

Lesson 2.11: Credit vs Debit and What Interest Costs

Unit: Unit 2, Me, My Goals, My Money (Individual Growth and Life Readiness) **Topic:** 2.3 Money Basics **Grade:** 6 to 8 (written at grade 7; see Differentiation for the grade 6 support and grade 8 stretch) **Days:** 1 class period of 40 minutes **Room:** Classroom or FACS lab; no kitchen needed

Standards

- NYS module line: NYS IGLR 4. Financial Readiness f) Compare and contrast different types of credit and loans
- CTE theme line: CTE FCL 5. Payment Options and Credit b) Define the terms “credit” and “debt”
- CTE theme line: CTE FCL 5. Payment Options and Credit c) Examine factors that affect the choice to use credit, the costs and benefits of using credit, and the personal and legal responsibilities of using credit
- NYS FACS Learning Standard 3 (Intermediate), Key Idea: Students will understand and be able to manage personal resources of talent, time, energy, and money and make effective decisions in order to balance their obligations to work, family, and self.; Performance Indicator: Students understand the resources available to them, make informed decisions about the use of those resources, and know some ways to expand resources.
- CDOS Standard 3a Universal Foundation Skills: Basic Skills
- National FCS 3.0: 3.3.3 Examine how using credit affects money plans in the short run and the long run.
- National FCS 3.0: 3.3.8 Examine what builds or damages a credit rating and how that rating changes the rates and terms offered for credit and insurance.

Note on the National FCS lines: the task asked for a 2.6 credit competency. There is none in the 3.0 text (2.6 covers planning, management principles, insurance, and legal documents), and the module block prints 2.7.4, which does not exist in 3.0 (crosswalk Part E.1). 3.3.3 is the credit competency and is confirmed in the 3.0 text; 3.3.8 covers the credit score paragraph and is also confirmed.

Enduring understanding and essential question

Big idea: Credit is borrowing, and borrowing has a price. The price is interest, and the smaller the payment you make, the longer you pay it and the more it costs. A credit score is the record of whether you paid people back. **Essential question:** If a store lets you take a \$500 phone home today for \$25 a month, what does the phone really cost?

Objectives

By the end of this lesson, students will be able to:

1. (Low) Given the two cards side by side, define credit, debt, and interest, and state four differences between a credit card and a debit card.
2. (Mid) Given a \$500 loan and three interest rates, compute simple interest for one year and for three years using $I = P \times r \times t$, and show the math.
3. (High) Given a \$500 credit card balance at 24 percent and two payment plans (the \$25 minimum, or \$50 a month), compare the months to pay off and the total interest, and recommend a plan in two sentences with the numbers.

Vocabulary

Tier 2 (general academic): compare, contrast, rate, minimum Tier 3 (FACS): credit, debt, debit, loan, interest, principal, APR, minimum payment, credit score. See Vocabulary 02.md for Turkish, Portuguese, and Spanish.

Materials and setup

- Interest Math Practice, one per student: Handout 02.11 - Interest Math Practice.md
- Calculators, one per pair
- Slides: Slides 02.11 - Credit vs Debit and What Interest Costs
- Two large cards for the board, one labeled DEBIT and one labeled CREDIT, to build the side-by-side chart
- Setup notes: the minimum payment table on the handout was computed month by month at 24 percent APR (2 percent a month) with a fixed \$25 payment; the numbers are in the teacher key. Rates are typical for 2026 and marked [update]. No food handled today.

Pre-assessment

Yesterday's exit cards show who can name where a credit card's money comes from ("the bank's money"). The do now asks students to guess the cost of a \$500 phone paid at \$25 a month; the spread of guesses (most say \$500) is the hook.

Do now and hook (Time: 4 min)

On the board: "A store lets you take a \$500 phone home today and pay \$25 a month on a store credit card. Guess: what will the phone cost you in total by the time it is paid off? Write a number."

Debrief: collect five guesses on the board. Most say \$500 or a little more. Say the hook: "The real number is on the last page of your handout. You are going to earn it. It is more than \$600, and the store is counting on you not doing this math."

