UNIT 4 · WEEKS 4–5

Credit & Debt

Student Workbook

Name:	________________________________
	Date started: ______________ Date completed: ______________

What you will learn in this unit: What credit scores are and what affects them • The true cost of minimum payments • Credit card traps to avoid • Student loans • Safe strategies for building credit as a teen

Lessons 4.1 & 4.2 — Credit Scores & Interest

KEY VOCABULARY

Term	Write the definition in your own words
Credit score	
Credit report	
FICO score	
Credit utilization	
Hard inquiry	
Soft inquiry	
APR	
Minimum payment	

FICO SCORE FACTORS

Fill in the correct percentage for each factor (must total 100%):

Factor	Your answer	Correct %
Payment history (most important!)	_________%	_____%
Amounts owed / credit utilization	_________%	_____%
Length of credit history	_________%	_____%
New credit / recent applications	_________%	_____%
Credit mix (cards, loans, etc.)	_________%	_____%
TOTAL	_________**%**	**100%**

THE MINIMUM PAYMENT TRAP

Scenario: $1,000 credit card balance at 22% APR. Use a free online credit card payoff calculator.

Monthly payment	Months to pay off	Total amount paid
$25 / month (minimum)	_________ months	$________________
$50 / month	_________ months	$________________
$100 / month	_________ months	$________________

Paying $100/month instead of $25/month saves $___________________ in total interest.

Meet the group:

Lucy: asked her mother to add her as an authorized user on the family's oldest credit card at age 16. She never used the card — just being added gave her credit history. At 18, her FICO score was 730.

Joseph: saw ads for three store credit cards with sign-up bonuses and applied for all three in one weekend. Three hard inquiries in 7 days dropped his score 22 points. He didn't even use the cards.

Alex: has one credit card he's had for 18 months. He uses it for business supplies and pays the balance in full every month. His utilization stays under 10%.

Sofia: has no credit cards, no loans, and no credit history. Her credit score isn't bad — it's nonexistent. She was just rejected for an apartment.

What single FICO factor do Lucy and Alex protect the most effectively? What did Joseph's three applications hurt, and why does it matter less over time?

✔ Lesson Finisher

1. Which factor has the largest impact on your FICO credit score?

a) Credit utilization (amounts owed)
b) Length of credit history
c) Payment history — whether you pay on time
d) Credit mix (types of accounts you have)

2. Your $1,000 credit card balance is at 22% APR. Explain in your own words why making only the minimum payment is so costly.

3. You have a $500 credit card limit and a $175 balance. Calculate your credit utilization percentage. Does it exceed the recommended 30% threshold? If so, how much would you need to pay down to get back under 30%?

Show your work:

Lessons 4.3–4.5 — Credit Traps & Building Credit

KEY VOCABULARY

Term	Write the definition in your own words
Deferred interest	
Balance transfer	
Rewards card	
Secured credit card	
Authorized user	
Credit-builder loan	
On-time payment	
Credit ladder	

TRUE OR FALSE — WRITE T OR F AND EXPLAIN

Statement	T or F — Explain
A rewards credit card is always a good deal because you earn points back.	
A “0% for 12 months” offer and a “deferred interest” offer are exactly the same thing.	
Carrying a small credit card balance actually helps your credit score.	
Checking your own credit score is a hard inquiry that lowers your score.	
You should keep your credit utilization below 30% of your total limit.	
A secured credit card requires a cash deposit and is used to build credit from scratch.	

MY 3-YEAR CREDIT BUILDING PLAN

Timeline	My action step / goal
Right now (today)	
When I turn 18	
By age 19–20	
My credit score goal	

Why does the single rule "always pay on time" matter more than any other credit habit?

👥 Meet the group:

Alex: financed a new couch on a store card offering "0% interest for 18 months." He planned to pay it off, but still owed $600 when the promo ended. The store charged him $186 in retroactive interest on the full original balance — that's deferred interest, not true 0%.

Sofia: has avoided all credit cards entirely. Her credit score is a 0 (no file), not a bad score — just nonexistent. When she applied to rent an apartment, she was denied. The landlord couldn't verify she'd ever paid anything on time.

Lucy: has one secured credit card with a $300 limit. She uses it for gas only (~$40/month) and pays the full balance every month without fail. Her utilization is 13%.

Joseph: signed up for a rewards card to earn airline miles. He spends more than usual because "I'm earning points." He pays only the minimum each month. Miles earned: $28 worth. Interest paid so far: $74.

What is the difference between deferred interest and true 0% APR, and how much did Alex's misunderstanding cost him? What is the irony of Joseph's "rewards" card?

✔ Lesson Finisher

1. Alex financed furniture at “0% interest for 18 months” (deferred interest). He still owes $600 when the promo ends. What happens?

a) He gets 0% interest on the remaining $600 going forward
b) The lender forgives the remaining balance
c) He is charged retroactive interest on the full original balance, applied all at once
d) He is automatically enrolled in a standard repayment plan at 0%

2. Sofia has no credit score because she has never used any credit products. Why can this cause real-world problems, and what is the lowest-risk first step to fix it?

Unit 4 Review — Credit & Debt

Review your notes before starting.

PART 1 — UNIT SUMMARY

Lesson	Key concepts
4.1 & 4.2 Scores & Interest	FICO score 300–850 • 5 factors (payment history is #1) • Minimum payments are enormously costly • Hard inquiries lower your score
4.3–4.5 Traps & Building	Deferred interest ≠ true 0% APR • Rewards cards only benefit those who pay in full • Secured card + on-time payment = safest start • No credit history is a real obstacle

PART 2 — KEY TERMS REVIEW

Term	Your definition
FICO score	
Credit utilization	
Hard inquiry	
Deferred interest	
Secured credit card	
Authorized user	
Minimum payment	
APR	

PART 3 — THE GROUP WEIGHS IN

👥 Meet the group:

All four friends are 20 years old. They each need to rent an apartment. The landlord requires a credit score of at least 650 and pulls a hard inquiry to check.

Lucy: score: 742. Approved immediately. Gets the apartment at the listed price. The landlord waives the double security deposit.

Joseph: score: 581. Conditionally approved with a 2-month security deposit ($2,300 extra upfront). He doesn't have the cash, so he loses the apartment.

Alex: score: 694. Approved. The landlord notes one missed payment 18 months ago but approves because the rest of the history is clean.

Sofia: score: no file. Denied. The landlord says she has no way to assess her risk as a tenant. Sofia must find a co-signer or pay 3 months upfront.

Discussion: What financial decisions made at ages 16–18 led directly to each of these outcomes at 20? What would you tell a 15-year-old about credit, given what you now know?

PART 4 — REFLECTION

The credit trap I am most likely to fall for and how I will avoid it:

The first credit-building step I will take:

My personal commitment about credit cards:	