

2

The Score That Follows You

L3.3.2 · CREDIT SCORES

I CAN

name the five things that build a credit score and rank them by weight

FACTOR	SHARE OF THE SCORE	WHAT HELPS	WHAT HURTS
Payment history	35%		
Amounts owed	30%		
Length of history	15%		
New credit	10%		
Credit mix	10%		

SCORE 760+ 6.2% APR	SCORE 660 9.8% APR	SCORE 580 15.4% APR
-------------------------------	------------------------------	-------------------------------

On a \$25,000 car loan over five years, work out what the score costs:

Total paid at 6.2%

Total paid at 15.4%

What a low score costs on one car

Answers and talking points

What a good answer looks like, and one question to ask when the pencils go down.

Factor	Share	What helps	What hurts
Payment history	35%	Every bill paid on time	One payment 30+ days late
Amounts owed	30%	Using under 10% of your limit	Carrying a balance near the limit
Length of history	15%	Keeping your oldest card open	Closing an old account
New credit	10%	Applying rarely	Several applications at once
Credit mix	10%	A card and a loan, handled well	Nothing to show either way

6–8 What the car loan costs

\$25,000 over five years. At **6.2%** the payment is about **\$486** a month and you pay back about **\$29,139**. At **15.4%** it is about **\$600** a month and about **\$36,001**. **A low score costs about \$6,862 on one car** — roughly \$114 every month for the same vehicle.

Ask: “Who gets that \$6,862, and what did they do to earn it?” Nothing about the car changed. Only what the lender believed about the borrower.

6–8 The two that matter most

Payment history and amounts owed are **65% of the score between them**, and both are behavior rather than luck. The other three move slowly and mostly take care of themselves.

Ask: “If you could only get one of these right, which would you pick?” Paying on time, every time, is the whole first third.

Want the rest of the unit?

This page is one activity, unchanged, from **Unit 3.3 — Credit and Borrowing**, a Financial Foundations™ unit of 10 to 12 lessons with teacher scripts, family letters and a unit checkpoint. For a free five-day money game your students can play in a browser, try **The \$100 Week™**. Everything is at wealthwisekids.org.