Procedure

Step	Teacher will	Students will	Time
1. Direct instruction: debit and credit side	Slides 2 to 4. Build the chart on the	Fill in Part A of the handout: the side-	6 min

by side	board with the two big cards. Debit: your money, right now, from your checking account; no bill; no interest; a stolen card drains your account. Credit: the bank's money, borrowed; a bill comes every month; interest if you do not pay in full; you can dispute a charge; builds a credit score. Define the three words: credit is borrowing with a promise to pay back; debt is what you owe; interest is the price of borrowing.	by-side chart and the three definitions.	
2. Direct instruction: loans and the price of borrowing	Slides 5 to 7. A loan is a set amount borrowed for a set time with a set rate (a car loan, a student loan, a mortgage). A credit card is a loan you can keep taking. The rate is the APR: the percent per year. Simple interest: $I = P \times r \times t$, where P is the amount borrowed (principal), r is the rate as a decimal, t is time in years. Work one on the board: \$500 at 5 percent for one year is $\\$500 \times 0.05 \times 1 = \\25. Show the three rates	Copy the formula and the worked example. Say the three rates back.	6 min

	students will use: 5 percent (a good car loan), 15 percent (a store card), 24 percent (a typical credit card) [update].		
3. Practice: simple interest at three rates	Part B of the handout. Pairs, calculators. Three rates, one year, then three years. Then Part C: two more loans with different principals. Circulate with the clipboard checklist.	Compute six interest amounts and the total owed for each. Answer: "At which rate does three years cost more than the phone?"	10 min
4. The reveal: minimum payments	Slide 8 and Part D. Show the month-by-month idea: each month 2 percent is added to the balance (24 divided by 12), then the payment comes off. Show the first three months on the board. Then give the finished table: at \$25 a month, the \$500 takes 26 months and costs \$144.94 in interest, \$644.94 total. At \$50 a month, 12 months and \$63.50 in interest. Paid in full in the first month, \$0. Ask for the recommendation.	Copy the three outcomes into Part D. Write the two-sentence recommendation with the numbers. Compare to their do now guess.	6 min
5. Direct instruction: the credit score in one paragraph	Slide 9. A credit score is a number from 300 to 850 that says how well you have paid	Copy the paragraph frame in Part E: what it is, what moves it up, what moves it down, why	4 min

	people back. It goes up when you pay on time every month and use only a small part of your limit. It goes down when you pay late, max out a card, or apply for too much at once. It matters because a landlord, a car lender, and sometimes an employer look at it, and a low score means a higher rate on every future loan. Nobody has one until they borrow something; a first credit card paid in full every month is how most people start.	it matters.	
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Questions to ask

Monitor understanding:

- Whose money is on a debit card? Whose money is on a credit card?
- In $I = P \times r \times t$, what is P ? What does 24 percent look like as a decimal?
- Why does the \$25 plan cost more than the \$50 plan on the same \$500?

Deepen learning:

- The store card said “no interest for six months.” What happens in month seven? Who does that deal help?
- A family member says “never get a credit card.” Another says “get one at 18 and pay it off every month.” Who is right, and for what kind of person?
- If a credit score is a record of paying people back, what is the middle school version of a credit score?

Check for understanding

Clipboard checklist during Step 3: for each pair, yes or no on “rate converted to a decimal,” “one-year interest correct at 24 percent (\$120),” and “three-year total owed correct at 15

percent (\$725).” A pair with three yeses moves to Part C. A pair that wrote \$12,000 for 24 percent forgot the decimal; the prompt is “Is 24 percent more or less than the whole \$500?”

Closure (Time: 4 min)

3-2-1 exit card on the bottom of the handout: 3 differences between credit and debit, 2 things that move a credit score, 1 number: the total cost of the \$500 phone at \$25 a month. Three students read one line aloud. Collect. Sort into “got it” and “needs more.” The “needs more” pile gets the simple interest formula again in the first two minutes of Lesson 2.12, where the same formula pays the student instead of the bank.

