

LESSON PLAN

Loan Basics

- IT'S A -
**MONEY
THING®**

INCLUDED IN THIS PACKAGE

- **LESSON PLAN** (2 pages)
- **ACTIVITY** (6 pages)
- **QUIZ** (1 page)
- **ACTIVITY ANSWER KEY** (2 pages)
- **QUIZ ANSWER KEY** (1 page)

COLLECT FROM YOUR LIBRARY

- **VIDEO 13** (*Loan Basics*)
- **PRESENTATION 13** (*Loan Basics*)
- **HANDOUT 13** (*Loan Basics*)

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LESSON PLAN

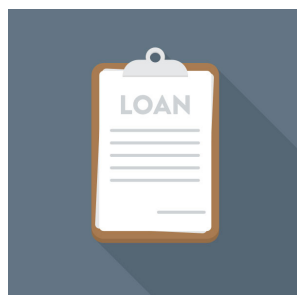
Loan Basics

GRADES

9 to 12

TIME

45 minutes



OVERVIEW

Loans can help people reach major milestones, but understanding how loans work is key. In this lesson, students will examine different types of loans and interest rates, build their loan vocabulary and consider simple strategies for reducing borrowing costs.

GOALS

- Familiarize students with common loan vocabulary
- Help students understand the trade-offs between different types of loans and interest rates
- Encourage students to think critically about when and why to use a loan

OBJECTIVES

- Define terminology such as principal, interest rate and loan term
- Compare different types of loans (secured vs. unsecured, fixed rate vs. variable rate) and explain the pros and cons of each
- Describe why it is important to borrow only what is needed

ASSESSMENT

Use the activity in this lesson plan to assess students' grasp of the topic. An optional quiz is also provided (the quiz is not factored into the lesson's 45-minute runtime).

***Did you know?** This lesson plan explores concepts from Standard 5 (Managing Credit) from the **Council for Economic Education's National Standards for Personal Financial Education**.*

MATERIALS

- ☐ **VIDEO 13**—*Loan Basics*
- ☐ **PRESENTATION 13**—*Loan Basics*
- ☐ **HANDOUT 13**—*Loan Basics*
- ☐ **ACTIVITY**—*Lending Lie Detector and Answer Key*
- ☐ **QUIZ**—*Loan Basics and Answer Key*

PREPARATION

- Gather digital materials (video and presentation)
- Prepare the **ACTIVITY**: Print and cut out the Word Cards (pages 1–2). Print enough Blank Cards (page 3) so each team has one per round (or substitute index cards). Optional: Print and cut out the Bluff Pack cards (pages 4–6). Review the Answer Key and scoring guide. Prepare a scoreboard and a way to display definitions (e.g., a whiteboard or projector).
- Print **HANDOUT 13** for each student
- (Optional) Print **QUIZ** (Loan Basics) for each student

Loan Basics

5 minutes Introduce topic and show **VIDEO 13** (*Loan Basics*)

15 minutes Go over **PRESENTATION 13**

20 minutes Facilitate the **ACTIVITY**

5 minutes Wrap up and distribute **HANDOUT 13**

(Optional) Assessment: **QUIZ** (*Loan Basics*)

1. Introduce the topic: “Loans help people afford major purchases—but if you don’t know how they work, they can be confusing. Today, we’ll go over the basics so you’ll feel more prepared if you ever need to take out a loan in the future.”
2. Show **VIDEO 13**
3. Go over **PRESENTATION 13**
4. Facilitate the **ACTIVITY**
 - Divide students into teams of 3–5
 - Choose one team to serve as the Host Team for the round
 - Refer to the Answer Key to guide gameplay and apply any variation rules
 - The Host Team draws a Word Card, reads only the word aloud, and writes the word on the board or projects it
 - The Host Team copies the correct definition onto a blank card
 - Each other team writes one fake (bluff) definition on a blank card
 - Collect and shuffle all submitted definitions
 - Present all definitions by reading them aloud, writing them on the board or projecting them

- Non-host teams vote for the definition they believe is correct
 - Reveal the correct definition and award points: 1 point for each correct guess; 1 point to bluffing teams for each vote their definition receives
 - Rotate Host Teams and begin the next round
 - Play until time is up or all teams have taken a turn as the Host Team
 - The team with the highest score wins
5. Wrap up with a discussion question:
 - Why do you think so many loan terms are easy to mix up or misunderstand? How can that confusion affect someone who's taking out a loan?
6. Distribute **HANDOUT 13**
7. (Optional) Distribute **QUIZ** for individual assessment, or answer the questions together as a class; decide whether or not students can reference their notes/handouts during the quiz

NOTES

[illegible]



ACTIVITY

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LENDING LIE DETECTOR – WORD CARDS

Directions: Cut out the cards and shuffle them into a deck. In each round, the Host Team draws a card, reads *only the word aloud* and later copies the real definition onto a blank card to mix with the others.

