



# How Loans Work for You

## MODULE 4: LESSON GUIDE

This module will discuss loans and the basics of personal debt. We will cover car loans, mortgages and the basics of government/corporate debt. We will also talk about the pros and cons of personal debt and when it is useful to utilize and when it can be detrimental. When talking about government and corporate debt we will be focusing on bonds and how they work and why they can be a great investment tool.

**Time Required:** 60-90 minutes

### SUPPLIES:

Notebooks  
Computers, Phones or Tablets  
Internet Access & Rapunzl App  
Activity Sheets (Optional)

### ACTIVITIES & ARTICLES

#### ACTIVITIES

- Debt, Doubling & Managing Risk
- Lenders & Borrowers
- Calculating The Value Of Bonds
- Learning About Discounted Cash Flows
- The Value Of Bonds

#### ARTICLES

- Home & Auto Insurance
- Maturities & Bond Yields
- Take Charge Of Your Credit
- Loans, Collateral & Down Payments
- Renting Versus Buying
- Regulation & Credit
- The Perils Of Alternative Financial Services
- Understanding Mortgages
- Understanding Your Car Insurance
- Why Credit Scores Matter
- Repay Your Loans

### GUIDING QUESTIONS

- How do companies and governments borrow money?
- Are there good and bad types of debt for companies and governments as well?
- What are credit scores for large institutions when they want to borrow capital?
- How do investors profit on large debt?
- How can a company access capital once they have already had an initial public offering?

### ENDURING UNDERSTANDINGS

- Governments and companies borrow capital from institutional lenders by issuing bonds or other debt instruments.
- Bond Ratings can be thought of as credit scores for large borrowers and they are issued by credit rating agencies.
- Bond prices are closely related with interest rates because they are a collection of cash flows which investors discount.
- Bond markets provide a massive source of funding for large companies.

### STANDARDS ALIGNMENT

**Spending:** 12.6a-c

**Saving:** 8.4a-c, 8.5a-b, 12.4b

**Investing:** 8.2a-c, 8.3a-b, 8.7a, 8.7d, 12.1a-b, 12.3a, 12.3d, 12.5d, 12.9a-b

**Managing Credit:** 8.2b, 8.3a-b, 8.5b, 8.7b, 12.2a-c, 12.3a-d, 12.6a-d, 12.7a-d, 12.8a-c, 12.9a-c, 12.10a-d, 12.12a-c, 12.13a-c

**Managing Risk:**  
12.3a-c, 6.12.4a-c