



JA FINANCIAL LITERACY®

Student Guide

UNIT 3: CREDIT, DEBT, & CONSUMER PROTECTION

Topic 1: Credit & Borrowing

NAME: _____

DATE: _____

PRE-QUIZ

Credit & Borrowing

What + Why: A quick, ungraded check on what you already know—your answers help shape the learning ahead. It's okay not to know—just give it your best shot.

Instructions:

1. Answer each question as best you can.
2. Circle the best answer for each question.
3. Submit it when you're done.

1. Which payment method involves borrowing money from a lender?
 - ☐ a. cash
 - ☐ b. debit card
 - ☐ c. prepaid card
 - ☐ d. credit card
2. Which group is most commonly associated with offering consumer loans and credit accounts?
 - ☐ a. banks, credit unions, and retail stores
 - ☐ b. employers, libraries, and schools
 - ☐ c. public parks and transportation agencies
 - ☐ d. checking accounts and savings accounts

3. Two loans have the same interest rate, but one has a longer repayment term. Which statement is most accurate?
- ☐ a. The longer-term loan will always have lower monthly payments and lower total cost.
 - ☐ b. The longer-term loan usually costs more overall because interest may accumulate over a longer repayment period.
 - ☐ c. The loan term does not affect total cost.
 - ☐ d. The longer loan term eliminates interest.
4. A borrower chooses a loan mainly because the monthly payment is low. What is a possible long-term consequence of this decision?
- ☐ a. paying more interest over time
 - ☐ b. improving their credit score immediately
 - ☐ c. eliminating interest charges
 - ☐ d. reducing the total repayment period

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ACTIVITY

Checkout Confusion

What + Why: Examine checkout options to figure out when a purchase uses your money and when it creates a borrowing obligation.

Mario is so excited to buy the headphones he's been wanting for months. But when Mario gets to the checkout screen, there are five different ways to pay. Now Mario pauses for a second and starts wondering how each one actually works.

Part 1

Instructions:

1. Look at the checkout screens, which show the same purchase with different ways to pay.
2. For each screen, answer:
 - Where does the money come from?
 - Is borrowing happening?
 - Who pays the seller right now?

1.

**CHECKOUT**

How would you like to pay?

- ☒ Debit Card
- ☐ Credit Card
- ☐ Pay in 4 Installments
- ☐ Pay Later (30 Days)
- ☐ Mobile Payment

1 ITEM**\$120.00**Bluetooth, Noise-Cancelling,
Wireless HeadphonesQty: **1**

Pay with Debit Card ending in 4821

TOTAL TO PAY**\$120.00**

- Where does the money come from?

- Is borrowing happening? (Check one)
 - ☐ Yes
 - ☐ No
- Who pays the seller right now?

2.

**CHECKOUT**

How would you like to pay?

- ☐ Debit Card
- ☒ Credit Card
- ☐ Pay in 4 Installments
- ☐ Pay Later (30 Days)
- ☐ Mobile Payment

1 ITEM**\$120.00**Bluetooth, Noise-Cancelling,
Wireless HeadphonesQty: **1**

Pay with Credit Card ending in 9903

TOTAL TO PAY**\$120.00**

- Where does the money come from?

- Is borrowing happening? (Check one)
 - ☐ Yes
 - ☐ No
- Who pays the seller right now?

3.

**CHECKOUT****How would you like to pay?**

- ☐ Debit Card
- ☐ Credit Card
- ☒ Pay in 4 Installments
- ☐ Pay Later (30 Days)
- ☐ Mobile Payment

1 ITEM**\$120.00**Bluetooth, Noise-Cancelling,
Wireless HeadphonesQty: **1**Pay \$30 today, 3 payments of
\$30 every two weeks**TOTAL TO PAY****\$120.00**

- Where does the money come from?

- Is borrowing happening? (Check one)
 - ☐ Yes
 - ☐ No

- Who pays the seller right now?

4.

