

Use the example table in the Student Guide to illustrate how much more a person can end up paying when their loan has a high-interest rate. This is a good time to caution participants about one of the key drawbacks of taking out a loan -- paying a lot in interest.

### **Optional Activity:**

As an optional activity, ask participants to calculate how much a person could end up paying on a loan over time in different scenarios, using different interest rates. They can use the interest rate on a personal loan, if they have one, or facilitators can provide examples. Note: the examples used in the Student Guide are based on a fixed APR.

*How to calculate interest rate costs:* multiply the loan amount by the interest rate (.10 for a 10% rate). This will show the approximate cost per year. Then multiply that number by the number of years estimated to pay off the loan. This will show the approximate total amount spent on interest. Remind participants that these numbers are approximate and if they would like to have more accurate numbers, there are online resources to calculate interest rates accurately. If they don't want to use their calculators to determine these costs, participants can use a website that will do the calculations for them.

## **Predatory Lending**

### **Facilitator:**

**Suggested time:** 10-15 minutes

**Materials:** PowerPoint slides; Student Guide p. 112-114; “Predatory Lending” handout; whiteboard

### **Teaching:**

Using the information in the Student Guide, explain the definition of Predatory Lending. Predatory lending is defined as any lending practice that enforces deceptive, unfair, and/or abusive loan terms on borrowers. Pass out the “Definition and Examples of Predatory Lending” handout. Facilitators should write down the different types of potentially dangerous loans on the whiteboard: Payday Loans, Pawn Shop Loans, Title Loans, High L-TV Home Equity Loans, and Advance-free Loans. These are examples of loans that could become predatory.

Ask the participants to volunteer to read the warning signs of predatory lending in the Student Guide and connect these warning signs to different types of loans on the whiteboard. There are