons about buying and maintaining a car, and two lessons about renting an apartment. Today, we're going to review what we mean by "credit," the benefits and dangers of credit, what a credit rating is, and why it matters to your future.
4. **SAY SOMETHING LIKE:** Now let's take a look at the first question from **Your Car, Your Credit**. [Take a few minutes to let students share their answers. The second question is addressed during **Activity III**.]

II. Credit: The Good, The Bad, The Bottom Line (10 Minutes)

1. **SAY SOMETHING LIKE:** Let's start with the term **credit**. Can someone tell me, in your own words, what credit is? [Let one or two students respond.] In short, *credit is money that you borrow and pay back at a later date or over time*. When you use a credit card, you're borrowing money from the bank or financial institution that issued the credit card. When you apply for a credit card, you're making a promise that you'll pay back the money.

Besides credit cards, what other times do we use credit? [Let students answer and write them on the board. Make sure the list includes "Buying a house" (house loans or mortgages), "Buying a car" (car loans), and "Applying for financial aid for college" (school loans).]

2. **SAY SOMETHING LIKE:** As you can see, credit is an important tool that you'll probably use throughout your life. For example, people may not have the money up front to pay for college, but school loans allow them to go to college and pay back the loans when they begin their careers. And very few people have enough money in the bank to purchase a house without credit. Home mortgages allow them to own homes by paying back the loan over time.
3. **SAY SOMETHING LIKE:** But credit has its downside, too. For starters, some people may borrow more money than they can afford to pay back. This is especially true with credit cards, because they're easy to use and you can quickly lose track of how much money you owe.
4. **SAY SOMETHING LIKE:** But there's another big disadvantage of using credit. [You may want to write this on the board.] *Credit can cost a lot of money!* In other words, the amount you pay back in the end is much more than the amount you borrowed to begin with. Does anyone know why this is? [Take answers.]

The answer is **interest**. Any loan comes with interest, an amount you pay in addition to the money you borrow. Interest is usually a percentage of the money you borrow. The higher the interest, the more money you pay for a loan.

Usually long-term loans, like those for homes, cars, and colleges, carry a lower interest rate. You might pay 18% annual interest (expressed as an Annual Percentage Rate) on a credit card loan, while a home loan might have an annual interest rate of closer to 6%. On the other hand, long-term loans are just that – *long term*. So even though that house loan has a lower interest rate, you're paying off the loan for over 30 years. And that means every year, your interest is adding up – and adding to the total amount you owe.

5. **SAY SOMETHING LIKE:** So, let's look at the bottom line. Anytime you apply for a loan or decide to use credit, it's important to determine how much you're going to pay in the end. This depends on three factors:
 - The amount of money you borrow.
 - The interest rate charged by the lending institution.
 - The length of the loan – or how long it takes to pay back the loan.

III. What Your Credit Rating Means to You (15 minutes)

1. **SAY SOMETHING LIKE:** We started this lesson with an activity about credit rating. Does anyone know what this is? [Take answers.]

Your **credit rating**, also called a credit score, is an estimate of your ability to repay money you borrow. It's based on your **credit report**, a record of all the money you've borrowed – including credit cards – and your payment history. We'll take a closer look at what you'll find in your credit report in a few minutes.

Your credit rating depends on several different factors. Here are just a few:

- Your payment history: Do you pay off credit cards and other bills on time? A history of missed or late payments could hurt your credit rating.
- Your debt: How much money do you owe now? Having credit cards with high balances close to the limit could hurt your credit rating.
- Length of your credit history: How long have you had credit? The longer you've had credit (and used it wisely), the better your credit rating.
- The number of times you ask for credit: Have you applied for lots of cards in a short period of time? If so, this could be a red flag to a creditor.

All of these factors are considered to determine an individual's credit rating. People are assigned a number between 300 and 850 based on their past behavior using credit. The higher the number, the better the rating.

2. **SAY SOMETHING LIKE:** Now you might be wondering what the big deal is. Who really cares about your credit rating and credit report? Well, a lot of people will. After all, your credit rating says a lot about your judgment and trustworthiness. Insurance companies, landlords, and even potential employers can check your credit report. But most of the people who review your credit report will be lenders, like loan and credit card issuers. Anytime you apply for a loan or a credit card, the lender will automatically check your credit report.
3. **SAY SOMETHING LIKE:** Now, let's think back to that quiz we started the class with. Does anyone remember how your credit rating can affect a loan? [Take answers from the class.] In a nutshell, *your credit rating determines if you get a loan and the interest you pay on that loan.*
 - **The higher your credit rating, the lower your interest rate.** If you have a high credit rating, it means a lender will feel safer lending you money because you've proven your ability to repay loans in the past.

- **The lower your credit rating, the higher your interest rate.** If your credit rating is low, a lender might doubt your ability to repay the loan. After all, if you didn't make payments or often paid late in the past, it's likely you could do so again. To safeguard the loan, they'll set a higher interest rate.
 - **If your credit rating is very low, you could get turned down for the loan.** If you've failed to make payments in the past, a lender won't want to lend you money now.
4. **SAY SOMETHING LIKE:** Now, remember that car loan from the first activity? I'm going to assign each of you a credit rating and we're going to find out what effect it has on your car loan.

Hand out the strips you cut from **Facilitator Resource 1, Credit Rating Scores**, so that every student is assigned a credit rating. Then have students turn to **Student Handbook page 155, How Much Will You Pay?** Have students circle their assigned credit score on the chart.

5. **SAY SOMETHING LIKE:** To purchase the car you found, you need a loan for \$10,000. You've decided you need a 36-month loan, so it's paid off in full in three years. Take a minute to look at the chart and answer the questions. When you're done with questions 1-4, please find someone near you with a credit rating that falls in a different category. Work together quietly to answer questions 5 and 6.
6. Have students share information as a class to confirm that good credit provides significant savings over the life of a loan.

IV. Finding Out Your Credit Rating (5 minutes)

1. **SAY SOMETHING LIKE:** After that activity, you might be getting curious about these credit reports that determine your credit rating. As we discussed earlier, a credit report is basically a snapshot of your credit history. This history is collected and kept on file by credit bureaus. A credit report includes the following information:

Use chart paper or an overhead transparency of **Student Handbook page 156, What's Behind Your Credit Rating?** to present this information, as students take notes on their own Student Handbook page.

- **Personal Identification Information:** Name, address, social security number, telephone number, and spouse's name; past and present employer names and addresses.

- Public Record Information: Legal files, such as bankruptcies.
 - Collection Agency Account Information: Details if a collection agency has contacted you about an outstanding debt.
 - Credit Account Information: Information on every account or loan in your name, such as: when it opened, the highest balance, present balance and payment history (including if any payments are past due and by how much).
 - Inquiries: Companies that have requested your credit report, for a credit-card offer or application.
2. **SAY SOMETHING LIKE:** You might think you'll always know what's on your credit report, but it's a good idea to check it about once a year. You want to make sure the information is up-to-date and accurate. You can do this by contacting one of the three credit bureaus:
- Equifax (www.equifax.com)
 - Experian (www.experian.com)
 - Trans Union (www.transunion.com)

These credit bureaus provide free reports once a year. You can access your credit report immediately if you request one online. If you call or write, it takes about 15 days to receive one in the mail.

3. **SAY SOMETHING LIKE:** If you find a mistake on your credit report, you can write the credit bureau and it should be corrected within 60 days. But remember, you cannot remove correct information from your report, even if it has a negative impact on your credit rating. However, it won't be there forever: account information remains on your credit report for seven years from the date it occurs.

Of course, many of you won't have a credit report yet. If you've never had a credit card, or taken out a car loan, then there's nothing to report. This is a great situation to be in because you can start off with a blank slate.

V. Wrap Up (5 minutes)

1. As a final activity, have students turn to the **Student Handbook page 157, Credit Rating Quiz**. Give students a few minutes to answer the questions. When they're done, review the answers together. See **Facilitator Resource 2, Credit Rating Quiz Answer Key**.

2. **SAY SOMETHING LIKE:** In this lesson, you've learned about credit and why it's important to use it wisely. [Have a class discussion to review what you learned. Some questions to spark discussion include:
 - What surprised you most about what you learned today?
 - When we did the activity on car loans, who was assigned a credit rating under 620? How did that feel to know you were paying so much money to the bank – and so much more than other students?
 - What are two things you can do to make sure you have a good credit rating?]

3. **SAY SOMETHING LIKE:** Next week, we're going to talk about something that gets lots of people into credit trouble — credit cards. As you've learned today, the way you use your credit cards has a big impact on your credit rating, so it's important to use them wisely. We'll learn more about using credit cards next week.

Credit Rating Scores

Cut out the strips below and hand out one to each student when you assign credit ratings.

757	840	800	730
708	696	700	704
682	665	670	674
648	625	635	642
604	594	601	612
526	513	535	547
830	717	683	657

Credit Rating Quiz Answer Key

What have you learned about credit? Take this quick quiz to find out!

1. Your credit rating is most influenced by:
 - a) Your payment history on loans (*including credit cards*)
 - b) The number of credit cards you own
 - c) Your past and present income
2. If you have poor credit rating, you could:
 - a) Be turned down for a car loan
 - b) Have to pay a higher interest rate, meaning higher payments
 - c) Both
3. If you've never had a credit card, then you probably have:
 - a) A perfect credit rating
 - b) A poor credit rating
 - c) No credit rating
4. Your credit rating is:
 - a) Kept confidential, even from you, unless you apply for a loan
 - b) Private information, and cannot be accessed unless you give written permission
 - c) Public information, and can be accessed by anyone from potential lenders to future employers (*Future employers need written permission to access credit reports.*)
5. Information stays on your credit report:
 - a) For one year from the date it occurred
 - b) For seven years from the date it occurred (*Bankruptcies remain on your report for 10 years.*)
 - c) Forever
6. Which of these credit rating scores would give you the *lowest* interest rate?
 - a) 820
 - b) 620
 - c) 520
7. Your credit report includes your payment history for all your credit card accounts. It also shows:
 - a) Past and present employers
 - b) Where you've lived
 - c) Both of these

Your Car, Your Credit

It is the year after graduation, and you've been saving your money to buy a car. You have a steady job, so you assume you'll have plenty for monthly payments. If you don't, you figure you'll just cover extra expenses with your credit card. On the day you go to check out cars, it doesn't take long to find the one you want. Your heart is pounding with excitement. You're thinking, this is the day I drive off with my own car! You picture yourself gripping the leather steering wheel, the sun roof open, the windows down, your favorite song blaring from the radio....

But as you walk into the dealership to start paperwork, the salesman says, "I think I can get you a great deal on this baby, today. And we offer great financing, too – it all depends on your credit rating." Suddenly, the image of you and your car is getting blurry and a queasy feeling is rising in your stomach as the words "credit rating" echo in your ears. Credit rating?! What's that? Is it going to come between you and your dream car?

Is your strategy to cover extra expenses with your credit card a good one? Why or why not?

What do you know about credit ratings? How could your credit rating affect your car purchase?

How Much Will You Pay?

You are applying for a three-year (36-month) car loan for \$10,000. Check the credit rating you were assigned with the chart below and answer the questions.

Credit Score	APR (annual percentage rate)	Monthly Payment	Overall Payment	Total Interest
720–850	6.583%	\$307		
690–719	7.476%	\$311		
660–689	8.978%	\$318		
620–659	10.685%	\$326		
590–619	14.118%	\$342		
500–589	15.149%	\$347		
Below 500	LOAN DENIED			

1. What is the APR on your car loan? _____
2. What is the monthly payment? _____
3. Determine your overall payment and write it in the chart. (Hint: Multiply your monthly payment X 36 months.)
4. Determine the total amount of interest you will pay over the life of the loan and write it in the chart. (Hint: Subtract \$10,000 from your overall payment.)
5. Find a partner with a different credit rating. What is the difference between your monthly payments and theirs? _____
6. What is the difference between the total interest you pay and what your partner pays?

What's Behind Your Credit Rating?

Use the space below to list information included on a credit report.

1. Personal identification information such as _____

2. Public record information such as _____

3. Collection agency account information (explain) _____

4. Credit account information such as _____

5. Inquiries (explain) _____

The following companies provide credit reports:

- Equifax (www.equifax.com)
- Experian (www.experian.com)
- Trans Union (www.transunion.com)

Credit Rating Quiz

What have you learned about credit? Take this quick quiz to find out!

1. Your credit rating is most influenced by:
 - a) Your payment history on loans (*including credit cards*)
 - b) The number of credit cards you own
 - c) Your past and present income
2. If you have poor credit rating, you could:
 - a) Be turned down for a car loan
 - b) Have to pay a higher interest rate, meaning higher payments
 - c) Both
3. If you've never had a credit card, then you probably have:
 - a) A perfect credit rating
 - b) A poor credit rating
 - c) No credit rating
4. Your credit rating is:
 - a) Kept confidential, even from you, unless you apply for a loan
 - b) Private information, and cannot be accessed unless you give written permission
 - c) Public information, and can be accessed by anyone from potential lenders to future employers (*Future employers need written permission to access credit reports.*)
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6. Which of these credit rating scores would give you the lowest interest rate?
 - a) 820
 - b) 620
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7. Your credit report includes your payment history for all your credit card accounts. It also shows:
 - a) Past and present employers
 - b) Where you've lived
 - c) Both of these

Credit Cards

The **BIG** Idea

- What are the risks of choosing and using credit cards?