**CHECKOUT****How would you like to pay?**

- ☐ Debit Card
- ☐ Credit Card
- ☐ Pay in 4 Installments
- ☒ Pay Later (30 Days)
- ☐ Mobile Payment

1 ITEM**\$120.00**Bluetooth, Noise-Cancelling,
Wireless HeadphonesQty: **1**

Pay \$0 today. Interest free for 30 days.
Full payment due in 30 days.

TOTAL TO PAY**\$120.00**

- Where does the money come from?

- Is borrowing happening? (Check one)
 - ☐ Yes
 - ☐ No

- Who pays the seller right now?

5.

**CHECKOUT****How would you like to pay?**

- ☐ Debit Card
- ☐ Credit Card
- ☐ Pay in 4 Installments
- ☐ Pay Later (30 Days)
- ☒ Mobile Payment

1 ITEM**\$120.00**Bluetooth, Noise-Cancelling,
Wireless HeadphonesQty: **1**

Pay with Google Pay.
Default payment method selected.

TOTAL TO PAY \$120.00

- Where does the money come from?

- Is borrowing happening? (Check one)
 - ☐ Yes ☐ No

- Who pays the seller right now?

Part 2

Instructions:

1. Examine the payment tools listed.
2. Sort each payment tool by its funding source.
3. For any tool placed in the “It Depends” category, note what additional information you would need to determine the funding source.

Funding Source

A Lender	It Depends	My Own Money

Payment Tools

Google Pay	Credit card	Venmo
Prepaid card	Gift card	Apple Pay
Buy Now, Pay Later	Payday loan	Debit card
Cash	PayPal	

NAME: _____

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CASE STUDY

Credit Crossroads Kickoff

What + Why: Get familiar with Kai's situation and the urgent decision that makes understanding credit important.

Supporting Materials:

Unit 3 Case Study: Credit Crossroads (Case Brief)

Topic 1: Introduction (Case Study)

**Instructions:**

Read the overview of the case study and the introduction to Topic 1 and think about these questions as you read:

1. Before Kai chooses anything, what does Kai need to understand about credit?
2. What information would Kai need to decide whether repayment is realistically manageable?
3. Why is it especially important for Kai to understand how credit works before he makes this decision?
4. How might the urgency of Kai's situation change the way he thinks about borrowing money?

NAME: _____

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ACTIVITY

Borrowing Timeline

What + Why: Analyze a form of credit and create a visual explanation that shows how it works over time so you can clearly understand how borrowing creates responsibility.



Using credit is not just about the moment you borrow. There is an agreement before, a borrowing decision, and a repayment process after. Your job is to figure out the full story.

Part 1

Instructions:

1. Read your “fine print” carefully.
2. As a group, answer the questions. These answers will help guide your upcoming presentation.

Our Assigned Fine Print: _____

1. Where does the money come from, and how does the borrower receive it?

2. When is the first payment due?

3. Is interest charged? If yes, what is the APR?

4. What fees are associated with this credit product?

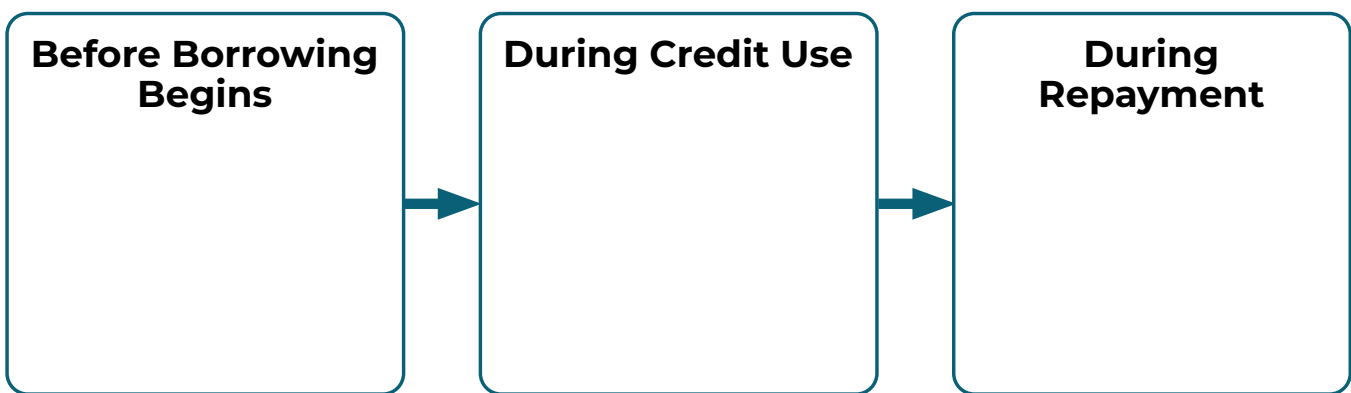
5. What happens if a payment is missed?

