

# YOUR FINANCIAL ROAD MAP: WHERE DO YOU WANT TO GO?

DAY: 6

TITLE: YOUR MONEY – Keeping It Safe and Secure, cont.

TARGET COMPETENCY: Demonstrate how to use various financial services.

## OBJECTIVES:

- Understand the difference between Debit and Credit Cards
- Explore the features of automated financial services
- Identify Fringe Banking outlets, such as Payday Lenders, Check Cashers, etc
- Explain the challenges of using Fringe Banking services
- Begin to understand the connection between financial services and the need for consumer protection laws

## HANDOUTS/MATERIAL:

- NEFE Unit 5 — Your Money: Keeping It Safe and Secure
  - Student Guide (pg. 65-71)
  - NEFE PPT – Unit 5, slides J-L (download from website)
- Fringe Banking PPT (7 slides)
- Handout: *New Overdraft Rules for ATM and Debit Cards*
- Handout: *The Truth About Payday Lending*
- Handout: *Case Study – Banking Choices*

## LESSON SUMMARY:

Financial services are the foundation of managing, saving, and spending money. In this unit, students will learn the ins and outs of basic financial services, including savings and checking accounts, debit and credit cards. They will be introduced to mainstream financial services (banks and credit unions), along with alternative service providers such as Payday Lenders, Check Cashers. Students will learn how to analyze products and make informed decisions about their banking provider. The use of credit cards and electronic banking services can leave us open to identify theft, which will be covered in greater detail in the Consumer Protection lesson.

## LESSON OUTLINE:

MINUTES	CONTENT
	<b>Recommendation:</b> Invite a guest speaker(s) from a local financial institution. Ideally, representatives from both a bank and a credit union could talk about their products and services.
10	<b>Debit Cards &amp; Credit Cards</b> Review and discuss the differences between Debit Cards and Credit Cards.

	<p>Using NEFE Unit 5 (pgs. 65-71 of Student Guide) and PPT Slides 5-J to 5-L.</p> <p>You may want to discuss the new ATM and Debit card rules (see resource below from Federal Reserve Bank).</p> <p>The last slide asks about online banking and other trends -- ask the students to brainstorm. Possible ideas include: using your cell phone for financial transactions at stores; attachments to iPhones that enable payments, etc</p>
<p><b>10</b></p>	<p><b>Fringe Banking</b></p> <p>Transition: While not a NEW trend, Fringe Banking is certainly a strong element of the financial services landscape and something the students should be fully aware of.</p> <p><b>PBS Newshour video (5 min. video)</b>  With financial reform talks under way, payday loans are coming under increased scrutiny for trapping the working poor in a vicious cycle of debt. Ray Suarez reports. Aired on <i>PBS Newshour</i> March 16, 2010.  <a href="http://www.responsiblelending.org/payday-lending/tools-resources/payday-loans-face-increasing-scrutiny.html">http://www.responsiblelending.org/payday-lending/tools-resources/payday-loans-face-increasing-scrutiny.html</a></p> <p>Note: The new Consumer Financial Protection Bureau (CFPB) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which we'll talk about in our Consumer Awareness lesson.</p>
<p><b>15</b></p>	<p><b>Fringe Banking - Overview</b></p> <p>Fringe Banking, also called Alternative Banking, refers to non-mainstream financial companies that are able cash checks and loan money to consumers. Review Fringe Banking PPT (7 slides with notes pages) and handout: <i>The Truth About Payday Loans</i>, which provides a middle-ground view.</p> <p>Questions:</p> <ul style="list-style-type: none"> <li>• Have you ever noticed a Check Casher or Payday Loan outlet? <ul style="list-style-type: none"> <li>○ What did you notice about it? (Neon, open all hours, a lot of storefronts)</li> <li>○ How does it differ from the banks/credit unions you've seen?</li> </ul> </li> <li>• Do they seem more/less accessible than a mainstream financial institution (location, hours, non-judgmental, or... bad neighborhoods, seedy, potential for scam)?</li> <li>• Anyone want to share his/her experience with one?</li> </ul>