AGENDA

Approx. 45 minutes

- I. Warm Up: A Credit Card You Can't Pass Up? (10 minutes)
- II. Credit Card Advantages and Disadvantages (15 minutes)
- III. Choose a Credit Card (15 minutes)
- IV. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 158, Credit Card Offer
- Student Handbook page 159, Credit Card Notes
- Student Handbook page 160, Same Bike, Different Cost
- Student Handbook page 161, Choose a Credit Card

FACILITATOR PAGES:

- Facilitator Resource 1, Same Bike, Different Cost
- Facilitator Resource 2, Credit Card Notes Answer Key
- Overhead projector
- Chart paper and markers
- Calculators (one per student)

OBJECTIVES

During this lesson, the student(s) will:

- Understand the advantages and disadvantages of credit cards.
- Understand how interest rates can increase your credit card balance.
- Understand common pitfalls of credit card offers and how to choose one wisely.

OVERVIEW

In this lesson, students read a scenario about a credit card offer and identify the most important things to consider when choosing a credit card. Next, they discuss the advantages and disadvantages of credit cards, and the costs associated with using them. To understand how interest can add up, they compare the final costs of the same item bought with two different credit cards and with two different monthly payments. Next, they discover some common pitfalls when selecting credit cards, and choose from one of two cards. Finally, they explain what they'll be looking for when it's time to select credit cards for themselves.

PREPARATION

- The following handouts can be made into overhead transparencies or copied onto chart paper:
 - **Facilitator Resource 2, Credit Card Notes Answer Key**
 - **Student Handbook page 158, Credit Card Offer**
 - **Student Handbook page 160, Same Bike, Different Cost**
 - **Student Handbook page 161, Choose a Credit Card**
- List the day's **BIG IDEA** and activities on the board.
- List the day's vocabulary words and definitions on the board.

VOCABULARY

Credit: Money you borrow, for example, from a bank, with the promise to pay it back at a later date or over time.

Finance charge: The amount of interest you owe on credit card charges that are not paid in full each month.

Interest: The amount you pay for the money you borrow, usually a percentage of the money you borrow.

Credit report: A record of all the money you've borrowed, including credit cards, and your payment history.

IMPLEMENTATION OPTIONS

In **Activity III**, you may wish to make completion of **Student Handbook page 158, Credit Card Notes**, into a contest, with small prizes awarded for correct answers.

ACTIVITY STEPS

I. Warm Up: A Credit Card You Can't Pass Up? (10 minutes)

1. As students enter the classroom, have them turn to **Student Handbook page 158, Credit Card Offer**, and complete it as a DO NOW. Give students a few minutes to read the scenario and answer the question.
2. Place the transparency of **Student Handbook page 158, Credit Card Offer**, on the overhead projector.

SAY SOMETHING LIKE: Welcome, everybody. Let's take a look at the DO NOW activity. So, who thought this credit card offer was one you couldn't pass up? Who thinks they could find a better offer? [Take a few minutes to hear from students, and talk about what's appealing — and worrisome — about this offer. Some items to discuss if students don't mention them:

- An introductory interest rate of 0% could change to a much higher rate.
- A high credit limit may encourage you to charge things you can't afford to pay off.
- When you pay only the minimum payment, you owe interest on the unpaid balance. You end up paying a lot more than the cost of what you originally charged.]

3. **SAY SOMETHING LIKE:** Today we're continuing the "Money Matters" unit we began last week. To review what we learned last class, who can explain what credit is? What is a credit rating? Why is it important? Today, we're going to talk about one of the most common ways we use credit, and one of the quickest ways to damage your credit rating: credit cards.

II. Credit Card Advantages and Disadvantages (15 minutes)

1. **SAY SOMETHING LIKE:** We're going to spend a lot of time talking about the risks of credit cards today. But they do have some advantages. Can anyone think of any? [Make a list on the board, such as:
 - They allow you to make purchases in an emergency when you don't have the cash.
 - They're safer and more convenient to carry than cash or checks.
 - They help you track your spending and keep a record of your purchases.
 - They're necessary to purchase things online.
 - If used responsibly, they allow you to establish a history of good credit, which will make getting loans for a car, college, or house cheaper down the road.]

2. **SAY SOMETHING LIKE:** OK, so we all know credit cards have some disadvantages. What are some risks involved in using credit cards? [Make a list on the board, such as:
- It's easy to overspend because you're not using real money.
 - They can be expensive when you pay fees and interest.
 - If you're not careful, they can damage your credit rating.]
3. **SAY SOMETHING LIKE:** You might be surprised to hear that using credit cards can actually cost you a lot of money. This is an important point, so I want to say it again: **If you use a credit card, you could pay MORE money than if you used cash.**

Let's look at two of the main credit card costs and some terms to know that are associated with each one:

- **Fees:** Many credit cards charge fees for using the card. Some charge *annual fees* that must be paid every year. There are *late fees*, which must be paid any time you make a late payment. And if you use the card to get cash there are *cash advance fees*.
 - **Interest:** Any time you don't pay your charges in full, you'll pay interest, a certain percentage of the remaining charges. So if you owe \$100, and you only pay \$10, you'll owe interest on the remaining \$90. Different cards have different interest rates, expressed as an *Annual Percentage Rate* or *APR* — the amount of interest you pay over a year. The higher the APR, the more money you pay. The amount of interest you owe will show up on your bill as a *finance charge*.
4. **SAY SOMETHING LIKE:** Let's take a closer look at how interest affects the money you owe. Turn to your **Student Handbook page 160, Same Bike, Different Cost**. [Display the page on an overhead projector.]

This chart shows what you'd pay for a \$300 bike using two different credit cards, one with 14% interest and one with 20% interest. It also shows how you can reduce the amount of interest you pay by making larger monthly payments. Take a few minutes to analyze this chart and answer the questions.

[Give students a few minutes to complete the activity. Then review the answers with the class. In the end, make sure they understand two important points:

- The higher the APR, the more money you'll pay in interest.
- The higher your monthly payments, the less interest you'll pay – and the faster you'll pay off your credit card bill.]

5. **SAY SOMETHING LIKE:** Given what you just learned, which of the following purchases do you think would be an acceptable use of credit? Give each purchase a thumbs up for “go for it,” a thumbs down for “skip it,” or a flat hand for “debatable.”
- Buying a pair of jeans on sale
 - Buying groceries
 - Buying a luxury item, like a plasma TV

[Discuss each example. Some ideas to think about:

- The sale is only a bargain if you pay the bill right away. Otherwise, you’ll lose your “savings” in the interest you pay.
- Paying for groceries with a credit card is convenient, but interest will cost you a lot if you don’t pay your credit card bill in full. Buying groceries on credit because you don’t have money in the bank is a really bad idea, and a sure sign that you’re living beyond your means. However, if it’s an emergency, using your credit card to buy groceries might be OK.
- It’s better to save money and pay in cash to avoid hefty interest charges.]

III. Choose a Credit Card (15 minutes)

1. **SAY SOMETHING LIKE:** If you don’t have one already, chances are that you’ll be choosing a credit card in the next few years. Before you do, it’s good to be aware of some common pitfalls.

Instruct students to turn to **Student Handbook page 159, Credit Card Notes**. As you discuss each item, have students select notes from among the warnings in the box at the bottom of the page. NOTE: Some items will be used more than once.

Here are a few:

- **Introductory rate:** Many credit cards promise low introductory rates, which are basically low APRs. Some cards even offer a 0% introductory APR. What’s the catch? The word *introductory*. The card might start out with a low APR, but the APR increases after a short period, such as six months. A low introductory rate also typically expires any time you make a late payment or take out a cash advance. The real catch is that the low, low APR can increase to a high, high APR — over 20%!
- **Fixed vs. Variable APR:** A fixed APR means the interest rate stays the same. Like an introductory rate, a variable APR can — and almost always will — increase over time, with a late payment, or with the first cash advance. So a low variable APR rarely stays that way.
- **Annual fee:** Some cards charge an annual fee that must be paid every year for

using the card. If your card has an annual fee, it must be paid even if you pay your bills in full and on time every month. Not all cards charge an annual fee.

- **Rewards:** Many cards offer rewards or a “point” for every dollar spent. These points can be redeemed for airline tickets or products. These offers can be enticing, but sometimes you may end up paying more in fees and interest than you would have paid buying the “reward” on your own.
 - **High credit limit:** The credit limit is the maximum amount of debt you can carry on your card. While a high credit limit may sound tempting, this is a dangerous way to accumulate debt. After all, the more money you owe, the more interest you pay. So a large credit card debt can grow so fast that you can’t afford to keep up. And if you happen to go over your credit limit, you’ll have to pay additional fees.
 - **Low minimum payments:** The minimum payment is the least amount of money you can pay each month to avoid late fees. A minimum payment may be around \$20. However, you will still be charged interest on the remaining balance, or the amount you still owe. So if you owe \$100 and make a minimum payment of \$20, you will still owe interest on the \$80 that remains. The problem with low minimum payments is that the less you pay each month, the more interest you’ll owe in the long run – and the bigger your credit card bill will be.
 - **Cash advance:** Many credit cards allow you to get a cash advance, or instant cash, from a bank ATM. The interest rates for cash advances are typically higher than the rate for normal credit card purchases. Also, cash advances come with extra fees and can increase a variable or introductory APR.
2. When finished, use display **Facilitator Resource 2, Credit Card Notes Answer Key**, to review students’ answers.
 3. **SAY SOMETHING LIKE:** So, as you can see, there are a lot of ways credit cards can cost you money. And what may sound appealing in a credit card offer could mean higher bills and financial trouble in the long run.
 4. **SAY SOMETHING LIKE:** Now it’s your turn to choose a credit card. Turn to your **Student Handbook page 161, Choose a Credit Card**. [Display the page on an overhead projector.] Take a few minutes to review this chart and choose the one you think is best for you. Then identify and explain your choice on the back of the page.

Give students a few minutes to complete the activity. Then review their choices with the class.

5. **SAY SOMETHING LIKE:** Unfortunately, when you start shopping around for a credit card, credit card companies aren't going to present you with charts like the one you just saw. Instead, you'll have to read through the fine print of a credit card contract to find this information.

IV. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Now that you've learned about how to choose and use credit cards wisely, let's go back to the scenario from the beginning of class. Look back at the DO NOW activity, **Student Handbook page 158, Credit Card Offer**. The salesperson has just handed you the flyer. What questions do you have for the salesperson before you make your decision? What would be a deal-breaker?

Give students a few minutes to respond, then take a few answers.

2. **SAY SOMETHING LIKE:** Today we found out how easy it is to get into financial trouble with credit cards. And as I mentioned in the beginning of the lesson, credit card problems are a sure-fire way to damage your credit rating. And as you learned last week, that credit rating is important any time you apply for a loan, from a home mortgage to a car loan. Next week, we'll talk about buying a car.

Same Bike, Different Cost Answer Key

You and your roommate are buying bikes to get around campus. You each choose a bike that's \$300. Neither of you has the money to pay up front, so you both decide to use your credit cards. Your credit card has a 14% APR (annual percentage rate) and your friend's card has a 20% APR.

Take a look at the chart below to figure out what each of you will pay for your \$300 bike, based on the monthly payments you make. Review the chart, then answer the questions below.

Monthly payments	Your Card (14% APR)		Your Roommate's Card (20% APR)	
	Number of monthly payments	Total Interest	Number of monthly payments	Total Interest
Minimum payment (\$20/month)	17	\$33.00	18	\$51.00
\$50/month	7	\$15.00	7	\$22.00
\$100/month	4	\$11.00	4	\$16.00

- Both you and your roommate make the minimum monthly payment of \$20. Who will pay for the bike first? (Compare number of monthly payments.) _____ **You** _____
- How much more will your roommate end up paying for the bike? (Each of you will pay \$300 for the bike, plus interest. To find out the difference in the amount paid, subtract interest you pay from interest your roommate pays.) _____ **\$18 more** _____
- You decide to pay \$50 a month instead of \$20. How much faster will you pay for your bike than if you made the minimum payment? (Subtract number of monthly payments at \$50 from number of monthly payments at \$20.) _____ **10 months** _____
- If you make monthly payments of \$50, how much less will you pay in interest? (Subtract total interest at \$50 from total interest at \$20.) _____ **\$18 less** _____

Credit Card Notes Answer Key

Credit card companies make money from the interest they get by lending you money. By enticing you with special offers and low introductory rates, credit card companies hope that you will choose them over their competitors. It's important to be a savvy consumer when shopping for a credit card.

As your class discusses the following common credit card terms, choose the appropriate warning from the box below and write its number on the line beside each bullet. The first one has been done for you. (NOTE: You'll use some items more than once.)

Introductory Rate:

- 1
- 6

Variable Rate:

- 1
- 6

Annual Fee:

- 3

Rewards:

- 4

High Credit Limit:

- 5

Low Minimum Payments:

- 5

Cash Advance:

- 2

WARNING!!!