Part 2

Instructions:

1. Create a visual representation of the borrowing timeline that shows:
 - What happens before the borrowing begins?
 - What happens when the credit is used?
 - What happens during repayment?
2. Make sure your explanation is clear enough that someone who has never used this form of credit could understand how it works.

EXAMPLE: This visual shows one way your borrowing timeline could be organized. You may use it, adapt it, or create a completely different design that shows what happens before, during, and after the purchase.



Part 3

Instructions:

1. Choose how you want to present your timeline and prepare a brief presentation. (No more than two minutes!) Be creative! Be sure you cover the following three things:
 - What makes your form of credit unique? (Who provides the money and when does repayment start?)
 - One thing that surprised your group or that others might not expect.
 - What repayment risk or trade-off should a borrower understand before choosing this form of credit?

Key Terms

- **annual percentage rate (APR):** the amount of interest charged for any unpaid balance
- **interest:** the cost of borrowing money, usually expressed as a percentage of the amount borrowed
- **interest rate:** the price paid, expressed as a percentage, for borrowing money for a period of time
- **grace period:** a set length of time after the due date during which payment may be made without penalty

Credit Card Fine Print

 Charge Ahead Credit Card Company		 How It Works
 Purchase Amount: \$1,200  Credit Limit: \$3,000  Annual Percentage Rate (APR): 22% variable  Grace Period: 25 days  Minimum Payment: 2% of balance or \$25 (whichever is greater)	1 Charge Ahead pays the seller immediately when you use the card. 2 You receive a monthly statement with a due date. 3 If you pay the full \$1,200 within 25 days, no interest is charged. 4 You can continue using the card for new purchases as long as you stay within the credit limit. 5 If you carry a balance, interest is added at 22% APR on the remaining amount.	
 If You Pay Only the Minimum	\$ Fees	 Autopay Perk
Estimated repayment time: about 5 years Estimated total paid: \$1,920 Estimated total interest paid: \$720	Late payment fee: up to \$35 Over-limit fee: up to \$30	If you enroll in autopay, you avoid late fees (as long as funds are available).
 Missed Payment - Late fee added - Interest continues to accrue - May negatively impact credit score (the three-digit number lenders use to evaluate repayment reliability)		

Buy Now, Pay Later (BNPL) Fine Print



Purchase Amount:
\$1,200



Repayment Plan:
4 equal payments
of \$300 over 8 weeks



Interest:
0%
if paid on time

How It Works

- 1** The BNPL company pays the seller at checkout.
- 2** The purchase amount is divided into equal payments that must be paid over time.
- 3** First payment of \$300 is due at purchase.
- 4** Remaining payments are automatically withdrawn every two weeks.

■ Total Paid

If all payments made on time: **\$1,200**

■ Fees

\$10 late fee per missed payment

■ Autopay Requirement

Payments are automatically withdrawn from a linked account.

■ Missed Payment

- Late fee added
- Additional late fee may be added if the payment remains unpaid
- Account may be restricted or suspended
- Some providers report missed payments to credit bureaus

Personal Loan Fine Print



Community Bank or Online Lender



Loan Amount:
\$1,200



**Annual Percentage
Rate (APR):**
14% fixed



Repayment Term:
24 months



Monthly Payment:
\$58



Origination Fee:
3% (\$36 deducted
from loan)

**How It Works**

- Once approved, \$1,164 is deposited into your account (loan minus origination (processing) fee).
- The loan is paid back in equal monthly payments over 24 months.
- First payment is due one month after the loan is issued.
- Interest is added immediately at 14% APR.