Differentiation and supports

- ELL: the side-by-side chart has one picture per row; the words credit, debt, debit, interest, loan are on a card in English, Turkish, Portuguese, and Spanish (see Vocabulary 02.md); the formula is shown with words under each letter (“amount borrowed x rate x years”); sentence starter for the recommendation: “Pay \$___ a month because it takes ___ months and costs \$___ in interest instead of \$___.”
- IEP and 504 (general): pairs; calculators; the handout has the decimal versions of the three rates printed (0.05, 0.15, 0.24) and the multiplication set up in boxes; a student may complete the one-year row only in Part B; extended time; the recommendation may be given orally.
- Grade 6 support: Part B one-year row only; Part C skipped; Part D is copying the three outcomes and circling the best plan.
- Grade 8 stretch: compute month 1, 2, and 3 of the \$25 plan by hand (2 percent of the balance, add it, subtract \$25) and check against the table; then answer: at what monthly payment would the \$500 be gone in ten months, and how much interest would that cost? (About \$56 a month; interest about \$57.) Preview of CTE FCL 5. d): compare a bank credit card at 24 percent, a store card at 29 percent, and a credit union card at 15 percent [update], and say which one a person with a good score should pick.
- UDL checkpoint used: multiple means of representation (the side-by-side chart, the formula with words under it, the month-by-month table) and multiple means of engagement (the do now guess that the lesson proves wrong).
- No-kitchen or no-machine alternative: not a lab; none needed. Without calculators, Part B uses \$500 so 5 percent, 15 percent, and 24 percent can be done by hand.

Assessment

Objective	Standards met	Learning task	Assessment (formative or summative; tool)
1. Define credit, debt, interest; four differences	IGLR 4. f); FCL 5. b); Std 3 PI B	Part A, Step 1	Formative; Part A checked; summative on the Money Basics Quiz items 9 and 10 (Lesson 2.13)

2. Compute simple interest at three rates	FCL 5. c); CDOS 3a Basic Skills; National FCS 3.3.3	Parts B and C, Step 3	Formative; clipboard checklist; summative on the Money Basics Quiz item 11
3. Compare two payment plans and recommend one	IGLR 4. f); FCL 5. c); National FCS 3.3.3 and 3.3.8	Part D, Step 4	Formative; recommendation scored complete (both numbers, a choice, a reason), partial, or missing for daily work

Homework

None. Optional: find one ad, sign, or app screen that says “0 percent,” “no interest,” or “as low as \$__ a month.” Write down what it is selling and what it does not say. Bring the description, not the ad.

Connections

Math: percent as a decimal, the formula $I = P \times r \times t$, and a three-step iteration for the grade 8 stretch; this is the week to share the handout with the math teacher. Health: the stress side of debt fits the health teacher’s unit on stress; coordinate the week. Community: *[Sal: a credit union education officer or your own New York Life and Series 6 background; a five-minute story about a client who paid minimums for years lands harder than any slide.]*

Sources

- NYS Middle Level CTE FACS Content Module 01, Individual Growth and Life Readiness (nycetecenter.org, June 2018), line 4. f). Copy in 02 Standards/NYS Module PDFs/.
- NYS Middle Level CTE Theme Module 03, Financial and Consumer Literacy, lines 5. b) and 5. c). Same folder.
- NYS Learning Standards for Health, Physical Education, and Family and Consumer Sciences (1996), Standard 3, Intermediate. Wording per 02 Standards/STANDARDS SOURCES - web research.md.
- National Standards for Family and Consumer Sciences Education 3.0 (LEAD FCS Education, 2018), competencies 3.3.3 and 3.3.8.
- Rates used (5, 15, 24, and 29 percent) are typical published APRs for a good auto loan, a credit union card, a bank card, and a store card in 2026; marked [update]. The minimum payment table was computed for this lesson at 2 percent a month with a fixed \$25 payment.
- Sal’s own materials: the Credit and Debt Decoded packet (Brentwood South, 2026, Lesson Dups/Unit_4_Financial_Literacy/education_teachingwork_credit_and_debt_decoded_2026_04.docx) supplied the definitions, the interest impact calculator, and the

responsible borrowing questions; the cautionary tale in that packet used a 20 percent monthly rate, which was changed here to a 24 percent yearly rate so the math matches real cards.

Teacher notes

- If time runs short, cut Part C and take only the \$25 and “paid in full” outcomes in Part D. Never cut the reveal; the do now guess versus the real number is the lesson.
- Common mistake: the rate as a whole number. $\$500 \times 24 = \$12,000$. When you see it, ask whether 24 percent is more or less than the whole thing.
- Second common mistake: students hear “minimum payment” as “the payment you should make.” Say it as “the smallest payment the card lets you make without a penalty, which is also the one that makes the bank the most money.”
- The credit score paragraph is one paragraph on purpose. Topic 2.4 and Unit 7 do not return to it; if a student wants more, CTE FCL 5. e) and f) are the lines, and a credit report walkthrough fits a high school course better.
- *[Sal: your Series 6 and New York Life years are the credential here. Tell the class in one minute what a “buy now, pay later” pitch sounds like from the inside.]*