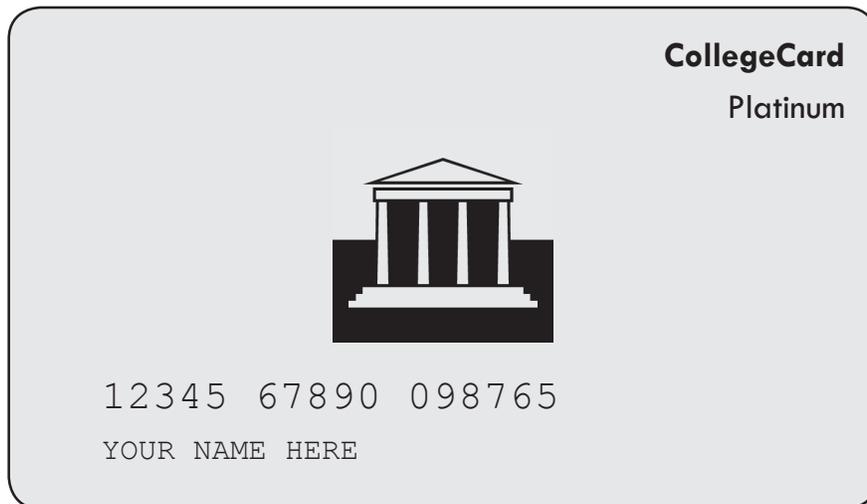
Here are some reasons to be wary of credit card offers that sound too good to be true.

1. Low annual percentage rate (APR) can change to a higher rate.
2. You may be charged a higher interest rate for this service.
3. You'll be charged even if you make all payments on time, or don't use the card.
4. Is this a good deal? Not if you're paying big \$ in interests and fees!
5. This can be a dangerous way to accumulate debt that takes years to pay off.
6. A late payment or cash advance can cause the interest rate to change.

Credit Card Offer

You're a freshman in college. It's your first week of classes and you stop by the student union for a snack on your way to the library. At the union, you notice a group of students gathered around a booth. You take a closer look and find that the booth is promoting a new credit card with your school's logo. The salesperson hands you this flyer.

SHOW YOUR SCHOOL PRIDE!



Put a little school spirit in your wallet with a CollegeCard credit card — it's the only card with the State U emblem! Plus, earn points for State U apparel.

Amazing Features

- School logo on your card.
- Rewards: Earn a point for every dollar you spend.
Redeem points for school sweatshirts, hats, and other cool stuff!
- No annual fee.
- 0% introductory rate.
- \$5,000 credit limit.
- Low, low minimum payment.

What do you think? Put a star next to the “amazing features” that look appealing. Put a question mark next to the ones that might make you skeptical.
(Explain your responses on the back.)

Credit Card Notes

Credit card companies make money from the interest they get by lending you money. By enticing you with special offers and low introductory rates, credit card companies hope that you will choose them over their competitors. It's important to be a savvy consumer when shopping for a credit card.

As your class discusses the following common credit card terms, choose the appropriate warning from the box below and write its number on the line beside each bullet. The first one has been done for you. (Note: you'll use some items more than once.)

Introductory Rate:

- 1
- _____

Variable Rate:

- _____
- _____

Annual Fee:

- _____

Rewards:

- _____

High Credit Limit:

- _____

Low Minimum Payments:

- _____

Cash Advance:

- _____

WARNING!!!

Here are some reasons to be wary of credit card offers that sound too good to be true.

1. Low annual percentage rate (APR) can change to a higher rate.
2. You may be charged a higher interest rate for this service.
3. You'll be charged even if you make all payments on time, or don't use the card.
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Same Bike, Different Cost

You and your roommate are buying bikes to get around campus. You each choose a bike that's \$300. Neither of you has the money to pay up front, so you both decide to use your credit cards. Your credit card has a 14% APR (annual percentage rate) and your friend's card has a 20% APR.

Take a look at the chart below to figure out what each of you will pay for your \$300 bike, based on the monthly payments you make. Review the chart, then answer the questions below.

Monthly payments	Your Card (14% APR)		Your Roommate's Card (20% APR)	
	Number of monthly payments	Total Interest	Number of monthly payments	Total Interest
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\$50/month	7	\$15.00	7	\$22.00
\$100/month	4	\$11.00	4	\$16.00

- Both you and your roommate make the minimum monthly payment of \$20. Who will pay for the bike first? (Compare number of monthly payments.) _____
- How much more will your roommate end up paying for the bike? (Each of you will pay \$300 for the bike, plus interest. To find out the difference in the amount paid, subtract interest you pay from interest your roommate pays.) _____
- You decide to pay \$50 a month instead of \$20. How much faster will you pay for your bike than if you made the minimum payment? (Subtract number of monthly payments at \$50 from number of monthly payments at \$20.) _____
- If you make monthly payments of \$50, how much less will you pay in interest? (Subtract total interest at \$50 from total interest at \$20.) _____

Choose a Credit Card

You're a freshman in college. Between tuition, books, and living expenses, you're on a tight budget. You've been paying bills with cash and checks, but you'd like to get a credit card to help consolidate your bills. You're choosing between the two cards below.

	CARD A	CARD B
Initial APR	0%	10%
APR	21% (after three months, first cash advance, or first late payment)	11%
Annual Fee	\$50	None
Credit Limit	\$10,000	\$2,000
Minimum Payment	\$15	\$25
Rewards	Earn one point for every dollar you spend. 25,000 points can be redeemed for an airline ticket (within the continental U.S., some restrictions apply).	None

Which card would you choose? _____

List three reasons for your choice:

- _____
- _____
- _____

Let's Go Car Shopping!

The **BIG** Idea

- What are the most important things to consider when buying a car?

AGENDA

Approx. 45 minutes

- I. Warm Up: Which Car Would You Choose? (5 minutes)
- II. What to Look for in a Car (10 minutes)
- III. Do Your Research Before You Go (20 minutes)
- IV. Think You Found "The One?" (5 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 162, Car Ads
 - Student Handbook page 163, New vs. Used Cars
 - Student Handbook pages 164-166, Find Your Car
 - Student Handbook page 167, Test Drive Tips
- Information packets about two used car options (one per student, see **PREPARATION**)
- Overhead projector and/or LCD projector
- Chart paper and markers

OBJECTIVES

During this lesson, the student(s) will:

- Identify criteria to consider when purchasing a car.
- Identify steps to take in researching a car purchase.
- Weigh information needed to choose a car.

OVERVIEW

In this lesson, students begin by choosing a car from a list of ads and explaining the reasons for their selections. Next, the class identifies some of the things people look for when buying a car, and review the advantages and disadvantages of new and used cars. Then students review two local advertisements and research the cars' actual value and fuel efficiency. Finally, students discover how to evaluate a specific car they're considering purchasing, from researching its history to looking for hidden problems. They also explore a list of "test-driving tips" to keep in mind when they finally get behind the wheel.

PREPARATION

- The following handouts can be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 162, Car Ads**
 - **Student Handbook page 163, New vs. Used Cars**
 - **Student Handbook pages 164-166, Find Your Car**
 - **Student Handbook page 167, Test Drive Tips**
 - List the day's **BIG IDEA** and activities on the board.
 - List the day's vocabulary words and definitions on the board.
 - For **Activity III, Do Your Research Before You Go**, use www.cars.com to find and print out two ads for cars under \$8,000, available locally, that will appeal to your students. Also print out pages from the following sources that contain information about these cars:
 - Kelly Blue Book (www.kbb.com)
 - Safer Car (safercar.gov).
 - (www.fueleconomy.gov) Click on "Compare Side by Side."
- Make enough copies so that you have a class set of information packets for each car. Familiarize yourself with these websites so you can demonstrate their use.
- If Internet access is available, make arrangements to project the websites listed above via your laptop and LCD projector.
 - You may wish to update **Student Handbook page 162, Car Ads**, with current models available in your area.

VOCABULARY

Make: The brand of a car, or the name of the car company, such as Ford, Toyota, or Chevrolet.

Mileage: The total number of miles a vehicle has been driven, as shown on the odometer; also used to refer to MPG (miles per gallon), or the number of miles a vehicle can travel on one gallon of fuel (MPG is usually provided for city driving and highway driving).

Model: One of the specific types of cars made by the company, such as Taurus, Corolla, or Silverado; each model has its own unique design and features.

Warranty: A guarantee that comes with a car that the company will repair certain problems for a specific period or number of miles.

IMPLEMENTATION OPTIONS

In **Activity I, Which Car Would You Choose?**, if time permits, have students work in pairs and spend a few minutes sharing their car choices and the reasons for their choices.

In **Activity III, Do Your Research Before You Go**, you may choose to abbreviate the activities for the sake of time, omitting the research on car B at the bottom of **Student Handbook pages 164-166, Find Your Car**. If you choose this option, you'll also need to skip the comparison questions on this student handbook page (**Activity V**).

You may choose to complete the final page of **Student Handbook pages 164-166, Find Your Car**, in **Activity III**.

ACTIVITY STEPS

I. Warm Up: Which Car Would You Choose? (5 minutes)

1. To begin this lesson, as students enter the classroom, have them turn to **Student Handbook page 162, Car Ads**. Give students a few minutes to read the scenario and answer the question.
2. **SAY SOMETHING LIKE:** Welcome, everybody. By now, I hope you've had a chance to choose a car. I'd like to see a show of hands: How many of you have shopped for a car before? How many of you think you'll shop for a car in the next few years? Well, it looks like that's almost everybody! I think you're going to be interested in the next couple of lessons in our "Money Matters" unit. Today and next week we're going to focus on buying cars — how to find and pay for a car that's right for you.
3. **SAY SOMETHING LIKE:** Even though we're going to be focusing on cars over the next few weeks, you're going to learn some important lessons for any big purchase you make in life. In a nutshell, those are:
 - Always start by figuring out what you really need — and if you really need what you're about to purchase.
 - Look closely at your budget and determine what you can really afford.
 - Do your research to make sure you're buying a quality product that will last. After all, you could be paying for it for a long time!
 - Don't believe advertisements. Carefully investigate your purchase through objective third-party reviews.

II. What to Look for in a Car (10 minutes)

1. **SAY SOMETHING LIKE:** Now I'd like you to think about why you chose the car you did in the Warm Up activity. What do we look for when we're shopping for a car? [Write their responses on the board or chart paper. Guide them to include the following:
 - style
 - cost
 - reliability
 - speed/drivability
 - gas mileage
 - mileage
 - special features (sunroof, stereo system, etc.)
 - safety
 - size

- reputation of car company
 - proximity of local repair shops
 - mileage and repair history]
2. **SAY SOMETHING LIKE:** Something else you might consider when buying a car is whether to buy a new or used car. You might think that new is always better. After all, a new car has hardly been driven. Well, both new and used cars have advantages and disadvantages. Let's look at those more closely. Please turn to your **Student Handbook page 163, New vs. Used.**

As a class, review the advantages and disadvantages of new and used cars. As first-time car buyers, most students will probably purchase a used car. Help them understand that used cars have their advantages, as long as they thoroughly research the car.

3. **SAY SOMETHING LIKE:** Another question you'll need to consider is whether you'll buy from a dealership or a private seller. When you start searching for cars in the classifieds, you'll see ads from both types of sellers. I want to make a quick note about each:
- Used car dealers often offer warranties or guarantees that they will repair certain problems for a specific period or number of miles. A warranty is very valuable for a used car, as you never know what could go wrong. However, you pay for this. This is one reason that car prices are typically higher at dealers.
 - Private sellers: Of course, private sellers don't offer warranties, which is why it's important to research the specific car you buy. (You'll learn more about this later in the lesson.) However, private sellers also tend to have lower prices. So if you're buying a reliable model with a reasonable number of miles, and you know the car you're buying doesn't have a history of problems, this can be a smart way to buy a car.
4. **SAY SOMETHING LIKE:** Before we move on, I want to make a note about "mileage," or the number of miles the vehicle has been driven, which is always shown on a car's odometer. Of course, this is only an issue if you're buying a used car. As you can probably guess, the more miles a car has been driven, the less it will cost. But the more a car is driven, the more it could (and probably will) require in repairs and replaced parts. If you're buying a used car, especially one with lots of miles, you'll want to do your research to estimate how much you could spend on repairs and replacing parts.

III. Do Your Research Before You Go (20 minutes)

1. **SAY SOMETHING LIKE:** When you start looking for a car, chances are you will quickly narrow down your options using the criteria we just discussed. You may first narrow

your choices to a specific make, or brand, of car — like Ford or Toyota. Then you'll determine which model, or specific car made by that company, is right for you. Corolla or Camry are both models made by Toyota. It's always good to have at least a couple of different models in mind.

Once you've decided which models are best for you, do your research to find out what people do and don't like about these cars. You'll find car reviews online (www.cars.com) and in magazines. Also talk to people who own the car and check online bulletin boards where owners post comments about problems they've encountered. You can also find websites like Safer Car (safercar.gov), which provides information about a specific model's crash test results, and safety recalls.

2. **SAY SOMETHING LIKE:** To get a better idea of how this research is done, we'll re-search two cars that are currently on sale in our area. Please turn to your **Student Handbook pages 164-166, Find Your Car**, for instructions.
 - The first page of this student handbook page describes four websites where you can find information about cars for sale. We'll look at features of these websites as we use them to compare cars.
 - The second provides space to record your findings.
 - The third contains a list of questions to ask once you've finished your research.

To save time, I've already printed out information from these websites for two cars, A (year, make, model) and B (year, make, model). You can return to these websites at home to investigate cars of your own choosing.

3. Distribute car packets you've created, providing each student with a copy of the information for both cars. (See **PREPARATION** for details.)
4. As you discuss each website, illustrate its highlights using your laptop and LCD projector. After reviewing each website, direct students to the relevant information in their packets and pause so they can record details on the first page of **Find Your Car**. Complete the chart for car A as a class.