**Total Paid Over 24 Months**

- Total of payments: **\$1,392**
- Total interest + fees paid: **\$228**

**Autopay Perk**

0.25% interest rate reduction if enrolled in automatic payments.

**Fees**

\$25 late payment fee

**Missed Payment**

- Late fee added
- Interest continues to be added to the remaining balance
- May negatively impact credit history (the documented record of how you've managed borrowing and repayment over time)

Store Financing (Promotional Credit) Fine Print

Retail Store Partnered with Financing Company



Purchase Amount:
\$1,200

Credit Limit:
\$2,000

Promotion:
0% interest for 12 months

Deferred Interest Annual Percentage Rate (APR): 26%

Minimum Payment Required Monthly

HOW IT WORKS

- The financing company pays the store at checkout.
- You must make minimum payments each month.
- If the full \$1,200 is paid within 12 months, no interest is charged.
- The account can be used again up to the credit limit.

IF PAID WITHIN PROMOTION

Total paid: **\$1,200**

IF BALANCE REMAINS AFTER 12 MONTHS

- Deferred interest applied retroactively (back in time to when the loan started) at **26%** APR.
- Estimated interest added: **\$312**
- New total: **\$1,512**

FEES

Late payment fee: up to **\$35**

MISSED PAYMENT

- Promotion may be canceled
- Interest may apply immediately
- Late fees added

Student Loan Fine Print

NOTE: This is an **unsubsidized** loan, which means interest begins building as soon as the money is sent to the school, even before repayment begins. A **subsidized** loan works differently. The government covers the interest while the student is still in school.



Federal Unsubsidized Student Loan Program

Loan Amount: \$1,200

Interest Rate: 5% fixed

Repayment Term (Standard):

48 months (4 years)

Grace Period:

6 months after leaving school

HOW IT WORKS

- Funds are sent directly to the school.
- Interest begins being added when the loan money is sent out to the school.
- The loan is repaid in set monthly payments over the 48-month term.
- Repayment begins after the 6-month grace period.



Monthly Payment

Approximately \$28 per month for 48 months (4 years).



Total Paid Over 48 Months

- Total repaid: **\$1,344**
- Total interest paid: **\$144**



Autopay Perk

0.25% interest rate reduction for automatic payments.



Missed Payment

- Late fees may apply
- Loan may enter default
- Default significantly damages credit history (a long-term record of missed payments and unpaid debt that can affect borrowing access for years)
- Students struggling to make payments may qualify for forbearance (payments paused, but interest continues to build) or deferment (payments paused and interest does not accrue) based on financial hardship

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ACTIVITY

Borrowing Timeline Shareout

What + Why: Present and compare borrowing timelines so you understand the repayment expectations, long-term cost, and financial impact of various credit options.

Each group will now present their findings from the **Borrowing Timeline** activity.

Instructions:

1. Meet with your group and review your **Borrowing Timeline** visual.
2. Make sure your presentation clearly explains:
 - What makes your form of credit unique? (Who provides the money and when does repayment start?)
 - One thing that surprised your group or that others might not expect.
 - What repayment risk or trade-off should a borrower understand before choosing this form of credit?

Prepare to share your reasoning clearly and quickly (no more than 2 minutes) with the class.

Presentation requirements:

Your presentation must:

- Be 2 minutes or less per group
- Clearly explain the borrowing timeline
- Be understandable to someone unfamiliar with your credit product

NAME: _____

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INSTRUCTION

Credit Structures

What + Why: Learn how credit products are structured so you can recognize how different types of borrowing work and how lenders manage risk.

Different credit products are designed in different ways depending on how money is borrowed and repaid. Two important ways to understand credit structure are how repayment works and how lenders manage risk.

How Repayment Works	
Revolving	Installment
Borrow up to a credit limit	Borrow a fixed amount
Balance changes as you borrow/repay	Repay through scheduled payments
Credit becomes available as balance is paid down	Loan ends once fully repaid

How Lenders Manage Risk	
Secured	Unsecured
Backed by collateral	No collateral
Lower risk for lenders	Approval based on credit history and income
Often lower interest rates	Higher risk for lenders

Instructions:

- For each credit product given, decide:
 - If the credit product is revolving or installment.
 - If the credit product is secured or unsecured.
- Discuss your reasoning as you decide, and be ready to discuss with the whole group.

