

# Understanding credit scores

Students read an infographic and complete a vocabulary matching exercise to learn basic information about credit scores.

## Learning goals

### Big idea

A person's credit score is a number that shows how likely they are to pay back money they borrow.

### Essential questions

- Why are credit scores important?
- What information is used to create a credit score?

### Objectives


- Understand what a credit score is and why it's important
- Recognize what factors are used to calculate credit scores

### NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

### KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: Middle school (6–8)

Age range: 11–14

Topic: Borrow (Managing credit)

School subject: CTE (Career and technical education), English or language arts

Teaching strategy: Direct instruction

Bloom's Taxonomy level: Remember, Understand

Activity duration: 45–60 minutes

### National Standards for Personal Financial Education, 2021

Managing credit: 4-2, 8-1, 8-5, 8-7, 12-7, 12-8, 12-9, 12-10

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## What students will do

- Watch a video about FICO scores.
- Read an infographic to learn basic information about credit scores.
- Match words and phrases related to credit scores to their definitions.

## Preparing for this activity

- While it's not necessary, completing the "[Being a responsible borrower](#)" or "[Building a good borrowing reputation](#)" activity first may make this one more meaningful.
- Consider displaying the poster, "Understanding Credit Scores" before doing this activity.
  - You can order the poster for free here:  
<https://pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13469>.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Review the MyFICO "What is a FICO score?" video<sup>1</sup> at <https://www.myfico.com/credit-education/what-is-a-fico-score> to familiarize yourself with the content.
- Obtain a computer with Internet access and a projector or smartboard to show the video.
  - You also could arrange for students to have individual access to the video.

<sup>1</sup> The CFPB does not endorse this third party or guarantee the accuracy of this third-party information.

## What you'll need

### THIS TEACHER GUIDE

- Understanding credit scores (guide)  
[cfpb\\_building\\_block\\_activities\\_understanding-credit-scores\\_guide.pdf](#)
- The MyFICO “What is a FICO Score?” video at  
<https://www.myfico.com/credit-education/what-is-a-fico-score>
- A computer and projector or smartboard

### STUDENT MATERIALS

- Understanding credit scores (worksheet)  
[cfpb\\_building\\_block\\_activities\\_understanding-credit-scores\\_worksheet.pdf](#)
- Credit scores: Exploring one example (handout)  
[cfpb\\_building\\_block\\_activities\\_credit-scores-exploring-one-example\\_handout.pdf](#)

## Exploring key financial concepts

Most people borrow money at some point in their lives. They may get a credit card or take out a loan to buy a car or house. When lenders think about whom they should loan money to, they consider a person's credit score. A credit score is a number that helps lenders predict how likely a person is to pay back the money they borrowed. For example, a person who doesn't pay back loans on time may have a low credit score. Credit scores change over time based on how a person repays the money they've borrowed.

It's a good idea to understand how credit scores work because they're important factors for a lender to consider when a person wants to borrow money. FICO stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores. FICO is one of the most common credit score models that lenders use.

### TIP

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Because products, terms, and laws related to credit change, students should be encouraged to always look for the most up-to-date information.

## Teaching this activity

### Whole-class introduction

- Ask students if they've ever heard of the term “credit score.”
  - If students have heard of credit scores, ask for volunteers to share what they know.

- Let students know that they'll learn about credit scores.
- Introduce the topic by reading the "Exploring key financial concepts" section to the students.
- Show the MyFICO "What is a FICO score?" video at <https://www.myfico.com/credit-education/what-is-a-fico-score>.
- Be sure students understand key vocabulary:
  - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.
  - **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.

#### **TIP**

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Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

## Individual work

- Distribute the "Understanding credit scores" worksheet and the "Credit scores: Exploring one example" handout to students.
- Students will work independently to complete the worksheet.
- Have students read the handout.
- Tell students to use the handout to complete the worksheet's vocabulary section.
- Students then will answer the reflection questions.

## Wrap-up

- Bring the class back together and ask for volunteers to share their answers to the vocabulary section.
- Ask volunteers to share their answers to the reflection questions.

## Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of borrowing, including managing credit. Suggested activities include ["Getting a credit card and using it wisely"](#) and ["Analyzing credit card statements."](#)

## Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the vocabulary section of the “Understanding credit scores” worksheet.

**Keep in mind that students’ answers to the reflection questions may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.

## Answer guide

Vocabulary word or phrase	Definition
1. Credit score	<b>F.</b> A way for lenders to predict how likely a person is to pay back a loan on time
2. FICO	<b>D.</b> Stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores
3. Poor FICO credit score	<b>E.</b> Credit score that is below 580
4. Exceptional FICO credit score	<b>H.</b> Credit score of 800 or more
5. Payment history	<b>G.</b> Whether a person is paying bills on time and as agreed
6. Length of credit history	<b>C.</b> How long a person has had an account or loan
7. New credit	<b>B.</b> All new loans or accounts and all creditor credit report requests
8. Total debt, balances, and utilization	<b>A.</b> Total owed as well as how much available credit a person is using