SAY SOMETHING LIKE: The websites listed on the first page of **Find Your Car** provide a great overview of any car you're thinking about buying. These aren't the only places you'll find this information. But it's important to know that it's available, and not difficult to check out.

- **Cars for Sale:** You can search for cars for sale online using websites such as www.cars.com. Type in the year, make, model, and price you're looking for, and you'll find details on cars that fit your specifications.
 - **Car's Value:** You can check to make sure you're paying a fair price on sites such as Kelley Blue Book (www.kbb.com). You can input the car's year, make, model, mileage, overall condition, and other details to find out its value. Note that there are different values listed: private party value, which is closer to what you should pay a private seller, and suggested retail value, which is representative of a dealer's asking price. Be sure to note who's selling the car you find and match the correct value.
 - **Car's Fuel Efficiency:** You can check out your car's estimated MPG (miles per gallon) at www.fueleconomy.gov. Click on "Compare Side by Side." Enter the car's year, make, and model. Then look under "Estimated New EPA MPG" to find the "Estimated MPG" for city driving, highway driving, and combined. You'll also find the "Annual Fuel Cost" (estimated cost of gas per year) on this page.
 - **Car's History:** You can even investigate a car's history, a final step in the process before you buy. We won't do this today – you need the car's Vehicle Identification Number to get the info. We'll talk more about this before the end of class.
5. Once the class has completed the chart on the second page of **Find Your Car** for car A, have them complete the information for car B individually. Then reconvene the class for the discussion below.

IV. Think You Found "The One?" (5 minutes)

1. **SAY SOMETHING LIKE:** OK, let's say you've narrowed down your choices, searched for cars for sale around you, and researched the car to make sure it's one you want and fairly priced. And now it's time to check out the car itself. You're probably pretty excited about getting in the car and taking it for a test drive. After all, you've got to see it and drive it for yourself to know if it's really "the one."

2. **SAY SOMETHING LIKE:** First, you want to look beyond the car's exterior. After all, it's what's under the hood that could end up costing you more money than you bargained for. You'll find a lot of specific tips online for how to test-drive and evaluate a car. You can find a few in your **Student Handbook page 167, Test Drive Tips**.

In short, you should be actively looking for anything that doesn't quite seem right — whether it's a funny smell or an odd noise. Any of these things could signal potential problems and big money down the road. And be thorough. Be sure to test everything in the car. If you find any problem with the car, it should be subtracted from the price.

3. **SAY SOMETHING LIKE:** Second, you want to make sure the car doesn't have any hidden mechanical problems. In other words, you want to make sure you're not buying a "lemon" — a car with recurring problems that are difficult to diagnose and fix.

You've probably heard of "certified used cars" or "certified pre-owned cars." This means the car has been through a thorough inspection and any problems have been repaired. In addition, the car is backed by a manufacturer's warranty. You do pay extra for a car in this condition, but it's a nice guarantee. Also, it's usually limited to cars that are under five years old and with less than 100,000 miles.

So, what do you do if the car you want to buy is not certified? Simple: Get it checked out by a mechanic you trust — someone who's not affiliated with the dealership in any way. This inspection will cost you, but it's well worth the expense. If the mechanic finds a problem, it could save you from buying a lemon. If the problems are minor, they should be deducted from the final cost of the car.

4. **SAY SOMETHING LIKE:** Finally, you always want to do a little "background check" on the specific car you're going to buy. At this point, you've already researched the make and model, but now that you know the specific car, be sure to investigate the car's history. All you need is the car's Vehicle Identification Number or VIN, which is specific to every car. Once you have the VIN, you can access the car's Vehicle History Report for about \$30. (You can access history reports online at www.carfax.com.) This report will tell you if the car's been in a major accident, damaged by flood, had many owners, used as a rental — factors that could affect the car's reliability, safety, and value and end up costing you in repairs.

One note of caution here: A bad report can help you rule out a car with a problematic history. But don't use a good report as your only source of information about a

car. Carfax and similar sources may not find all the problems you're trying to avoid. There's no substitute for investigating on your own.

5. **SAY SOMETHING LIKE:** And after all that, if you still love the car, should you make the purchase? No! Even if everything checks out, never drive off the lot that day. Take a day or two to think about it and double-check your financing. (We'll talk more about that step next week.)

V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Before we wrap up for the day, I'd like you to consider the cars you researched today. Turn back to the third page of **Find Your Car** and complete the section listed as, "Choose Your Car." [Give students a few minutes to answer these questions.]
2. **SAY SOMETHING LIKE:** Now don't get too attached to that car! Next week, you'll find out whether or not you can afford it. We'll also talk about getting car loans, borrowing money to pay for a car.

Car Ads

You are about to start your freshman year in college. You will be commuting to school from home, so you need a car. You sit down one morning over your Cheerios and read over the classifieds to see what's out there. Check out the car ads below.

AUTOMOBILES

Brand new, fun to drive, and it's got your name on it.

Kia Soul, 2012, Brand new, metallic blue 4-door sedan, 5-speed manual transmission, 4 cylinder 2.0 Liter engine, power locks, auto locking doors, driver airbag, AM/FM/single CD with 4 speakers, tilt steering wheel. Come into your friendly Kia dealer and test drive today! **\$23,000**

A kickin' truck for hauling it all.

CHEVROLET Silverado 1500, 2001, black, long bed, V8 4.8 Liter engine, 4WD, automatic transmission, A/C, power steering, AM/FM, front air bags. Excellent condition, 140,000 miles. Call Bobby after 5pm, 123-XXX-XXXX. **\$4,500**

Picture yourself in a red luxury convertible.

BMW 328 iC, 1998, Red 2-door convertible, 6-cylinder 2.8 Liter engine, 5-speed manual transmission, A/C, power steering, AM/FM stereo, leather. Excellent condition, 105,000 miles. Call the BMW Showroom for a test drive today. **\$10,000**

The car that won't let you down.

FORD TAURUS SE, 2000, Burgundy 4-door sedan, V6 3.0 Liter engine, automatic transmission, 2WD, power steering, driver and passenger airbags, anti-lock brakes, AM/FM cassette radio, power windows, A/C, cruise control. Good condition, 90,000 miles. Call June during the day (XXX-XXX-XXXX). **\$2,500**

Which one would you choose? Write two sentences below describing the reasons for your choice.

New vs. Used Cars

It's a big question every car buyer asks: Will you buy used or new? Chances are, as a first-time car buyer, you'll opt for a used car. But in case you're wondering what the difference is, here's a look at the advantages and disadvantages of each.

	Advantages	Disadvantages
Used Cars	<p>Lower cost: Lower purchase price and lower insurance premiums.</p> <p>"Certified" used cars are under warranty.</p> <p>You can research the reliability and repair history of that particular make and model.</p>	<p>Cost of repairs: Older cars are more likely to need repairs and replacements.</p> <p>Although "certified" used cars are under warranty, these typically cover less than warranties for new cars.</p>
New Cars	<p>The thrill of owning the latest model.</p> <p>New cars come with full warranties.</p> <p>Require fewer repairs.</p> <p>Despite higher costs, financing rates can be lower.</p>	<p>Higher cost: Higher purchase price and higher insurance premiums.</p> <p>Depreciation: The moment you drive off the lot, it loses a big chunk of its value. A car's value typically decreases about 30% after the first couple of years.</p>

Find Your Car

Which car would you choose if you were looking today? Use information on the web to find and compare your options.

Step 1: Find the Cars You're Looking for

Use online classified ads like www.cars.com to search the web by make, model, year, and price. Record the information you find under "Car Details."

Step 2: Check the Price

Research each car's value using Kelley Blue Book (www.kbb.com). You can input the car's year, make, model, mileage, overall condition, and other details to find its value. Record this information under "Car Value."

Step 3: Check Your Car's Fuel Efficiency and Estimate Fuel Costs

Check out each car's MPG at www.fueleconomy.gov. Click on "Compare Side by Side." Enter the car's year, make, and model. Then look under "Estimated New EPA MPG" and enter the "Estimated MPG" for city driving, highway driving, and combined. Enter the "Annual Fuel Cost" (estimated cost of gas per year).

Step 4: Investigate the Car's History

Once you've identified your top choices, you can research the history of specific cars at www.carfax.com and similar websites. By entering the car's Vehicle Identification Number (VIN), you can find its history – fires, floods, accidents, even repairs. There's a charge for this service, so check the website for current rates. (You can also find safety and reliability ratings on this website free of charge.) Note: You should always have a reliable mechanic check out a used car you're considering. A report from Carfax (or a similar service) is not a substitute for an inspection by a qualified mechanic.

Find Your Car (continued)

CAR A		
Car Details		
Make	Model	
Year	Mileage	
Price	Seller	
Features		
Car Value		
(check one)		
<input type="checkbox"/> Private Party Value		
<input type="checkbox"/> Suggested Retail Value		
Estimated MPG and Fuel Costs (regular gasoline)		
Combined	City	Highway
Estimated cost of gas per year		

CAR B		
Car Details		
Make	Model	
Year	Mileage	
Price	Seller	
Features		
Car Value		
(check one)		
<input type="checkbox"/> Private Party Value		
<input type="checkbox"/> Suggested Retail Value		
Estimated MPG and Fuel Costs (regular gasoline)		
Combined	City	Highway
Estimated cost of gas per year		

Find Your Car (continued)

Choose Your Car

Look back at the information you recorded about both cars and answer the questions below.

1. Which car has been driven fewer miles?

2. Which car has more of the features you need in a car?

3. How does each car's price compare with its Kelley Blue Book Price?

4. Which car gets the better gas mileage?

5. Based on what you've learned about both cars, which one would you choose?

6. What would you still like to know about this car before you buy it? How could you find those answers?

Test Drive Tips

You'll find lots of tips online for what to look for when testing cars. Remember, the most important thing is to take your time, be thorough, and be tough! Here's a list of some things to do and look for during a test drive:

Before You Drive

- Test everything in the car. Open and close all the doors, test all the car seats, push every button, open and close all the windows. Test both the air conditioning and the heater – no matter what the weather's like outside.
- Sit in the passenger seat and the back seats, too.
- Sit in the driver's seat and test the radio and other controls to make sure they're easy to reach while driving. Be sure to turn off the radio when you start the test drive so you can hear any unusual noises.
- Sit in the car and look in front of you and in the rear-view and side-view mirrors. Can you see well? Do you notice any blind spots?
- Look under the hood. Even if you don't know much about cars, check to make sure it looks relatively clean and that there are no funny fuel smells, leaks, or cracks in the belts. Also make sure there's no oil build-up or sludge inside the valve cover.
- Start the engine and stand behind the car. Look for abundant or dark smoke.

On the Drive

- Drive on many types of roads: city streets, the highway, winding roads, steep climbs, smooth roads, and bumpy roads.
- Accelerate quickly to see if the car has enough power to pass slower cars or merge onto a busy highway.
- Notice if the car jumps or lurches when you switch gears.
- Test the steering and handling by taking the car around sharp turns, long curves, and short curves. Also be sure to try parallel parking.
- Test the brakes by stopping quickly in a safe place, such as a parking lot. Be sure to let your fellow passengers know and check for cars behind you before trying this!
- Test the alignment. Drive in a straight line and notice if the car pulls to the right or left.

Paying for a Car

The **BIG** Idea

- How much will it cost to buy, operate, and insure a car?

AGENDA

Approx. 45 minutes

- I. Warm Up (5 minutes)
- II. What Can You Spend?
(15 minutes)
- III. Getting the Car Loan
(15 minutes)
- IV. Car Insurance Basics (5 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 168, Expenses After High School
- Student Handbook page 169, What's Your Car Budget?
- Student Handbook page 170, How Much Can You Afford?
- Student Handbook pages 171 - 172, Compare Car Loans
- Student Handbook page 173, A Car in Your Future?

FACILITATOR PAGES:

- Facilitator Resource 1, What's Your Car Budget? Answer Key
- Facilitator Resource 2, Compare Car Loans Answer Key

Overhead projector

Chart paper and markers

Calculators (one per student)

OBJECTIVES

During this lesson, the student(s) will:

- Understand monthly expenses of owning a car.
- Understand how to determine a reasonable amount to pay for a car given a particular budget.
- Understand car loans and how to compare different loans.
- Understand car insurance and the factors that affect rates.

OVERVIEW

In this lesson, students consider their expenses after high school graduation and predict whether they'll be able to afford the car they selected in last week's lesson. Next, they determine their "car budget" based on a certain income and expenses, and discuss some of the expenses of owning a car. Then they determine how much they can spend on car payments, and how that translates to the car's cost. They also review the variables that affect car loans and compare loans with different interest rates, loan terms, and down payments. Finally, they review the importance of car insurance and the factors that affect rates.

PREPARATION

- The following handouts need to be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 168, Expenses After High School**
 - **Student Handbook page 169, What's Your Car Budget?**
 - **Student Handbook page 170, How Much Can You Afford?**
 - **Student Handbook pages 171 - 172, Compare Car Loans**
- List the day's **BIG IDEA** and activities on the board.
- List the day's vocabulary words and definitions on the board.

VOCABULARY

Annual Percentage Rate (APR): The amount of interest you pay over a year.