Credit Product	Is it Revolving or Installment?	Is it Unsecured or Secured?	Reasoning
Credit Card	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Store Credit Card	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Personal Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Auto Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Mortgage	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Student Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Buy Now, Pay Later (BNPL)	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	

Key Terms

- **credit:** the ability to use borrowed money to buy goods or services and pay for them later, usually with interest to the lender
- **revolving credit:** a credit account that lets someone repeatedly borrow money up to a set limit and pay it back over time
- **installment loan:** a loan that is repaid in fixed payments over a set period of time
- **secured loan:** a loan that is secured by collateral, such as a car, house, or cash deposit; if the borrower fails to repay the loan, the lender keeps the borrower's collateral
- **unsecured loan:** a loan that doesn't require any type of collateral; unsecured loans are approved based on a borrower's creditworthiness
- **collateral:** something of value that a bank can repossess and sell if the customer defaults on a loan

NAME: _____

DATE: _____

CASE STUDY

Kai's Options

What + Why: Examine Kai's borrowing options to identify how each type of credit works and who is offering it.

Supporting Materials:

Laptop Financing Options (Case Study)

Instructions:

1. Use the **Laptop Financing Options** case study information to review Kai's options.
2. Fill out the table.

Kai's Options	What type of credit is this?	Is it Unsecured or Secured?	What type of institution is offering this credit opportunity?
Option 1: Store Credit Card (Electronics Retailer)	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Option 2: Buy Now, Pay Later (BNPL)	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Option 3: General Student Credit Card	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	
Option 4: Payday Loan	☐ Revolving ☐ Installment	☐ Secured ☐ Unsecured	

NAME: _____

DATE: _____

CASE STUDY

Kai's Costs

What + Why: Analyze Kai's borrowing options to determine how repayment timelines, interest, fees, and missed payments affect total cost and financial risk.

We've already examined Kai's four loan options and identified the credit structure for each. Now, we're going to analyze what each of his options actually costs. Each option gives Kai access to the same \$1,500, but the repayment terms, fees, and timelines can change how much the laptop actually ends up costing.

Supporting Materials

Laptop Financing Options (Case Study)

Instructions:

1. Carefully review and analyze the Laptop Financing Options case study information provided.
2. Answer the questions below. Note: Use broad descriptions, not calculations. Those will come later in the unit.

Our Group's Laptop Financing Option: _____

Use specific evidence to answer each question:

1. How does repayment work for this option?
2. Describe the interest rate for this option.
3. What fees or penalties could increase the total amount paid?
4. Evaluate whether repayment remains manageable if Kai's income or financial circumstances change. What would have to stay true for this option to remain affordable over the full repayment period?
5. What financial risks should Kai consider before choosing this option?
6. What happens if Kai misses a payment for this option? Create a chain reaction that includes:
 - fees or penalties that could be triggered
 - changes to interest or borrowing costs
 - possible effects on future borrowing

Individually answer the following questions to prepare for upcoming work:

Choose two of Kai's financing options: _____
and _____

Answer the following questions. Use one piece of evidence from the case materials that supports each observation.

1. What is one key difference in how credit works between them? (Consider elements such as revolving or installment, requiring collateral vs. not, the grace period allowed, etc.)
2. What are the key differences in what each option costs? (Consider the monthly payment, total amount repaid, fees, and what long-term financial flexibility looks like if repayment becomes difficult.)

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REFLECTION

Kai's Cost Comparison

What + Why: Reflect on the risks of borrowing and why understanding credit terms matters before making a borrowing decision.

Credit can make it possible to get something now and pay for it later. But borrowing money also creates responsibilities and potential risks. Understanding how credit works helps people evaluate their options and avoid unexpected costs.

It's time to answer **Supporting Question 1:** What are the key differences between Kai's laptop financing options in how credit works and what it costs?

