

10-12 – Extension Activity for *Borrowing Basics*

Specific Outcome(s)

- Career and Life Management
 - R8. Evaluate the advantages and disadvantages of credit
 - Examine the costs of using credit, the dangers of overextended buying and the impact of credit ratings

At the end of this extension activity, students will be able to identify the parts of a credit report and analyze the information in credit reports.

Materials Needed

- Internet connected devices (e.g., Chromebooks)

Materials Provided

- Analyzing Credit Reports handout

Logistics

- Ensure each student will have an internet connected device.
- Photocopy the Analyzing Credit Reports handout 😊
 - Print enough copies for each student.

Procedure

- Explore what students already know about credit reports and credit scores. Ask them what they'd like to learn about them too!
- Explain what credit reports and credit scores are.
 - "A credit report is a summary of your financial history, so it's unique to you! Think of it as your financial resume."
 - "A credit score is based on your credit report (i.e., your financial history)."
 - "A credit score represents risk; low-risk borrowers have higher scores while high-risk borrowers have lower scores."
 - "The higher your credit score, the better."
- Have students analyze two sample credit reports using the provided handout.
 - They may use either the link or the QR code
 - Students may start with either credit report.
 - Circulate and help students as needed.
- When ready, review the answers with students. Additionally, encourage them to get a copy of their credit report yearly (when they have credit) to stay informed!
- Thank students for their hard work.

TransUnion - <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/sample-credit-report-transunion.html>



What type of account is Cheryl's TD/GM Visa?

How many inquiries does Cheryl have?

Has Cheryl had difficulty making her payments? How do you know?

What is the balance on Cheryl's Sears Canada Bank PL account?

Equifax – <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/sample-credit-report-equifax.html>



What does R1 mean? Which of Cheryl's accounts are rated R1?

What does M1 mean? Which of Cheryl's accounts are rated M1?

What does I9 mean? Which of Cheryl's accounts are rated I9?

What is the account status of Store XYZ?

Letter	Meaning	Example
I	Installment credit <ul style="list-style-type: none"> • Money borrowed for a specific period of time. • Regular payments in fixed amounts 	Car loan
O	Open status credit <ul style="list-style-type: none"> • Borrow money when needed up to a limit 	Cell phone account
R	Revolving or recurring credit <ul style="list-style-type: none"> • Borrow money up to a limit on an ongoing basis • Regular payments in varying amounts (depending on the balance) 	Credit card
M	Mortgage loan <ul style="list-style-type: none"> • May or may not be included 	Mortgage

Number	Meaning
0	Too new to rate or approved, but not yet used
1	Paid within 30 days of billing or pays as agreed
2	Late payment: 31 to 59 days late
3	Late payment: 60 to 89 days late
4	Late payment: 90 to 119 days late
5	Late payment: More than 120 days late
6	Not used
7	Making regular payments using consolidation order, orderly payment of debts, consumer proposal, or debt management program with credit counselling agency
8	Repossession
9	Written off as a "bad debt," sent to a collection agency, or bankruptcy

TransUnion - <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/sample-credit-report-transunion.html>



What type of account is Cheryl's TD/GM Visa?

Cheryl's TD/GM Visa is a revolving account.

How many inquiries does Cheryl have?

Cheryl has had three inquiries in the past two years.

Has Cheryl had difficulty making her payments? How do you know?

Cheryl has not had difficulty making her payments. She has no accounts that are delinquent or derogatory. Also, her TD/GM Visa and her Sears Canada Bank PL are paid as agreed and have been over the past two years.

What is the balance on Cheryl's Sears Canada Bank PL account?

Cheryl's balance on her Sears Canada Bank PL is \$125.

Equifax – <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/sample-credit-report-equifax.html>



What does R1 mean? Which of Cheryl's accounts are rated R1?

R1 means revolving or recurring credit that is paid as agreed and up to date. Cheryl's BQE Life account is rated R1.

What does M1 mean? Which of Cheryl's accounts are rated M1?

M1 means a mortgage loan that is paid as agreed and up to date. Cheryl's BQE Life mortgage account is rated M1.

What does I9 mean? Which of Cheryl's accounts are rated I9?

I9 means installment credit that is "bad debt," a collection amount, or an amount that the lender is unable to collect. Cheryl's Sky Furniture account is rated I9.

What is the account status of Store XYZ?

The account status of Store XYZ is "A lost or stolen card."