Collision Coverage: Insurance that pays for the repair or replacement of your car when the damage is caused by a collision.

Comprehensive Coverage: Insurance that pays for the repair or replacement of your car when the damage is caused by something *other than* a collision.

Coverage: Protection against a loss, such as car or home damage.

Credit Rating: A score reflecting your credit history (a record of all the money you've borrowed and your payment history) that estimates your ability to repay money you borrow.

Interest: The fee paid for borrowing money; usually a percentage of the money borrowed.

Liability Coverage: Insurance that pays for injuries and property damage to the *other* car if you're at fault.

Loan Term: The length of a loan, typically expressed in months.

Premium: A periodic payment made by a policy holder to the insurance company.

IMPLEMENTATION OPTIONS

For **Activity III, Student Handbook pages 171-172, Compare Car Loans**, you may wish to save time by assigning specific loan calculations to specific students or groups of students. (Example: row 1, loans A and B; row 2, loans C and D, etc.)

In **Activity V**, if time is short, you may wish to skip **Student Handbook page 173, A Car in Your Future?**, or assign it as homework.

ACTIVITY STEPS

I. Warm Up (5 minutes)

1. Refer students to **Student Handbook page 168, Expenses After High School**. In this activity, they will imagine where they'll be after graduation, predict who will pay different expenses, and predict whether or not they will be able to afford the car they selected in last week's lesson.
2. **SAY SOMETHING LIKE:** Welcome back, everyone. This week we're going to continue the subject of buying cars. Last week you researched a car that would fit your needs (or desires!) after high school. This week, you'll be figuring out if you can afford that car given a certain budget. We're also going to talk about car loans and briefly discuss car insurance.
3. Briefly discuss **Student Handbook page 168, Expenses After High School**. Invite students to share what they predict will be their three biggest expenses. Then ask for a show of hands from those who predict they'll be able to afford the car they chose last week. How many don't think they'll be able to afford it?

II. What Can You Spend? (15 minutes)

1. **SAY SOMETHING LIKE:** Let's say you've researched the car you want to buy, you found one for a good price, you've taken it for a test drive, and you've pretty much fallen in love with it. But when you find out how much your car payment will be, you realize you wouldn't be able to pay your rent! This is why it's so important to figure out what you can afford *before* you go car shopping. So let's give ourselves a sample budget and see what we can afford.
2. Have students turn to **Student Handbook page 169, What's Your Car Budget?** and show an overhead of this page. Explain that in this activity, they will return to last week's scenario in which they're about to start their freshman year in college and need a car to commute to school. Depending on their math proficiency, you could have students work individually, in pairs, or walk through the worksheet calculations as a class.
3. Briefly review the "car budget" they calculated on the overhead. Everyone should end up with a car budget of \$300.
4. **SAY SOMETHING LIKE:** Now, you might be thinking, \$300 is a lot of money. Do I really want to spend it on a car? Do I really *need* a car? These are the questions you

should *always* ask yourself before making any large purchase. For example, maybe you could carpool with a friend and help pay for gas. Or maybe there's a bus that goes right to your school. In the end, these options would cost a lot less. For this activity, let's say that carpooling and public transportation won't work with your schedule, especially since you have a part-time job at the campus bookstore. So, after careful consideration, you've decided that buying a car is your best option.

5. **SAY SOMETHING LIKE:** Now that you have a monthly car budget, you might be thinking all that money will go towards car payments, right? Not so fast! There are a lot of expenses associated with owning a car. Who can name some?

Write these down on chart paper, including the following expenses:

- Gas
- Insurance
- Repairs
- Maintenance (oil changes, etc.)

6. **SAY SOMETHING LIKE:** These costs are really dependent on the type of car you buy — typically, the more expensive the car, the more expensive it is to operate. Since we don't know yet how much we're spending on a car, here's a good rule of thumb: Operating expenses can be about one third (or .33) of the monthly cost of a car.

Have students turn to their **Student Handbook page 170, How Much Can You Afford?** and use this formula to determine how much they should reserve for monthly operating expenses, then how much they can spend on monthly payments. (Answer: \$201.)

7. **SAY SOMETHING LIKE:** Now that you've determined what you can spend on car payments every month, how do you figure out a realistic price for a car? This final price tag will depend on what kind of loan you can get. (Remember, the loan is the money you borrow to pay for the car.) We'll cover loans in more detail in a minute, but for now let's assume that our loan has a 5% interest rate, a term of 36 months, and you're able to make a \$500 down payment.
8. **SAY SOMETHING LIKE:** Turn back to your **Student Handbook page 170, How Much Can You Afford?** and look at the chart in part 2. This shows us how much you can spend on a car given your 36-month, 5% interest rate loan and \$500 down payment. [Model this for students.] Once you know how much you can afford as a monthly car

payment (shown on the bottom line), you can determine how much you can afford to pay for the car (shown on the line to the left.) For example, if you can afford a monthly car payment of \$300, you can buy a \$10,000 car.

If we have approximately \$200 for car payments, about how much can we spend on a car? (Answer: About \$7,000) How much could we spend on a car if we could double our monthly car payment to \$400? (Answer: About \$14,000)

III. Getting the Car Loan (15 minutes)

1. **SAY SOMETHING LIKE:** One of the most important steps in buying a car is shopping for and securing a car loan. After all, most people don't have \$7,000 in their pockets (or in their bank accounts) to pay cash for a car. Instead, they need to borrow that money from a bank, car dealership, or credit union. The money they borrow is called a car loan.
2. **SAY SOMETHING LIKE:** Now, you might think that finding a car loan happens after you find the car you want. In fact, finding a car loan is the *first* thing you should do when you're thinking about buying a car. You should always talk to a lender *before* you ever set foot in a dealership. Lenders will look at your income and credit history and will often pre-approve you for a loan. That way, you can be sure about the amount you plan to spend on a car.
3. **SAY SOMETHING LIKE:** There are three main variables that affect how much you'll pay for your car loan. [Review these variables with the class]:
 - a. **Interest rate:** This is how financial institutions make money, by charging interest on their loans. (Remember, interest is what you're charged for borrowing money.) And like credit cards, the interest for car loans is expressed as the Annual Percentage Rate (APR). The higher the interest rate, the higher your monthly payments. This is a time when your credit rating really matters, because the better your rating, the better your interest rate. In fact, if your credit rating is poor, you could get turned down for the loan altogether.
 - b. **Loan term:** This is the length of the loan, expressed in months. Car loans are typically between 36 and 60 months, or three and five years. The longer the term, the lower your payments, because you're spreading the payments out over a longer period. However, the longer you spread out the loan, the more interest you'll pay, too.
 - c. **Down payment:** This is the money you pay in cash. The remainder is the amount of your loan. To get a loan, you usually need to make a down payment of between

10 and 20% of the total price of the vehicle. The more you put down, the lower your monthly payments, and the less you'll pay in the end.

4. **SAY SOMETHING LIKE:** Let's see how much these three factors can affect your car loan. Please turn to your **Student Handbook page 171, Compare Car Loans**. In this activity, you're looking for a car loan to pay for a \$7,000 car. The chart presents eight different loan options based on different interest rates, loan terms, and down payments.

You'll find the monthly payment for each loan. Use this number to calculate the total amount you'll pay for each loan, then the final cost of the car with that loan.

Ask students to predict which loan would be best by circling the letter of that loan.

Review how to calculate the total loan amount: multiply the monthly payments by the number of months in the loan term. For example, if your monthly payment is \$255.83 for a 24-month loan, the total loan amount is \$6,139.92. To calculate the final cost of the car, add your total loan amount to your down payment. So if you put \$1,400 down for the loan above, the final cost of the car would be \$7,539.92.

5. Give students a few minutes to complete the chart on **Student Handbook page 171, Compare Car Loans**, and then answer the questions listed on **Student Handbook page 172**.
6. When they've completed the chart, discuss questions 1-3 on **Student Handbook page 172, Compare Car Loans** as a class.
7. **SAY SOMETHING LIKE:** When the time comes to search for a car loan, don't be overwhelmed with all the options and go for the first one you find. As you saw in the activity, it's important to shop for the best deal. Many dealers offer financing, too. They don't always have the best interest rates, but be sure to ask and compare theirs with other rates you've found.
8. **SAY SOMETHING LIKE:** Finally, you may need to call in some help from your parents when you shop for a car loan. If you don't have a job yet, or haven't established a credit history, you may need to ask your parents to co-sign the loan with you. This means that they accept legal and financial responsibility for the loan along with you.

IV. Car Insurance (5 minutes)

1. **SAY SOMETHING LIKE:** No matter how careful you are, and especially if you're not careful, accidents happen. But nobody really expects one to happen to them. Like any insurance, car or auto insurance protects you when the unexpected happens. If you're in an accident or your car is stolen, auto insurance helps cover the cost. It also helps pay for other cars or other property that are damaged in an accident, and medical expenses for anyone who's hurt in an accident.
2. **SAY SOMETHING LIKE:** As you can imagine, car insurance is very important. It's also mandatory. I'll say this again: **Car insurance is not optional. It is mandatory for owning and driving a car.**

It's also essential to have *enough* auto insurance. After all, paying for auto damage and medical bills can cost hundreds of thousands of dollars. Without insurance, a single accident could put you (or your parents) in a financial disaster.

3. **SAY SOMETHING LIKE:** There are several different types of coverage and you can decide how much you want of each one. Three basic types are:
 - **Liability insurance** pays for injuries and property damage to the *other* car if you're at fault; it does not pay for damages to your own car. *Everyone should have this type of insurance; in some states, it's required.*
 - **Collision insurance** pays for damage to *the car you're driving* in an accident.
 - **Comprehensive insurance** pays if your car is stolen or damaged in some way other than a collision, like theft, fire, or flood.

You decide how much collision and comprehensive coverage you need to have. Some people with very old cars choose to have little or none of this coverage because it could end up costing more than it would cost to replace the car.

4. **SAY SOMETHING LIKE:** Now you can see why auto insurance is so important, right? Of course, it also costs money. You pay a premium for your policy each year. This premium is based on a number of factors.

Write the following factors on the board or on chart paper. Then have students identify which ones they can control and which ones are out of their control.

- The type of coverage you have
- The amount of coverage you have
- Your deductible: (The amount of money you must pay out of your own pocket be-

fore the company pays).

- Age
- Gender
- Where you live
- Cost of your car
- Driving history
- How you'll use the car
- Credit history

5. **SAY SOMETHING LIKE:** It's also important to know that your premiums can change. What actions do you think could cause your premiums to increase? [Make a list on the board or chart paper. For example:
 - Accidents
 - Speeding tickets
 - DUI (driving under the influence)
 - Letting friends drive your car
 - Paying your premium late]

V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Before we end for the day, I'd like you to turn to your **Student Handbook page 173, A Car in Your Future?** Take a few minutes to think about your own needs and expenses after high school and answer these questions.
2. Have students share their answers. Ask for a show of hands from people who felt like they did not need a car and ask volunteers to describe their other transportation options. Then ask students to share one way that this lesson changed or confirmed their plans to buy a car.
3. **SAY SOMETHING LIKE:** Great job today, everyone. We covered a lot of important information in these past two lessons. While you might not remember all of it, I hope you'll come away with a better sense of how to prepare for big purchases in your future: consider your needs, determine your budget, and do your research!

Next week, we'll continue the Money Matters unit, but turn to another big expense in your future: renting an apartment.

What's Your Car Budget? Answer Key

Let's return to the scenario presented last week: You are about to start your freshman year in college. You'll be commuting to the local community college from home. Your room, board, and tuition are covered, but you will need to buy a car. You have your eye on one in particular, but now you need to figure out how much you can afford for car payments each month.

The place to start is with your budget. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You've also estimated your weekly expenses (see chart below). Use this information to determine your monthly budget (be sure to multiply weekly expenses by four). Whatever money you have left over will be your "car budget."

	Subtotal
1. Net Monthly Income	
a) Gross Monthly Income (hourly rate X total weekly hours X 4)	\$ <u>800</u>
b) Deductions (30% of a, or 0.3 X a)	\$ <u>240</u>
c) Net Monthly Income (a – b = c)	\$ <u>560</u>
<hr/>	
2. Monthly Expenses & Savings	
a) Food (lunch on campus; pizza out with friends) (Estimate: \$25/week)	\$ <u>25</u>
b) Clothes & Entertainment (movies, sweatshirt) (Estimate: \$20/week)	\$ <u>20</u>
c) Savings (for emergencies and unexpected expenses) (Estimate: \$20/week)	\$ <u>20</u>
d) Total Weekly Expenses & Savings (a + b + c = d)	\$ <u>65</u>
e) Total Monthly Expenses & Savings (d x 4)	\$ <u>260</u>
<hr/>	
3. Monthly Balance ("Car Budget") (income – expenses, or 1c – 2e)	\$ <u>300</u>

Compare Car Loans Answer Key

You are buying a car for \$7,000.00. Compare the car loans below, and see how the monthly payment varies based on *interest rate*, *loan term*, and *down payment*. Complete the chart by calculating the total loan amount of each loan, then the final cost of the car. When you've finished the chart, answer the questions on the next page.