Instructions:

1. Choose two of Kai's laptop financing options, one that seems manageable, and one that seems risky.
2. Explain to Kai the key differences between them based on how credit works, what it costs, and what repayment flexibility looks like if circumstances change.
3. Use specific evidence from the case study materials to support your explanation, and use the Kai's **Cost Comparison Rubric** to help support your writing.



Kai's Cost Comparison Rubric

Criteria	4 - Strong	3 - Proficient	2 - Developing	1 - Beginning
Selection & Framing	Clearly identifies two options and frames the entire response around credit structure and cost differences, not personal preference or recommendation.	Identifies two options and mostly frames the response around credit structure and cost; minor lapses into preference language.	Identifies two options but framing is inconsistent and shifts between observation and recommendation.	Does not clearly identify two options or frames the response as a personal choice rather than a structural comparison.
How Credit Works	Accurately explains how credit works differently for both options; including repayment structure, who provides the money, and when the obligation begins.	Explains how credit works for both options with mostly accurate details; one structural element may be incomplete.	Explains how credit works for one option clearly but not both, or provides a surface-level explanation for both.	Shows limited or inaccurate understanding of how either option works as a credit product.
What It Costs	Accurately compares total cost for both options using specific numbers from the case materials; including interest, fees, repayment timeline, and what financial flexibility looks like if repayment becomes difficult.	Compares total cost for both options with mostly accurate figures; may omit one cost element such as fees, timeline impact, or repayment flexibility.	References cost for both options but relies on monthly payment rather than total repayment cost, or only analyzes one option fully.	Provides little or no cost comparison, or confuses monthly payment with total cost.
Use of Evidence & Reasoning	Consistently cites specific details from the case materials (figures, terms, or fine print) to support every claim made.	Cites evidence from the case materials for most claims; one or two claims may lack specific support.	Uses vague or general references to the case materials rather than specific figures or terms.	Provides opinions or observations with no reference to the case materials.

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ACTIVITY

Financially Me: Credit Do's and Don'ts

What + Why: Create a set of credit “Do’s and Don’ts” that summarize how to use credit responsibly.

Credit can help people access money when they need it. But borrowing also creates responsibilities and potential risks.

This artifact serves as a guide you can use when considering borrowing credit in the future.

Instructions:

1. Think about what someone should do and what someone should avoid when using or deciding on credit.
2. Consider topics around:
 - Interest rates
 - Fees and penalties
 - Repayment timelines
 - Missed payments
 - Understanding credit terms before borrowing
3. Write at least four total ideas/actions in the Do's and Don'ts table.
4. For each Do or Don't, include a brief justification explaining why it matters. (Consider referencing things like repayment structure, total cost, financial risk, or how circumstances could change.)

Credit Do/Don't	Action	Why It Matters
DO	<i>pay your full balance before the promotional period ends.</i>	<i>The promotional period has a hard deadline. Miss it by even a dollar and interest gets added back to your original balance from day one.</i>
DONT	<i>borrow based on monthly payment alone.</i>	<i>Focusing only on what you can afford each month ignores things like total repayment cost, fees, and interest adding up over time. A lower payment often means paying significantly more overall.</i>

NAME: _____

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POST-QUIZ

Credit & Borrowing

What + Why: You made it to the end of the topic! This quick, ungraded quiz shows how your thinking has grown since the pre-quiz.

Instructions:

1. Answer each question as best you can.
 2. Circle the best answer for each question.
 3. Submit it when you're done.
-
1. Which payment method involves borrowing money from a lender?
 - ☐ a. cash
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 - ☐ c. prepaid card
 - ☐ d. credit card
 2. Which group is most commonly associated with offering consumer loans and credit accounts?
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 - ☐ c. public parks and transportation agencies
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3. Two loans have the same interest rate, but one has a longer repayment term. Which statement is most accurate?
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 - ☐ c. The loan term does not affect total cost.
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4. A borrower chooses a loan mainly because the monthly payment is low. What is a possible long-term consequence of this decision?
- ☐ a. paying more interest over time
 - ☐ b. improving their credit score immediately
 - ☐ c. eliminating interest charges
 - ☐ d. reducing the total repayment period

