



Activity to Accompany the Alternative Financial Services Infographic (Answer Key)

This activity accompanies the St. Louis Fed’s [Beware Debt Can Drown You infographic](#). You can assign the activity to students individually or as a group. If using a group format, divide students into five or six small groups. Distribute copies of Handout 1: Beware: Debt Can Drown You Infographic Activity” to each group. Designate one individual as the recorder who will add the group’s answers to the master document. Ask students to access the [digital](#) version of the infographic on their devices. (If devices are not an option in your classroom, order print copies of the infographic by emailing economiceducation@stls.frb.org.) Use a competition format, awarding a small prize to the group with the most correct answers who finishes the most quickly. Ask students to complete Handout 2: “Exit Ticket.” This activity asks students to describe the advantages and disadvantages of different financial services.

Submitted by

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About the author

Michelle Head grew up in Harlem, New York. She has been teaching for 28 years (K–college) and has spent the last four years teaching economics at Berkmar High School. Head creates thematic units, the latest is a hands-on approach for personal finance. Her teaching philosophy is to provide an environment in which all students feel comfortable enough to allow the learning process to take place. She currently resides in Lawrenceville, Georgia, with her son, Jeremy.

Handout 1: Beware: Debt Can Drown You Infographic Activity

Access the infographic on your device <http://bit.ly/2xW9Tlq> or use print copy.

<p>List three websites where you can get more information about debt.</p> <p>Consumerfinance.gov Nfcc.org Getbankednow.org</p>	<p>What percentage of cars bought at “buy here, pay here” businesses are repossessed?</p> <p>25%</p>	<p>What hours are ATMs open?</p> <p>24/7</p>
<p>What percentage of rent-to-own customers return their “purchases” within four months?</p> <p>75%</p>	<p>What documentation do you need to access a payday loan?</p> <p>Very little (Your car title or next paycheck is collateral for the loan.)</p>	<p>What can keep a person from getting a bank account?</p> <p>Bad track record (Banks have a reporting system to report account holders who write bad checks or have negative balances.)</p>
<p>Calculate: if your paycheck is \$450, how much will you lose to cash it through a check-cashing store?</p> <p>\$15.75</p>	<p>Calculate: if you pay the highest fee required on a refund anticipation loan of \$250, what “interest rate” are you paying?</p> <p>20%</p>	<p>Calculate: if you cash your paycheck of \$950 twice a month at a check-cashing store, how much will you have paid in fees at the end of the year?</p> <p>\$798</p>
<p>List three cons of using prepaid cards instead of a checking account.</p> <p>Up to 10 different fees are charged. There is little or no access to electronic bill payment. There is no free check loading.</p>	<p>How many payments can you miss before an in-house financed car is repossessed?</p> <p>One</p>	<p>When are check-cashing stores open?</p> <p>Nights and weekends</p>
<p>Explain, in your own words, what a “refund anticipation loan” is.</p> <p>It is a loan people can receive using their expected tax refund check as collateral.</p>	<p>How much is charged to cash a paycheck at a check-cashing store?</p> <p>3.5%</p>	<p>How many missed payments result in pawned items being sold?</p> <p>One</p>



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Handout 2: Exit Ticket



SELECT ONE OF THE FOLLOWING FINANCIAL SERVICES OPTIONS. DESCRIBE THE ADANTAGES AND DISADVANTAGES OF USING THIS OPTION AND EXPLAIN WHY YOU WOULD OR WOULD NOT USE THIS OPTION FOR YOUR OWN FINANCIAL SERVICES.

- * CHECK-CASHING STORE * BANK * PAYDAY LENDER * REFUND ANTICIPATION LENDERS *
- * PREPAID CARDS * RENT-TO-OWN STORES *

Answers will vary.



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