HIGH SCHOOL FINANCIAL LITERACY

Credit, Debt &

Smart Borrowing

8 Informational Reading Passages

ELA-Integrated Financial Literacy

- 8 High-Interest Passages (Lexile 850-1050)
- Text-Dependent Comprehension Questions
- Vocabulary in Context Activities
- Discussion Cards & Teacher Guide
- Complete Answer Keys

UM Printables

Engaging • Real-World • Standards-Aligned

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ELA & Financial Literacy Crosswalk
This resource bridges Financial Literacy and English Language Arts. The text-dependent questions require students to cite evidence, analyze author's purpose, and determine central ideas—key skills for standardized assessments.

TEACHER GUIDE

Resource Overview

This resource contains 8 informational reading passages designed to teach high school students about credit, debt, and smart borrowing while practicing critical ELA skills. Each passage is written at a Lexile level between 850 and 1050, making them accessible yet challenging for high school readers.

Passage	Topic	Lexile	ELA Focus
1	Credit Scores	860	Citing Evidence
2	Interest Rates	890	Author's Purpose
3	Good vs. Bad Debt	920	Claim & Reasoning
4	Credit Card Traps	950	Text Structure
5	Student Loans	970	Central Idea
6	Auto Loans	980	Vocabulary in Context
7	Compound Interest	1010	Summarizing
8	Building Credit	1050	Inference

Implementation Strategies

- **Bell-ringers / Warm-ups:** Assign one passage per day to start class.
- **Stations:** Place different passages at stations for group rotation work.
- **Cross-Curricular:** Partner with the ELA department for a finance-themed reading unit.
- **Socratic Seminar:** Use the included Discussion Cards for student-led debates.

Standards Alignment

Subject	Standards
Financial Literacy	CEE 4.1 (Credit), 4.2 (Interest), 4.3 (Loans), Jump$tart 4b
ELA (CCSS)	RI.9-10.1 (Text Evidence), RI.9-10.2 (Central Idea), RI.9-10.4 (Vocab)

READING PASSAGES

Passage 1

Lexile: 860L | **Focus:** Financial Literacy & ELA

The Credit Score Blueprint

A credit score is a three-digit number that acts as a financial report card for adults. Ranging from 300 to 850, this number tells lenders how risky it is to lend someone money. The most common type of credit score is the FICO score, which is calculated using five main factors. The most important factor is payment history, which makes up 35% of the score. Lenders want to see if you pay your bills on time. The second factor is credit utilization, which accounts for 30%. This compares how much credit you are using to how much you have available. Financial experts recommend keeping this ratio below 30%. Length of credit history (15%), credit mix (10%), and new credit inquiries (10%) make up the rest. A high credit score unlocks lower interest rates on loans and credit cards, saving thousands of dollars over a lifetime. Conversely, a low score can result in loan denials or steep interest rates, making borrowing expensive.

Text-Dependent Questions

1. What is a credit score, and what does it signify to lenders?

2. According to the passage, what are the two most important factors in determining a FICO score? Cite specific percentages.

3. Explain the concept of 'credit utilization.' What threshold do experts recommend?

4. What is the central idea of this passage? Support your answer with two details from the text.

Vocabulary Term	Definition (Use Context Clues)
Credit Score	
FICO Score	
Credit Utilization	
Inquiries	

Passage 2

Lexile: 890L | **Focus:** Financial Literacy & ELA

The Cost of Borrowing: Interest Rates

When you borrow money, you are essentially renting it. The rental fee is called interest, expressed as a percentage of the loan amount, known as the principal. Interest rates can be either fixed or variable. A fixed interest rate stays the same for the life of the loan, making monthly payments predictable. A variable rate can fluctuate based on the economy, meaning payments can rise unexpectedly. The rate you receive depends heavily on your credit score; borrowers with high scores are considered low-risk and are rewarded with lower rates. For example, a borrower with excellent credit might get a 5% interest rate on a car loan, while someone with poor credit might pay 15% for the exact same car. Over a five-year loan, the person with the higher rate could pay thousands more in interest. Understanding Annual Percentage Rate (APR) is also crucial. APR includes not just the interest rate, but also any fees associated with the loan, giving a true picture of borrowing costs.