Principal

The original amount of money you borrow

Interest Rate

The percentage charged on the loan, based on how much you borrowed

Term

How long you have to pay back the loan

Collateral

Something valuable (like a car or house) the lender can take if you don't repay the loan

Default

When you stop making payments on a loan

Secured Loan

A loan that uses something valuable as collateral



ACTIVITY

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LENDING LIE DETECTOR – WORD CARDS

Directions: Cut out the cards and shuffle them into a deck. In each round, the Host Team draws a card, reads *only the word aloud* and later copies the real definition onto a blank card to mix with the others.

Co-signer

Someone who agrees to repay the loan if you don't

Fixed Rate

An interest rate that stays the same the whole time you're paying off the loan

Index

A number used to figure out how loan interest rates should go up or down

Variable Rate

An interest rate that can go up or down while you're paying off the loan

Mortgage

A type of loan used to buy a home or property

Annual Percentage Rate (APR)

The total yearly cost of a loan, including interest and fees



ACTIVITY

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LENDING LIE DETECTOR - BLANK CARDS

Directions: Print and cut out enough cards for each team to have one per round (or substitute index cards or sticky notes). Teams use these to write a fake definition and try to fool the other teams.





ACTIVITY

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LENDING LIE DETECTOR - BLUFF PACK

Directions: (Optional) Cut out the cards and shuffle them into a deck. These prewritten bluff definitions can be used as examples, wildcards or backups if a team doesn't submit their own.



The number used to check how reliable a borrower you are



A document that outlines the terms of your loan



A bonus a lender gives you for making on-time payments



A payment you make to lower your interest rate



The minimum amount you must pay every month



A legal document that proves you understand your loan agreement



ACTIVITY

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LENDING LIE DETECTOR - BLUFF PACK

Directions: (Optional) Cut out the cards and shuffle them into a deck. These prewritten bluff definitions can be used as examples, wildcards or backups if a team doesn't submit their own.



A type of loan you only pay back
if your income increases



An optional add-on that increases
your overall repayment



A fee added to your total balance
for missing a payment



A loan offer made without
checking your credit



A payment plan that adjusts to
your budget each month



A type of contract between two
lenders about who owns the loan



ACTIVITY

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LENDING LIE DETECTOR – BLUFF PACK

Directions: (Optional) Cut out the cards and shuffle them into a deck. These prewritten bluff definitions can be used as examples, wildcards or backups if a team doesn't submit their own.



A temporary freeze on your loan payments for up to 90 days



A number that shows how much interest you've already paid



A penalty for early repayment



A percentage added to cover the cost of inflation



A fixed dollar amount added to each payment



A document showing how many loans you have had in the past



QUIZ

Loan Basics

NAME: _____

TOTAL
/ 8 pts

MULTIPLE CHOICE

Directions: CIRCLE the best possible answer from the given options.

- | | |
|---|---|
| 1. What is the principal of a loan? | 2. What is loan interest? |
| a. The amount of tax paid by the lender | a. The full amount the borrower owes |
| b. The original amount borrowed | b. A one-time fee charged when a loan is approved |
| c. The total cost of borrowing | c. A penalty for missing a payment |
| d. The total interest charged by the lender | d. The extra money a borrower pays the lender for using their money |

/2 pts

SHORT ANSWER

Directions: Answer the following question in a few words.

3. Why is it important to borrow only what you need?

/2 pts

TRUE OR FALSE

Directions: CIRCLE either true or false.

- | | |
|------------------|--|
| 4. TRUE or FALSE | Unsecured loans require collateral like a car or a house. |
| 5. TRUE or FALSE | The loan term refers to how long you have to repay the loan. |
| 6. TRUE or FALSE | With a fixed-rate loan, the interest rate stays the same for the entire term. |
| 7. TRUE or FALSE | A variable-rate loan can become more expensive over time if interest rates rise. |

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/4 pts

ACTIVITY ANSWER KEY

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LENDING LIE DETECTOR

Directions: Use the following guide to facilitate the Lending Lie Detector activity—a bluffing-style game designed to support vocabulary practice. Before beginning, decide whether to incorporate the optional Bluff Pack cards so you can print and prepare them in advance.

