THE BARATELLI INSTITUTE · **MENTORING AT SCALE**

Money *Smarts.*

Credit, debt, and the true cost of borrowing.

Aligns to: rates, formulas, and financial modeling (high-school math practices); credit scores, APR, loans, and debt management (personal finance / Jump$tart standards).

Grade 10 · Ages 15–16

1. What Is Credit?
2. Credit Card APR
3. The Minimum-Payment Trap
4. The True Cost of Buying on Credit
5. Auto Loan Basics
6. Student Loans & ROI
7. Good Debt vs. Bad Debt
8. Improving a Credit Score

Project — Compare Two Credit-Card Offers

How to use this packet

These open up credit and debt: how scores work, how APR adds up, the minimum-payment trap, the real cost of car and student loans, and how to tell good debt from bad.

1. What Is Credit?	Scores and what moves them.
2. Credit Card APR	Monthly interest on a balance.
3. The Minimum-Payment Trap	Why minimums keep you in debt.
4. The True Cost of Buying on Credit	Total cost of a financed purchase.
5. Auto Loan Basics	Total cost of a car loan.
6. Student Loans & ROI	Borrowing for a degree.
7. Good Debt vs. Bad Debt	Sorting types of debt.
8. Improving a Credit Score	Concrete habits.

The project. In the project, students compare two real credit-card offers — computing the cost of carrying a balance versus paying in full — and recommend the right card for two different kinds of users. It pulls the skills together into one real-world task — assign it as a capstone, group work, or homework. **Print in black-and-white, single-sided.** Most worksheets take 15–20 minutes; the answer key with concept notes and differentiation tips is at the back. **Figures here are illustrations for learning — not financial, tax, or investment advice. A calculator is recommended.**

Key terms. APR — the yearly interest rate on borrowed money · **Utilization** — how much of your credit limit you're using · **Principal** — the amount borrowed, separate from interest · **Term** — how long you have to repay.

LEARN IT FIRST

The ideas behind this packet

Meet Marcus, 17, sizing up his first credit card and his first car loan. Read the story once, then the worksheets will make sense — the answers will be things you were *taught*, not things you had to guess.

Marcus, a card, and a car

Start with one idea: **interest** is the fee you pay to borrow money, or the reward you earn for saving it. Marcus, 17, meets it from the borrowing side.

Marcus gets his first credit-card offer — and has no idea what any of it means. First he learns what **credit** even is: borrowing money now that you promise to pay back later. Every time you borrow and repay, lenders keep a record of how reliably you did it, and that record becomes a number — your **credit score** (300–850) — that decides how cheaply you can borrow in the future. The biggest factor is simply paying on time. **Building credit** just means using a little credit and paying it back on schedule, over and over, until you have a track record lenders trust. The card's **APR** is 24%, so a $3,000 balance costs about $60 a month in interest (3,000 × 24% ÷ 12). If he pays only the **minimum payment**, almost all of it is interest and the balance barely moves — debt that lingers for years.

Shopping for a car, he sees a $20,000 loan at $386.66 a month for 60 months totals $23,199.60, with $3,199.60 of it interest. He learns to tell **good debt** (a useful degree) from **bad debt** (clothes on a high-rate card) — and that any debt beyond what he can repay is bad. Marcus decides to pay the card in full, every month.

KEY TERMS IN THIS STORY

Interest — the fee to borrow money, or the reward for saving it

Credit — borrowing money now that you promise to pay back later

Credit score — 300–850; the record of how reliably you repay (pay on time!)

Building credit — using a little credit and repaying on time to earn a track record

APR — yearly interest rate; about APR ÷ 12 charged each month

Minimum payment — the smallest payment; mostly interest, keeps you in debt

Total cost of a loan — monthly payment × months; interest = total − borrowed

Good vs. bad debt — builds value or income vs. funds wants at high interest

LESSON

What credit really is

Before any numbers: interest is the fee to borrow money (or the reward to save it). Credit is built on it.