Text-Dependent Questions

1. What is the difference between the 'principal' and 'interest' on a loan?

2. Contrast fixed and variable interest rates. What is a potential risk of a variable rate?

3. How does a credit score impact the total cost of borrowing money over time?

4. Why is the APR considered a more accurate measure of borrowing cost than the interest rate alone?

Vocabulary Term	Definition (Use Context Clues)
Principal	
Fixed Rate	
Variable Rate	
APR (Annual Percentage Rate)	

Passage 3

Lexile: 920L | **Focus:** Financial Literacy & ELA

Good Debt vs. Bad Debt

Not all debt is created equal. Financial experts often categorize borrowing as either 'good debt' or 'bad debt' based on what the borrowed money purchases. Good debt is an investment that will grow in value or generate income over time. The most common example is a mortgage. Real estate typically appreciates, and mortgage interest is often tax-deductible. Student loans are also generally considered good debt, assuming the degree leads to a stable, well-paying career. Conversely, bad debt is used to purchase items that depreciate or lose value quickly. Credit card debt used for vacations, expensive clothing, or dining out is classic bad debt. Because credit cards often carry high interest rates, the cost of the purchase can double or triple if the balance isn't paid in full. Auto loans fall into a gray area; while a car is necessary for many to work and loses value rapidly, financing it at a reasonable rate can be a practical financial decision. The key is to borrow strategically, ensuring the long-term benefit outweighs the cost of borrowing.

Text-Dependent Questions

1. Define 'good debt' and 'bad debt' in your own words based on the text.

2. Why is a mortgage typically classified as good debt? Provide two reasons.

3. Why are credit cards considered 'bad debt' when used for vacations or dining?

4. The author states auto loans 'fall into a gray area.' Explain what this means using evidence from the passage.

Vocabulary Term	Definition (Use Context Clues)
Appreciate	
Depreciate	
Good Debt	
Bad Debt	

Passage 4

Lexile: 950L | **Focus:** Financial Literacy & ELA

The Credit Card Trap: Minimum Payments

1	***For savers, compound interest helps money grow exponentially by earning interest on interest. For borrowers, it causes debt to grow exponentially, making it harder to pay off.***
2	***If you understand how compounding works, you will save money and earn interest. If you don't, you will borrow money and end up paying massive amounts of interest.***
3	***It is a cycle because interest is added to the principal, and the next month, interest is charged on that higher balance, continuously growing the total debt.***
4	***Compound interest works exponentially. It builds massive wealth for savers over time but traps borrowers in escalating debt, making understanding it crucial.***

Term	Definition
Compound Interest	Interest calculated on the initial principal and also on the accumulated interest of previous periods.
Exponential Growth	Growth whose rate becomes ever more rapid in proportion to the growing total number or size.
Principal	The original sum of money invested or borrowed.
Returns	The profit or loss derived from an investment.

Passage 8 Answer Key

Q#	Suggested Answer
1	***The paradox is that you need a credit history to get credit, but you can't build a history without someone giving you credit first.***
2	***Authorized users piggyback on someone else's good history. Secured cards require a cash deposit as collateral, making them accessible but requiring your own funds upfront.***
3	***The money is held in an account to act as collateral for the loan. The borrower makes payments to build credit, and only receives the funds once the loan is paid off.***
4	***A new credit file has very little positive history to offset a negative mark, so one missed payment heavily skews the report negative, and it remains there for 7 years.***

Term	Definition
Credit History	A record of a borrower's responsible repayment of debts.
Authorized User	A person who has been added to a credit card account by the primary cardholder.
Secured Credit Card	A type of credit card backed by a cash deposit, used to build or rebuild credit.
Credit-Builder Loan	A small loan designed specifically to help people build credit, where the money is held until the loan is paid off.

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