Loan Number	Inter-est rate	Loan Term	Down Payment	Monthly payment	Total Loan Amount (monthly payment X months of loan)	Final Car Cost (total loan amount + down payment)
A	9%	24 months	20% \$1400	\$255.83	\$6139.92	\$7539.92
B	9%	36 months	20% \$1400	\$178.08	\$6410.88	\$7810.88
C	9%	24 months	10% \$700	\$287.81	\$6907.44	\$7607.44
D	9%	36 months	10% \$1400	\$200.34	\$7212.24	\$8612.24
E	5%	24 months	20% \$1400	\$245.68	\$5896.32	\$7296.32
F	5%	36 months	20% \$1400	\$167.84	\$6042.24	\$7442.24
G	5%	24 months	10% \$700	\$276.39	\$6633.36	\$7333.36
H	5%	36 months	10% \$700	\$188.82	\$6797.52	\$7497.52

Expenses After High School

Imagine where you'll be a few months after graduation. If you think you'll be in college, will you be living in a dorm, an apartment, or commuting from home? If you're working, do you think you'll be living with your parents or will you have your own place? Of course, the biggest question is, who's paying your expenses? Take a look at the categories below and check who you think will be responsible for each expense.

Expenses	<i>(check one)</i>		
	I'll Pay	Family Will Pay	Student Loan or Financial Aid Will Pay
Housing (dorm, if going to college)			
Food			
Clothing			
Transportation			
Entertainment			
Tuition			
Books			
Savings/Emergency Fund			

1. Which three categories do you think will be the most expensive?

2. How much was the car you chose last week? Do you think you'll be able to afford it? Explain why or why not.

What's Your Car Budget?

Let's return to the scenario presented last week: You are about to start your freshman year in college. You'll be commuting to the local community college from home. Your room, board, and tuition are covered, but you will need to buy a car. You have your eye on one in particular, but now you need to figure out how much you can afford for car payments each month.

The place to start is with your budget. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You've also estimated your weekly expenses (see chart below). Use this information to determine your monthly budget (be sure to multiply weekly expenses by four). Whatever money you have left over will be your "car budget."

	Subtotal
1. Net Monthly Income	
a) Gross Monthly Income (hourly rate X total weekly hours X 4)	\$ _____
b) Deductions (30% of a, or 0.3 X a)	\$ _____
c) Net Monthly Income (a – b = c)	\$ _____
<hr/>	
2. Monthly Expenses & Savings	
a) Food (lunch on campus; pizza out with friends) (Estimate: \$25/week)	\$ _____
b) Clothes & Entertainment (movies, sweatshirt) (Estimate: \$20/week)	\$ _____
c) Savings (for emergencies and unexpected expenses) (Estimate: \$20/week)	\$ _____
d) Total Weekly Expenses & Savings (a + b + c = d)	\$ _____
e) Total Monthly Expenses & Savings (d x 4)	\$ _____
<hr/>	
3. Monthly Balance ("Car Budget") (income – expenses, or 1c – 2e)	\$ _____

How Much Can You Afford?

Part 1: Your Monthly Car Payments

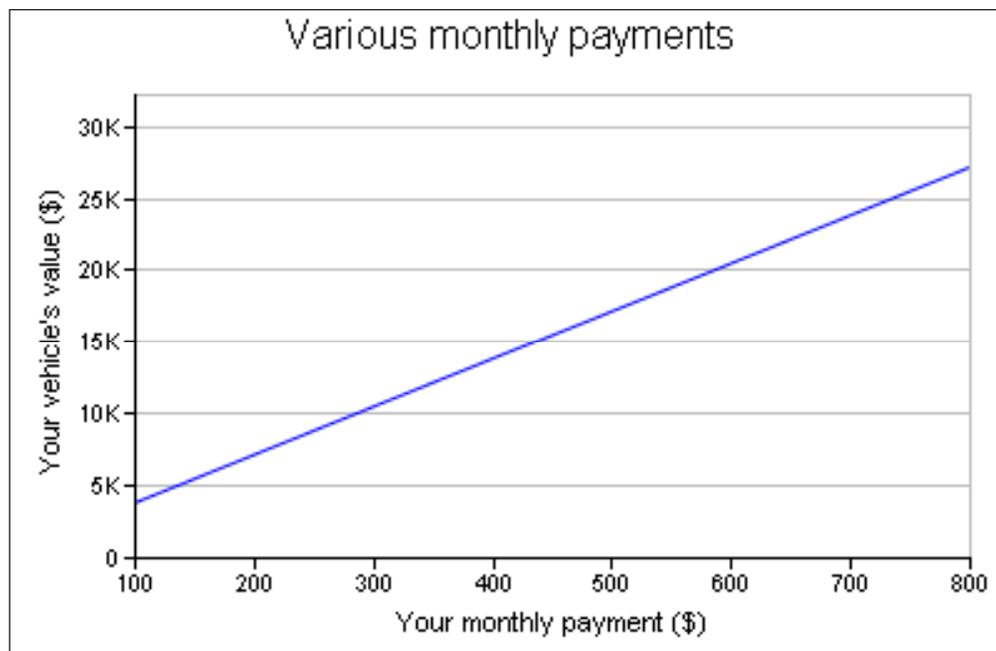
Now that you've figured out your "Car Budget," complete the chart below to figure out how much you actually have to spend on car payments – after all those operating expenses.

	Subtotal
a) Monthly Car Budget (from previous worksheet)	\$ _____
b) Operating Expenses (gas, maintenance, insurance) (33% of a, or $0.33 \times a$)	\$ _____
c) Monthly Balance for Car Payments ($a - b = c$)	\$ _____

Part 2: Your Car's Value

Now let's see what car value you can afford based on those monthly payments. Let's say you found a 36-month loan with a 5% interest rate, and you have \$500 for a down payment. The chart below shows how your monthly payment translates to the car's value. Find your monthly payment at the bottom of the graph. Find your vehicle's value on the left.

About how much can you spend on a car? Answer: _____



SOURCE: www.consumerreports.org

Compare Car Loans

You are buying a car for \$7,000.00. Compare the car loans below, and see how the monthly payment varies based on *interest rate*, *loan term*, and *down payment*. Complete the chart by calculating the total loan amount of each loan, then the final cost of the car. When you've finished the chart, answer the questions on the next page.

Loan Number	Inter-est rate	Loan Term	Down Payment	Monthly payment	Total Loan Amount (monthly payment X months of loan)	Final Car Cost (total loan amount + down payment)
A	9%	24 months	20% \$1400	\$255.83		
B	9%	36 months	20% \$1400	\$178.08		
C	9%	24 months	10% \$700	\$287.81		
D	9%	36 months	10% \$1400	\$200.34		
E	5%	24 months	20% \$1400	\$245.68		
F	5%	36 months	20% \$1400	\$167.84		
G	5%	24 months	10% \$700	\$276.39		
H	5%	36 months	10% \$700	\$188.82		

1. Compare two loans with the same interest rate and down payment, but different loan terms. Which one has the higher monthly payment? With which loan would you end up paying the most for the car?

2. Compare two loans with the same loan terms and down payment, but different interest rates. How much does the lower interest rate save on your monthly payment? How much less would you pay for the car overall?

3. Which car loan would end up costing you the most money in the end? The least amount of money? For each loan, what do you notice about its interest rate, loan term, and down payment?

A Car in Your Future?

Take a few minutes to reflect on what you've learned today and consider your own transportation needs now and after you graduate from high school.

1. What are your current transportation needs? Will you need a car before you graduate from high school? Explain your answer.

2. Describe what will likely be your transportation needs after you graduate from high school. What options do you have for this transportation? Do you think you'll need a car? Why or why not?

3. How much money, if any, do you have for a down payment on a car? How much do you think you could set aside for a down payment each month? How much would that give you by next year (12 months from now)?

4. Name three transportation costs you can expect in addition to your monthly car payment.

5. Looking ahead to life after high school, estimate how much you can afford to spend on transportation each month. What portion of this would be needed for operating expenses if you owned a car?

Renting Your First Place

The **BIG** Idea

- What do I need to know before I rent my first place?
How is renting different than buying?

AGENDA

Approx. 45 minutes

- I. Warm Up: Choose Your Pad!
(5 minutes)
- II. Figuring Out a Budget
(10 minutes)
- III. Finding the Place (15 minutes)
- IV. Renting vs. Owning
(10 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 174, Rental Listings
- Student Handbook page 175, Housing Budget
- Student Handbook page 176, Rental Worksheet
- Student Handbook page 177, Renting vs. Owning
- Student Handbook page 178, E-mail to a Friend

FACILITATOR PAGES:

- Facilitator Resource 1, Housing Budget Answer Key
- Overhead Projector

OBJECTIVES

During this lesson, the student(s) will:

- Understand how to determine a reasonable amount for rent given a particular budget.
- Understand how to search for and evaluate different rental properties.
- Understand the differences between renting and buying.

OVERVIEW

In this lesson, students begin by reviewing some rental listings and choosing the one they think would be the best fit for them after graduation. Next, they use a given income to figure out their housing budget, as well as what they might expect to spend on other household expenses. Then, they discuss important factors to consider when searching for a rental property before reviewing actual properties in their town. Next, they discuss the difference between renting and owning, and the advantages and disadvantages of each. The lesson concludes with advice for a friend re: choosing a place to rent.

PREPARATION

- The following handouts need to be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 174, Rental Listings**
 - **Student Handbook page 175, Housing Budget**
 - **Student Handbook page 176, Rental Worksheet**
 - **Student Handbook page 177, Renting vs. Owning**
 - **Student Handbook page 178, E-mail to a Friend**
- Prepare materials for **Activity III, Finding a Place**. (See **IMPLEMENTATION OPTIONS** below.)
- List the day's **BIG IDEA** and activities on the board.
- List the day's vocabulary and definitions on the board.
- **Activity III** requires computers with Internet access. Make arrangements to use the computer lab.

VOCABULARY

Equity: The difference between a property's value and the loan amount still owed.

Rent: Regular payment from a tenant to a landlord to live in a property.

Utility: A service such as gas, electric, or phone.

IMPLEMENTATION OPTIONS

For **Activity II, Figuring Out a Budget**: After calculating their budgets, students will determine that they have \$258 to spend on rent each month. If this will not cover an apartment in your area (even one shared with one or more roommates), consider increasing the monthly contribution from parents for living expenses (currently \$300.00). (Teachers in major metropolitan areas may need to acknowledge that city apartments may be beyond students' means immediately after graduation, and choose to investigate locations outside the city.)

For **Activity III, Finding the Place**:

- In this section, students are asked to search rental properties and record details about their top two choices. Help them narrow down their searches by specifying a neighborhood near a college in your area.
- If computer access is not readily available, research appropriate rental properties in your area and print them out for your students: www.move.com/apartments/main.aspx is one source, searchable by zip code. You may also choose to find and photocopy classifieds from your local paper.

For **Activity V, Student Handbook page 178, E-mail to a Friend**, you may wish to have students present their ideas verbally rather than writing them down.

ACTIVITY STEPS

I. Warm Up (5 minutes)

1. [To begin this lesson, refer students to **Student Handbook page 174, Rental Listings**, as they enter the classroom. Give students a few minutes to read the scenario and answer the questions.]
2. **SAY SOMETHING LIKE:** Welcome, everybody. By now, I hope you've had a chance to choose a place to rent from the listings. I'd like to see a show of hands: How many of you think you'd like to find your own place after you graduate? Then I think you're going to be interested in our next two lessons. Today and next week we're going to focus on renting and buying your own place.

II. Figuring Out a Budget (10 minutes)

1. **SAY SOMETHING LIKE:** Like any big decision you make that involves money, it's important to figure out how much you can afford first. After all, you don't want to find the place of your dreams and sign a lease, only to discover you don't have enough money after rent to cover your other bills.
2. **SAY SOMETHING LIKE:** How much can you afford on rent? Well, this depends on how much you make, how much you'll need to cover other expenses, and where you live. But here's a general rule about housing: You can spend between 25 and 35% of your net income on rent. Remember, your net income is what you take home after taxes are taken out.
3. Have students turn to their **Student Handbook page 175, Housing Budget** and display this page on the overhead projector. Review the scenario in which they are about to start their freshman year in college and have a part-time job lined up at the campus bookstore. Have students complete parts I and II to determine their monthly income and estimate how much they can spend on housing. Depending on their math proficiency, you could have students work individually or in pairs, or walk through the worksheet calculations as a class.
4. **SAY SOMETHING LIKE:** What did we determine? How much do we have to spend on monthly rent?

Now if we spend this on rent, have we covered our household expenses? Of course not! Just think back to our car budget. There were additional costs associated with having

a car, like paying for gas, repairs, insurance, and more. It's the same thing with having your own place. Even after you pay for rent, you still need to cover the cost of **utilities** like water, electricity, gas, phone, and cable. These costs can vary depending on where you live, but you do have some control over what you pay. For example, you can cut costs by conserving electricity and water, or by choosing basic cable or cutting it out all together. The general rule is that you should not pay more than 10% of your monthly income on these expenses. The good news is that some rentals include utilities like electricity and water.

Have students complete part III of **Student Handbook page 175, Housing Budget** to estimate how much they'll spend on utilities.