SETUP

Divide students into teams of **3–5**.

Each team will need a **pen/pencil** and several **blank cards** (Activity page 3, or substitute index cards).

Select one team to be the **Host Team** for the first round.

Prepare a scoreboard and a way to display definitions (e.g., whiteboard or projector).

BLUFF PACK VARIATIONS

You can incorporate the **Bluff Pack** cards (Activity pages 4–6) to support gameplay or add variety. Choose the option that best fits your group:

- **Shuffle in a Bluff Pack card each round** along with team submissions to keep players guessing
- **Allow one Bluff Pack “SOS” card per team** to use if they can’t come up with a definition in time
- **Distribute a few Bluff Pack cards** to each team at the start of the game to copy or use as inspiration when crafting definitions



HOW TO PLAY

Each round is played as follows:

1. The Host Team draws a **Word Card**, reads the term aloud and writes it on the board—**word only**, not the definition.
2. The Host Team secretly writes the correct definition on a blank card.
3. All other teams write one fake (bluff) definition on a blank card.
4. The instructor collects and shuffles all definitions (one correct, the rest fake).
5. The instructor presents all definitions anonymously by reading them aloud, writing them on the board or projecting them for the class.
6. Non-host teams discuss and vote on which definition they believe is correct.
7. The instructor reveals the correct definition and awards points:
 - **1 point** to each team that guesses the correct definition
 - **1 point** to each bluffing team for each vote their definition receives
8. Tally the scores, update the scoreboard and rotate the Host Teams to begin the next round.



ACTIVITY ANSWER KEY

Loan Basics

LENDING LIE DETECTOR – DEFINITIONS

Directions: This table provides the correct definitions for all Word Cards, organized alphabetically. If teams submit similar or correct definitions by accident, present them as is; only the Host Team's version counts as correct.

WORD	DEFINITION
Annual Percentage Rate (APR)	The total yearly cost of a loan, including interest and fees
Collateral	Something valuable (like a car or house) the lender can take if you don't repay the loan
Co-signer	Someone who agrees to repay the loan if you don't
Default	When you stop making payments on a loan
Fixed Rate	An interest rate that stays the same the whole time you're paying off the loan
Index	A number used to figure out how loan interest rates should go up or down
Interest Rate	The percentage charged on the loan, based on how much you borrowed
Mortgage	A type of loan used to buy a home or property
Principal	The original amount of money you borrow
Secured Loan	A loan that uses something valuable as collateral
Term	How long you have to pay back the loan
Variable Rate	An interest rate that can go up or down while you're paying off the loan



QUIZ ANSWER KEY

Loan Basics

MULTIPLE CHOICE

Directions: CIRCLE the best possible answer from the given options.

- | | |
|---|--|
| <p>1. What is the principal of a loan?</p> <ul style="list-style-type: none"> a. The amount of tax paid by the lender ☒ b. The original amount borrowed c. The total cost of borrowing d. The total interest charged by the lender | <p>2. What is loan interest?</p> <ul style="list-style-type: none"> a. The full amount the borrower owes b. A one-time fee charged when a loan is approved c. A penalty for missing a payment ☒ d. The extra money a borrower pays the lender for using their money |
|---|--|

/2 pts

SHORT ANSWER

Directions: Answer the following question in a few words.

3. Why is it important to borrow only what you need?

BORROWING ONLY WHAT YOU NEED HELPS KEEP INTEREST COSTS LOWER AND
MAKES IT EASIER TO PAY BACK THE LOAN ON TIME.

/2 pts

TRUE OR FALSE

Directions: CIRCLE either true or false.

- | | |
|--|---|
| <p>4. TRUE or ☒ FALSE</p> | <p>Unsecured loans require collateral like a car or a house.</p> |
| <p>5. ☒ TRUE or FALSE</p> | <p>The loan term refers to how long you have to repay the loan.</p> |
| <p>6. ☒ TRUE or FALSE</p> | <p>With a fixed-rate loan, the interest rate stays the same for the entire term.</p> |
| <p>7. ☒ TRUE or FALSE</p> | <p>A variable-rate loan can become more expensive over time if interest rates rise.</p> |

/4 pts