

Go over them one by one, explaining the rationale behind each one. Invite questions and discussion. Let the participants know that in the next Workshop, they will learn a number of techniques and resources for paying off debts, including credit card debts.

Next, go through the steps to build and maintain good credit, briefly discussing the list of credit cards that can help you build credit if you have no credit history or a low credit score. Emphasize that you are not recommending any of these cards, just providing resources.

## Understanding Loans

**Facilitator:**

**Suggested time:** 15-20 minutes

**Materials:** PowerPoint slides; Student Guide p. 108-111; whiteboard; calculators

### **Teaching:**

Provide an overview of what loans are and the many different reasons people take out a loan as described in the Student Guide. Explain similarities and differences between loans and credit (contractual obligations, how lenders assess risk). Ask participants to offer additional examples of reasons a person might take out a loan and write them down on the whiteboard.

### **Activity:**

Similar to what you did with credit, create a pros and cons table on the whiteboard and add one example under each. Ask participants to offer more suggestions for the benefits and drawbacks of loans. Feel free to refer back to the previous list of reasons for taking out a loan. Ask participants what they might do with the different scenarios and if they would proceed with obtaining a loan or wait and save enough money for the purchase or project.

### **Teaching:**

Using the information in the Student Guide, list the different terms that are commonly used in loan contracts on the whiteboard and what they mean. These terms include: principal, loan term, and fixed, variable, or split-interest rates. Go over their meanings, paying special attention to the different types of interest rates. Make sure to leave space for questions and comments.