- 5. SAY SOMETHING LIKE:** There are even more expenses to consider if you're moving into your own place for the first time. [As time allows, review the following expenses to give students a sense for expenses associated with moving into their first place:
- a. Moving Expenses:**
 - Rent for first and last month
 - Security deposit for rental unit
 - Deposits for utilities (telephone, electricity, water, etc.)
 - Renting a truck
 - b. "Getting Settled" Expenses:**
 - New furniture
 - Appliances
 - Sheets
 - Towels
 - Brooms
 - Utensils
 - Dishes]
- 6. SAY SOMETHING LIKE:** There's one other expense I want to mention. You probably remember from the last lesson the importance of auto insurance, which covers expenses if you're in an accident or your car is damaged or stolen. Well, there's also renter's insurance, which covers expenses if your belongings are damaged or stolen. Of course, the owner of the rental unit has insurance, but this only covers the cost of the building itself – not any of your belongings inside the building. So if there's a fire, a burst pipe, or a burglary, you're responsible for your own belongings. Renter's insurance will help you repair or replace your belongings. The average cost of renter's insurance is about

\$200 to \$240 a year, or \$17 to \$20 a month.

III. Finding the Place (15 minutes)

1. **SAY SOMETHING LIKE:** Now that you've figured out what you can afford, it's time to find a place that fits your needs. What are some of the things you should consider when looking for a place to live? [Start a list on the board, guiding them to identify the following categories:
 - Location: Is it close to work/school, public transportation, a bank and stores, entertainment, friends? Is it in a safe neighborhood? Is there parking available?
 - Rent: Is it within my budget?
 - Utility bills: Are any utilities covered?
 - Overall condition: Is it clean and in relatively good condition inside and out? Do you see leak stains on the ceilings or mold around the bathtub? Do the appliances function properly?
 - Appliances/Facilities: Does the place have a washer/dryer or dishwasher? If it's an apartment complex, is there a pool?
 - Roommates/Number of Roommates: Will I need to live with other people? If so, how many? What are advantages and disadvantages of having roommates?
 - Landlord or Management Company: Does the company have a good reputation? Does the landlord seem responsive and trustworthy? If possible, talk to other tenants.]
2. **SAY SOMETHING LIKE:** Now it's time to begin your rental search, keeping some of these things in mind. You'll be searching for rentals in or near our own town. [If you have decided to narrow students' searches, specify which area or zip code they should search.]
3. Have students turn to their **Student Handbook page 176, Rental Worksheet** and display this page on the overhead projector. Explain that they will be identifying their top two choices and recording details about each one in the chart. Point out that the more bedrooms a place has, the less expensive it typically is per person. Therefore, if they have a difficult time finding a place in their price range, they should consider more bedrooms. While this may add a roommate or two, it will decrease their overall rent. Likewise, when they record their rent on the chart, be sure to divide the total rent by the number of roommates they'll have.

If computer and Internet access is available, let students work in pairs to find places using online classifieds from your local paper or websites such as <http://www.move.>

com/apartments/main.aspx. If the class does not have computer access, use these tools to print out options for students to select their own choices.

4. Ask volunteers to share their top choices. When they started searching, which features were most important? Which features were they willing to sacrifice?

IV. Renting vs. Owning (10 minutes)

1. **SAY SOMETHING LIKE:** So far today we've just focused on renting, or paying for the right to live where someone else owns the property. Someday, many of you may want to own your place. Very few people can pay cash to buy a home; most must find a bank to lend them money for this purchase. A mortgage, or a home loan, works kind of like a car loan: you pay interest for the loan and pay off the loan over time. The main difference is that you're paying off a much larger loan over years instead of months.
2. Have students turn to their **Student Handbook page 177, Renting vs. Owning** and display this page on the overhead projector. Review this chart showing some of the advantages and disadvantages of renting and owning.
3. Make sure students understand what it means to build **equity**:

SAY SOMETHING LIKE: If you pay \$1,000 in rent over five years, you'll spend \$60,000, but have nothing to show for it. If you pay the same amount in mortgage payments for five years, you've paid \$60,000 towards your home. (Some of this will go towards the interest you pay for your home loan, but much of it goes towards paying off the loan.) The value of your home, minus what you still owe on the loan, is the equity you've built. Typically, equity in your home continues to increase with time, as your home's value increases and your loan decreases.

4. **SAY SOMETHING LIKE:** So, when will you know when you're ready to buy a home? Here are some questions you'll want to ask yourself:
 - **How long do I want to stay in this location?** You'll want to know that you'll be in a location for more than a few years. If you're thinking about moving in a few years, it's usually smarter to rent. After all, buying a home is a long-term investment, which might cost you money in the first few years.
 - **Do I have a steady job?** It's important to know that your income is not going to decrease, or even better that it will likely steadily increase over time. You don't want to be stuck with mortgage payments you can't make if you lose your job.
 - **How much savings do I have?** There are substantial up-front costs associated

with buying a house, so it's important to have enough in your savings account to cover these.

- **How's my credit rating?** This will affect the loan you can get, so it's important to fix problems and improve credit ratings as much as possible before you start searching for a loan.

V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Before we end for the day, I'd like you to turn to your **Student Handbook page 178, E-mail to a Friend**. Here's the scenario: Your best friend is searching for a place out of town where he'll be taking classes at a community college. Read his e-mail and think of at least three questions he should consider before he signs the lease.
2. Give students a few minutes to consider their questions. Then ask a few volunteers to share their ideas.
3. **SAY SOMETHING LIKE:** Great job today, everyone. Next week, we'll complete the **Money Matters Unit** with our final lesson: rental agreements.

Housing Budget Answer Key

You are about to start your freshman year in college. You're looking for a place to live, but first you need to figure out your budget to determine what you can spend on housing costs each month. The place to start is with your budget:

- **In part I**, figure out your net income. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You're also receiving \$300/month from your parents to help cover living expenses.
- **In part II**, estimate out how much you can spend on housing or rent. (The rule of thumb is to spend between 25% and 35% of your income on housing, so we've used 30%.)
- **In part III**, estimate out how much you'll need for utilities and household expenses like water, electricity, and phone. (The general rule is to spend no more than 10% of your income on these expenses.)

PART I

1. Monthly Income

- | | |
|--|---------------|
| a) Gross monthly income from bookstore
(hourly rate X total weekly hours X 4) | \$ <u>800</u> |
| b) Deductions
(30% of a, or 0.3 X a) | \$ <u>240</u> |
| c) Net monthly income from bookstore
(a – b = c) | \$ <u>560</u> |
| d) Monthly check from parents | \$ <u>300</u> |
| e) Total Monthly Income
(c + d = e) | \$ <u>860</u> |

PART II

2. Monthly Housing Budget

- | | |
|--|---------------|
| a) Total Monthly Income
(line 1e above) | \$ <u>860</u> |
| b) Housing Budget
(30% of 1e, or 0.3 X a) | \$ <u>258</u> |

PART III

3. Monthly Utilities/Household Expenses

- | | |
|---|---------------|
| a) Total Monthly Income
(line 1e above) | \$ <u>860</u> |
| b) Utilities/Household Expenses
(10% of 1e, or 0.1 X 1a) | \$ <u>86</u> |

Rental Listings

Imagine that in a month, you're starting your freshman year at the community college. You've already secured a part-time job at the campus bookstore, but you still need to find a place to live. Read the rentals below and choose the one that you think is the best fit for you. Then answer the questions below.

RENTALS

PEACE AND QUIET. Share a 2-BR apartment with quiet, studious roommate, 5 miles from campus on bus route. \$325/month.

PLACE OF YOUR OWN. 1-BR apartment, 4 blocks from campus. \$375/month, utilities included.

IF YOU PARTIED HERE, YOU'D BE HOME NOW! Two fun-loving roommates need another to share 3-BR house right across from campus. \$300/month.

INSPIRED LIVING IN THE WOODS. Artist and musician looking for creative type to share a 3-BR house in the woods, just a 2-mile bike ride from campus. \$350/month, including utilities.

CRASH HERE FOR CHEAP. Laid-back ex-student looking for roommate to share 1BR apartment with pullout sofa. \$200/month and some utilities.

Which one did you choose?

What are the advantages of this choice?

What concerns do you have?

What questions would you need to figure out before you made a decision?

Housing Budget

You are about to start your freshman year in college. You're looking for a place to live, but first you need to figure out your budget to determine what you can spend on housing costs each month. The place to start is with your budget:

- **In part I**, figure out your net income. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You're also receiving \$300/month from your parents to help cover living expenses.
- **In part II**, estimate how much you can spend on housing or rent. (The rule of thumb is to spend between 25% and 35% of your income on housing, so we've used 30%.)
- **In part III**, estimate how much you'll need for utilities and household expenses like water, electricity, and phone. (The general rule is to spend no more than 10% of your income on these expenses.)

PART I

1. Monthly Income

- a) Gross monthly income from bookstore
(hourly rate X total weekly hours X 4) \$ _____
- b) Deductions
(30% of a, or $0.3 \times a$) \$ _____
- c) Net monthly income from bookstore
($a - b = c$) \$ _____
- d) Monthly check from parents \$ 300
- e) Total Monthly Income
($c + d = e$) \$ _____

PART II

2. Monthly Housing Budget

- a) Total Monthly Income
(line 1e above) \$ _____
- b) Housing Budget
(30% of 1e, or $0.3 \times a$) \$ _____

PART III

3. Monthly Utilities/Household Expenses

- a) Total Monthly Income
(line 1e above) \$ _____
- b) Utilities/Household Expenses
(10% of 1e, or $0.1 \times 1a$) \$ _____

Rental Worksheet

Search for a rental near a local college. Use the web, a local newspaper, or printouts from your teacher to search for available rentals in your price range. Record important details about your top choices below.

Remember, if the apartment or house has more than one bedroom, assume you will have enough roommates to fill each bedroom. In this case, remember to divide the rent by the number of roommates. (\$900/month for three roommates is \$300/each.)

I'm looking for a place near _____ . The zip code is _____ .

	RENTAL #1	RENTAL #2
Rent		
Roommates? (no/yes, number)		
Utilities Covered? (yes/no)		
Proximity to Work/School (# of miles)		
Main type of Transportation (walk/bike/ bus/car)		
Advantages		
Disadvantages		
Questions You Have		

Renting vs. Owning

Most people rent for several years after graduation. Some people rent for longer, or their whole lives, in places where property values are especially high. But someday you may think about owning a place of your own. Take a look at the benefits and drawbacks of renting and owning.

	ADVANTAGES	DISADVANTAGES
Renting	<ul style="list-style-type: none"> • Not responsible for maintenance of building • Allows flexibility; you can move when your lease is up 	<ul style="list-style-type: none"> • No control over rent increases with each new lease term • Could be evicted if building is sold or landlord decides to rent to someone else • No equity or tax benefits
Owning	<ul style="list-style-type: none"> • Sense of ownership and security • Monthly payments go towards owning the house, not into a landlord's pocket • Build equity in house (Over time, the house may be worth more than you owe, which means you'll get money back when you sell) • Tax advantages (You can deduct mortgage interest and real estate taxes and pay less income tax) • Freedom to renovate, decorate, and landscape 	<ul style="list-style-type: none"> • Responsible for all your maintenance and repairs to property • Less flexibility; more difficult to move • Responsible for property taxes • Could lose house (and equity) if payments aren't made

Signing a Lease

The **BIG** Idea

- How can a lease help me, and what other protection do I have in case of a dispute with my landlord?

AGENDA

Approx. 45 minutes

- I. Warm Up (5 minutes)
- II. Legal Terms (10 minutes)
- III. Who Benefits? (10 minutes)
- IV. Quiz: Rights and Responsibilities? (10 minutes)
- V. Where to Go for Help (5 minutes)
- VI. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 179, Tenant-Landlord Disputes
- Student Handbook pages 180 - 181, Lease Agreement
- Student Handbook page 182, Tenant-Landlord Protections
- Student Handbook pages 183-184, Tenant and Landlord Rights & Responsibilities

- Overhead projector

OBJECTIVES

During this lesson, the student(s) will:

- Understand a lease and the rights and responsibilities of tenants and landlords.
- Know where to go for help in case of landlord-tenant disputes.

OVERVIEW

In this lesson, students begin by reviewing a few disputes between tenants and landlords and describing how one might be resolved. Next, they discuss the importance of a lease, review a sample lease, and underline and review new or confusing terms. Then, they complete a chart showing how a lease protects both the landlord and the tenant. Next, they use the lease to complete a quiz about the rights and responsibilities of tenants and landlords. Finally, they review where to go for help to resolve a dispute with a landlord.

PREPARATION

- The following handouts can be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 179, Tenant-Landlord Disputes**
 - **Student Handbook pages 180 - 181, Lease Agreement**
 - **Student Handbook page 182, Tenant-Landlord Protections**
 - **Student Handbook pages 183-184, Tenant and Landlord Rights & Responsibilities**
- List the day's **BIG IDEA** and activities on the board.
- List the day's vocabulary words and definitions on the board.

VOCABULARY

Evict: To force a tenant to leave the premises for not following rules of lease or for not paying rent.

Landlord: The person that owns a property that is rented out.

Lease: A written agreement between a landlord and a tenant stating the terms under which a property will be rented.

Rent: Regular payment from a tenant to a landlord to live in a property.

Tenant: The person who rents and lives in a property.

Utility: A service such as gas, electric, or phone.

IMPLEMENTATION OPTIONS

Activity II, Who Benefits?: You may wish to assign half the class to the role of landlord, and the other half to the role of tenant. Have students complete the portion of **Student Handbook page 182, Tenant-Landlord Protections**, which applies to them. Once they've completed the chart, have students share their results as a class.

If you feel your students will struggle with this page or the reading required, you may wish to complete it as a whole-class activity.