Credit

Borrowing money now that you promise to pay back later.

Credit score

Lenders keep a record of how reliably you repay; it becomes a number, 300–850. Higher means cheaper loans — and paying on time matters most.

Building credit

Use a little credit and repay on time, over and over, to earn a track record lenders trust.

Now practice → the What Is Credit? worksheet.

Name: _____ Date: _____

1. What Is Credit?

> *Credit means borrowing money you promise to pay back later. Lenders keep a record of how reliably you repay — and that record becomes your credit score (300–850). Higher = cheaper loans.*

The five factors (largest first): **payment history**, **amounts owed / utilization**, length of history, new credit, credit mix.

a) Which factor matters most? _____

b) A “good” score is generally above _____ (720–740+).

c) Name one habit that raises a score and one that lowers it.

_____

LESSON

The cost of borrowing

Borrowing isn’t free. Here’s how the cost adds up.

APR

The yearly interest rate on borrowed money; you’re charged about APR ÷ 12 each month on a balance. **Example:** $3,000 at 24% APR → 3,000 × 0.24 ÷ 12 = **$60 a month**.

The minimum-payment trap

Pay only the minimum and almost all of it is interest, so the balance barely moves — debt that lingers for years.

Total cost of a loan

Monthly payment × number of months; interest = total − amount borrowed. **Example:** $386.66 × 60 = $23,199.60 on a $20,000 car — **$3,199.60** of interest.

Now practice → the Credit Card APR, Minimum-Payment Trap, True Cost of Buying on Credit, and Auto Loan Basics worksheets.

Name: _____ Date: _____

2. Credit Card APR

> *APR is the yearly interest rate. Carry a balance and you're charged monthly: balance × APR ÷ 12. (Simplified — real cards compound daily, so the true cost runs a little higher.)*

a) A $3,000 balance at 24% APR. One month's interest = ☐

b) A $1,500 balance at 18% APR. One month's interest = ☐

c) If you pay the full balance each month, how much interest do you owe? _____

Name: _____ Date: _____

3. The Minimum-Payment Trap

> *Paying only the minimum keeps you in debt for years. See where the first payment goes.*

Setup — $2,000 balance, 22% APR, minimum payment $40 this month.

(Real minimum payments are a small percent of the balance and shrink as you pay it down; we use a flat $40 here to keep the math clear.)

a) This month's interest = 2,000 × 22% ÷ 12 = ☐

b) Of your $40, how much pays down the actual balance? ☐

c) In one sentence, why does this take years to pay off?

_____

Name: _____ Date: _____

4. The True Cost of Buying on Credit

> *A $1,200 TV bought on a card, paid off over 2 years at 20% APR, costs $61.07/month.*

a) Total paid = $61.07 × 24 = ☐

b) Interest paid = total − $1,200 = ☐

c) What could you do instead to avoid the interest?

_____

Name: _____ Date: _____

5. Auto Loan Basics

> *A $20,000 car loan at 6% for 5 years (60 months) has a payment of $386.66.*

a) Total paid over the loan = $386.66 × 60 = ☐

b) Total interest = total − $20,000 = ☐

c) Name two ways to pay less interest overall. _____

LESSON

Borrowing smart

Some debt builds your future; some just costs you.

Student loans & ROI

Borrowing for school can pay off if the degree raises your earnings enough. **Example:** $40,000 cost, +$15,000/year → pays back in under 3 years.

Good vs. bad debt

Good debt buys something that grows or earns (a home, a useful degree); bad debt funds wants at high interest. Any debt beyond what you can repay is bad.

Improving a score

Pay on time, keep balances low (under ~30% of your limit), keep old accounts open, and apply for new credit rarely.

Now practice → the Student Loans & ROI, Good Debt vs. Bad Debt, and Improving a Credit Score worksheets.

Name: _____ Date: _____

6. Student Loans & ROI

> *Borrowing for school can pay off — if the degree raises your earnings enough.*

a) A degree costs $40,000 and raises pay by $15,000/year. Simple payback = 40,000 ÷ 15,000 ≈ ____ years.

b) Why is a cheaper school or in-demand major a smart financial move?

_____

Name: _____ Date: _____

7. Good Debt vs. Bad Debt

> *Not all debt is equal. Sort each into the better column. Remember: any debt becomes bad debt if it's more than you can comfortably repay — even a mortgage.*

Tends to be GOOD debt	Tends to be BAD debt

Sort these: a mortgage · credit-card balance for clothes · a student loan for a useful degree · a car loan beyond your budget · a small-business loan.

Name: _____ Date: _____

8. Improving a Credit Score

> *List five concrete moves. The worksheet gives the categories; you fill the action.*

1. Payment history: _____

2. Utilization: _____

3. Length of history: _____

4. New credit: _____

5. Credit mix: _____

Compare Two Credit-Card Offers

Two cards land in your mailbox. You'll read the fine print, compute the real cost of carrying a balance, and recommend one — with the math to back it up.

Step 1 — The offers

	Card A	Card B
APR	17%	24%
Annual fee	$95	$0
Rewards	2% cash back	1% cash back

Step 2 — Cost of carrying $2,000 for a year

Card A interest ≈ 2,000 × 17% = _____ + $95 fee = _____

Card B interest ≈ 2,000 × 24% = _____ + $0 fee = _____

Step 3 — If you NEVER carry a balance

You spend $6,000/year and pay in full. Card A rewards = _____ − $95 fee = _____. Card B rewards = _____.

Which wins when you pay in full? _____

Step 4 — Your recommendation

Recommend a card for (a) someone who pays in full every month and (b) someone who tends to carry a balance. Justify both with your numbers.

Teacher’s Answer Key & Concept Notes

1. What Is Credit? — a) payment history b) 720–740+ c) e.g., raises: on-time payments; lowers: maxing out cards / late payments.

Differentiate: Support: rank the factors together. Challenge: explain utilization with an example.

2. Credit Card APR — a) $60 b) $22.50 c) $0 — interest is only on unpaid balances.

Differentiate: Support: APR ÷ 12 first. Challenge: two months of interest if nothing is paid (compounding).

3. The Minimum-Payment Trap — a) $36.67 b) $3.33 c) almost all of the payment is interest, so the balance barely drops.

Differentiate: Support: compute interest first. Challenge: estimate how long at $40/month (years).

4. The True Cost of Buying on Credit — a) $1,465.80 b) $265.80 c) save up and pay cash, or pay the card in full each month.

Differentiate: Support: multiply then subtract. Challenge: cost if stretched to 3 years.

5. Auto Loan Basics — a) $23,199.60 b) $3,199.60 c) bigger down payment, shorter term, lower rate, or a cheaper car.

Differentiate: Support: ×60 then subtract. Challenge: compare a 3-year vs 5-year term.

6. Student Loans & ROI — a) ≈ 2.7 years b) less to borrow and more income means faster payoff and higher ROI.

Differentiate: Support: divide. Challenge: factor in 4 years of lost full-time wages.

7. Good Debt vs. Bad Debt — Good: mortgage, useful-degree student loan, small-business loan. Bad: credit-card clothes, over-budget car loan.

Differentiate: Support: ask 'does it build value or income?' Challenge: name a case where 'good' debt turns bad.

8. Improving a Credit Score — Open — sample: pay on time; keep balances <30%; keep old cards open; apply rarely; mix types responsibly.

Differentiate: Support: give one example per line. Challenge: rank them by impact.

P. Project — Compare Two Credit-Card Offers — Carry: A $340+$95=$435 vs B $480 → A cheaper. Pay-in-full: A $120−$95=$25 vs B $60 → B wins. Match card to behavior.

Differentiate: Support: do one card fully first. Challenge: find the spending level where A's fee pays off.