Activity V, Where to Go for Help: This section reviews steps to take if a lease is not honored. You may want to share information, procedures, and organizations for your own state or community. (See Tenant Rights for Your State: <http://www.hud.gov/renting/tenantrights.cfm>.)

If time is short, you may choose to omit **Activity IV, Student Handbook pages 183-184, Tenant and Landlord Rights & Responsibilities** and/or the Wrap Up in **Activity VI**.

ACTIVITY STEPS

I. Warm Up (5 minutes)

1. As students enter the classroom, refer them to **Student Handbook page 179, Tenant-Landlord Disputes**. Give students a few minutes to read the scenarios, and then choose one to describe how it might be resolved.
2. **SAY SOMETHING LIKE:** Welcome, everybody. Last week we started talking about important things to know before you rent your first place. We're going to continue that theme today, focusing on the rights and responsibilities of tenants and landlords. It's important that these rights and responsibilities are clearly stated and put in writing. This is the purpose of the lease, which we'll cover in today's lesson.

II. Legal Terms (10 minutes)

1. **SAY SOMETHING LIKE:** When you find a place you want to rent, the next step is to review and sign the lease. A **lease** is a written agreement between a **landlord**, the person who owns the property, and the **tenant**, the person who is renting the property. A lease describes the rights and responsibilities of the tenant and the landlord.
2. It's important to have this written agreement so that each party knows his or her rights are protected and concerns are addressed. Imagine you are a renter. What are some of your concerns? [Take answers from students and write them on the board, such as: wants to live in a safe, clean place; wants to be treated fairly; wants to know that repairs will be made.] What do you think are the landlord's concerns? [Take answers from students and write them on the board, such as: wants to get paid on time; wants apartment to stay in good shape; wants to make money.]
3. **SAY SOMETHING LIKE:** Like any legal document, it's important to review a lease carefully before signing it – no matter how excited you are about the place. Let's take a look at a sample lease. Please turn to **Student Handbook pages 180-181, Lease Agreement**. [Display this page on the overhead projector.] This is just an example of a lease you might encounter when you rent your first place. Different leases spell out different rules. As you'll see, it's meant to protect both the tenant and landlord by stating the rights and responsibilities of each party. I'd like you to take a few minutes to read through the lease. As you read, underline words or phrases that are unfamiliar to you.
4. As a class, review the terms students underlined. Some examples might include: parties, private residence, premises, deposit, dishonored check, occupancy, deemed hazardous,

controlled substance, criminal conviction, sublet/sublease, prior written consent, alterations, upon notice, prior to, terminated, written notice, hold over, fail to vacate.

III. Who Benefits? (10 minutes)

1. **SAY SOMETHING LIKE:** Now that we've read through the lease and figured out some unfamiliar terms, let's take a closer look at what the lease really says. A lease is easier to understand if you think about how it protects both the landlord and the tenant. Please turn to **Student Handbook page 182, Tenant-Landlord Protections.**
2. Place this chart on an overhead projector. Either as a class, or in small groups, have students use the lease to complete the chart. If students do this individually or in groups, take a few minutes to review the answers as a class.

IV. Quiz: Rights and Responsibilities (10 minutes)

1. Have students turn to **Student Handbook pages 183-184, Tenant and Landlord Rights & Responsibilities.** Instruct them to check the tenant's and landlord's rights and responsibilities based on the sample lease they reviewed earlier in class.
2. Review their answers as a class. (Correct answers: 1, 3, 7, 8, 10, 11, 12, 13, 14, 16, 19, 20, 21, 23.)
3. **SAY SOMETHING LIKE:** By now, you should have a good sense of what information is included in a lease. What are some things that surprised you about the lease we reviewed today? Would you agree to rent a place without signing a lease? Why or why not?

V. Where to Go for Help (5 minutes)

1. **SAY SOMETHING LIKE:** While a lease is an essential tool in solving problems, sometimes a landlord or a tenant doesn't honor the lease. First, what do you think happens if a tenant doesn't meet his or her responsibilities? For example, what if a tenant refuses to pay rent or late fees? What if a tenant has loud parties, keeps a pet, or damages the property out of negligent or reckless behavior? [Take answers and write them on the board: A tenant could be evicted or forced to leave, lose the security deposit, or be required to cover expenses for damages beyond normal wear and tear.]
2. **SAY SOMETHING LIKE:** But what if a landlord doesn't meet his or her responsibilities? For example, what if a landlord tries to increase your rent or change the terms of your lease? What if a landlord won't make a repair to your apartment, despite written requests? The first thing you should always do in these situations is to talk to your landlord and work it out between the two of you. But if that doesn't work, you do have options.

3. **SAY SOMETHING LIKE:** If the problem is that the landlord is somehow trying to change the terms of your lease, you can contact your city manager or mayor's office and ask about local tenants' rights organizations. [You may want to share information about groups in your own state or community.]
4. **SAY SOMETHING LIKE:** But a much more common problem is when a landlord does not maintain or repair a property. As a tenant, you should first consider the *nature* of the problem. If the problem makes the property unsafe or uninhabitable, the landlord is legally required to fix it. (If you're not sure about the rules regarding a problem, look at your lease along with your state and local laws.)
5. **SAY SOMETHING LIKE:** What's the first thing you should do if you notice a problem? That's right: *tell the landlord*. You may want to do this in person, but it's a good idea to put this in writing, too. Remember, as a renter, this is *your responsibility*. If the problem affects the immediate safety of the property (like exposed wires), be sure to put this in writing.
6. **SAY SOMETHING LIKE:** But what if your landlord doesn't respond after repeated requests? You have a number of options:
 - If the problem is serious and affects your health or safety, hire someone to make the repairs and deduct the expense from your next month's rent. (It's always a good idea to get an official opinion on what's "unsafe," so you don't get stuck with repairs the landlord's not willing to make. DON'T do this for minor repairs, only for serious problems.)
 - Call your local housing department or building inspector. The problem may violate local or state housing codes, and these organizations could require repairs to be made.
 - Contact your local tenants' rights organization. (The city manager or mayor's office can direct you to these groups.)
 - In some states, you have a right to stop paying rent until the problem is fixed, but be sure to check the laws in your state or town. You may need to pay the rent to a third party, such as a county clerk, until repairs are made.
 - As a last resort, you may need to move out of the apartment, as long as you give the notice required in the lease.

VI. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Before we end for the day, I'd like you to turn back to today's first activity, **Student Handbook page 179, Tenant-Landlord Disputes**. Take a few minutes to revise your solution based on what you learned today.

2. Ask a few volunteers to share their solutions. If you have time, take one answer for each scenario.
3. **SAY SOMETHING LIKE:** Great job today, everyone. This was the final lesson in our Money Matters unit. We've covered a lot of information in this unit, from using credit cards to buying cars to renting houses. [Announce what the class will be doing next week.]

SKILLS CHECKLIST:

Direct students' attention to **Portfolio page 27, Grade 11 Skills Checklist**. Have students complete the skills checklist questions for Money Matters.

MONEY MATTERS

I CAN ...

List the advantages and disadvantages of credit cards.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Explain why a good credit rating is important.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
List things to consider when choosing a credit card.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
List questions to ask when buying a car.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Explain the costs of buying, operating, and insuring a car.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
List things to consider when renting an apartment.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Understand the terms of a lease.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Describe the steps to take to resolve a problem with a landlord.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well

Lease Agreement

PARTIES: The parties to this Agreement are: Melissa McCracken hereinafter called Landlord and Mike Mills and Evan Jacobs, hereinafter called Tenant.

PROPERTIES: As consideration for this agreement, Landlord agrees to rent/lease to Tenant and Tenant agrees to rent/lease from Landlord for use solely as a private residence, the premises located at 123 Oak Street in the city of Fargo, ND.

TERM: The term of this Agreement shall be for one year beginning on September 1, 2012 and ending on August 31, 2013.

RENT: The total rent for said property shall be \$7200 to be paid monthly in amounts of \$600 due and payable on the first day of each month. All payments are to be made by check or money order and made payable to Melissa McCracken.

SECURITY DEPOSITS: Tenant shall deposit with the Landlord \$600 to be held as security deposit. This deposit will be returned in full, including any interest acquired, when this lease expires if, after inspection by the Landlord, the premises are in good condition (normal wear and tear excepted) and tenant owes no back rent.

LATE CHARGE: A late fee of \$50 shall be added and due for any payment of rent made after the 15th of the month. Any dishonored check shall be treated as unpaid rent, and subject to an additional fee of \$50.

UTILITIES: Tenant agrees to pay all utilities and/or services based upon occupancy of the premises except the following to be furnished by the Landlord: (X) electricity (X) heat () gas (X) water () hot water () other: _____ (X) trash removal.

USE: The Premises shall not be used for any unlawful purpose, or for any purpose reasonably deemed hazardous by Landlord because of fire or any other risk or in any other manner which would disturb the peaceful, quiet enjoyment of any other neighbor of the Premises. Landlord reserves the right of eviction for all the illegal manufacture, distribution, or use or other illegal activities in connection with controlled substance(s). A criminal conviction shall not be necessary before Landlord can institute an eviction action based thereupon.

SUBLETTING/OCCUPANTS: Tenant shall not lease or sublease nor assign the premises without the written consent of the Landlord. Guest(s) staying over 15 days without the written consent of Landlord shall be considered a breach of this agreement.

PETS: No animal and/or pet of any kind shall be kept on or about the premises, for any amount of time, without obtaining the prior written consent and meeting the requirements of the Landlord.

NOISE: Tenant agrees not to use the premises in such a manner as to disturb the peace and quiet of other tenants in the building and the immediate neighbors.

CONDITION OF PREMISES/ALTERATIONS: Tenant agrees to occupy the premises and shall keep same in good condition, except for reasonable wear and tear, and shall not make any alterations, including changing or adding locks, without the written consent of the Landlord.

REPAIRS AND MAINTENANCE: Tenant agrees to notify Landlord immediately if any repairs are necessary. Landlord agrees to regularly maintain the building and grounds in a clean, orderly, and safe manner, including removal of ice and snow. Landlord further agrees upon notice by Tenant to complete, within a reasonable time, all necessary repairs including those of appliances and utilities, which are furnished with the premises.

RIGHT OF ENTRY: Landlord may enter premises at reasonable times for the purposes of inspection, maintenance or repair, and to show the premises to buyers or prospective tenants. In all instances, except those of emergency or abandonment, the Landlord shall give 24-hour notice prior to such an entry.

CHANGE OF TERMS: The terms and conditions of this agreement are subject to future change by Landlord after the expiration of the agreed lease period upon 30-day written notice setting forth such change and delivered to Tenant.

TERMINATION: After expiration of the leasing period, this agreement is automatically renewed from month to month, but may be terminated by either party giving to the other a 30-day written notice of intention to terminate. The premises shall be considered vacated only after all areas including storage areas are clear of all Tenant's belongings, and keys and other property furnished for Tenant's use are returned to Landlord. Should the Tenant hold over beyond the termination date or fail to vacate all possessions on or before the termination date, Tenant shall be liable for additional rent and damages.

RECEIPT OF AGREEMENT: The undersigned Tenants have read and understand this Agreement and hereby acknowledge receipt of a copy of this Rental Agreement.

TENANT'S Signature _____ Date _____

TENANT'S Signature _____ Date _____

LANDLORD'S Signature _____ Date _____

Tenant-Landlord Protections

The lease protects both the tenant and the landlord. Based on the lease you just reviewed, complete the chart below to show how each party is protected regarding these different issues. (Do not fill in gray boxes.)

	How is the landlord protected?	How is the tenant protected?
Security deposits		
Late charge		
Use of apartment		
Subletting/Occupants		
Pets		
Conditions/Alterations		
Repairs/Maintenance		
Right of Entry		
Change of Terms		
Termination		

Tenant and Landlord Rights & Responsibilities

The lease describes the rights and responsibilities of both the tenant and the landlord. Based on the lease you just reviewed, check the rights and responsibilities of each party below.

TENANT

Rights

- To rent the premises without any changes to the lease before its term ends.
- To keep a pet on the premises, as long as it's small and quiet.
- To live in a premises in which the building and grounds are maintained in a safe and clean manner.
- To paint the bedroom walls.
- To have parties at any time of the day or night.
- To sublet the apartment to a responsible friend if rent is paid on time.

Responsibilities

- To pay the monthly rent by the end of that month.
- To pay for all utilities besides electricity, water, and trash removal.
- To maintain the grounds, such as removing ice and snow.
- To keep the premises in good condition.
- To notify landlord immediately of repairs are needed.
- To vacate the premises and remove all belongings at the end of the lease, unless there is a written agreement extending the lease.

LANDLORD

Rights

13. To charge a late fee if the rent is more than a week late.
14. To evict the tenant for use of controlled substances.
15. To show the apartment to potential renters without notifying tenants.
16. To keep the security deposit if tenants still owe rent or to cover damages to premises beyond normal wear and tear.
17. To change the rent or conditions of the lease before its term ends.

Responsibilities

18. To pay for the phone services of the premises.
19. To return security deposit (with interest) if premises are in good condition after end of lease.
20. To give tenants 24-hour notice before entering premises, except in case of emergency.
21. To maintain building and grounds in safe and clean manner.
22. To clean the interior rooms of the premises.
23. To make repairs in a reasonable time to building or appliances furnished with the premises.