<p><b>20</b></p>	<p><b>Pros/Cons of Fringe Banking</b></p> <p>Critical thinking exercise:          Watch these two versions of commercials: one is a slickly produced piece created by the industry; the other was developed by a non-profit research organization. <a href="http://www.responsiblelending.org/payday-lending/tools-resources/slick-payday-lender-videos.html">http://www.responsiblelending.org/payday-lending/tools-resources/slick-payday-lender-videos.html</a></p> <p>In small or groups or as a class, discuss and dissect the pro and con arguments for using a Payday Lender that were presented in the videos.</p> <ul style="list-style-type: none"> <li>• Who was most convincing? Why?</li> <li>• Both sides discussed the same issue about APR, but both had different answers. Is that possible? Or is one side right and the other wrong?</li> <li>• What was the Payday Lender video NOT telling us?</li> <li>• What did the CRL video chose not to highlight?</li> </ul> <p><b>ACTIVITY:</b> Divide into groups of four. Two students will argue in support of the Fringe Banking industry (Payday lending outlets) and two students will argue against them. Take about five minutes for students to develop their positions. Invite teams to the front of the room – give each team one minute to state their case. Ask the class who “won” or who was the most convincing. Did anyone’s perspective on the issue change?</p>
<p><b>5</b></p>	<p><b>Assessment</b></p> <p>Briefly respond to these questions:</p> <ol style="list-style-type: none"> <li>1. List at least one argument <b>against</b> Fringe Banking (Payday Lenders, etc).</li> <li>2. List at least one argument in <b>support</b> of Fringe Banking.</li> <li>3. Which side do you think has the strongest case? Why?</li> <li>4. What is APR?</li> <li>5. Name at least one way a debit card differs from a credit card?</li> </ol>

**HOMEWORK:**

- Banking Case Studies Handout
- Ask students to review Unit 4 (Credit) in their Student Guides (pgs. 41-45)

## **ADDITIONAL RESOURCES:**

### **Consumer Financial Protection Bureau**

<http://www.consumerfinance.gov/the-bureau/>

Chaired by Elizabeth Warren, this newly created federal bureau was created to provide greater oversight for consumers in the wake of the Wall Street crisis.

### **Federal Reserve Bank Resources:**

- What You Should Know about Checks  
[http://www.federalreserve.gov/pubs/check21/shouldknow\\_flyer.pdf](http://www.federalreserve.gov/pubs/check21/shouldknow_flyer.pdf)
- Five Tips for Protecting Your Checking Account  
<http://www.federalreserve.gov/pubs/checkingaccount/checkacctips.pdf>
- New Overdraft Rules for ATM and Debit Cards (also in Spanish)  
[http://www.federalreserve.gov/consumerinfo/files/wyntk\\_overdraft.pdf](http://www.federalreserve.gov/consumerinfo/files/wyntk_overdraft.pdf)

### **Center for Responsible Lending**

- PBS Newshour video: With financial reform talks under way, payday loans are coming under increased scrutiny for trapping the working poor in a vicious cycle of debt. Ray Suarez reports. Aired on *PBS Newshour* March 16, 2010.  
<http://www.responsiblelending.org/payday-lending/tools-resources/payday-loans-face-increasing-scrutiny.html>
- Slick Videos by Payday Lenders (CRL Response)  
<http://www.responsiblelending.org/payday-lending/tools-resources/slick-payday-lender-videos.html>
- Map of Payday Loan Shops by State  
<http://www.responsiblelending.org/payday-lending/policy-legislation/states/2010-CRL-US-Payday-Stores-per-Household-pdf-FINAL-Sept.pdf>
- Cost of Bad Lending in Nevada  
<http://www.responsiblelending.org/mortgage-lending/tools-resources/factsheets/nevada.html>

### **Credit.com**

- State-by-State Payday Loan Summary  
[http://www.credit.com/credit\\_information/credit\\_law/PaydayLoanLaws.jsp](http://www.credit.com/credit_information/credit_law/PaydayLoanLaws.jsp)
- Truth About Payday Loans  
[http://www.credit.com/credit\\_information/loans/The-Truth-About-Payday-Loans.jsp](http://www.credit.com/credit_information/loans/The-Truth-About-Payday-Loans.jsp)

**For a comprehensive overview, see Wikipedia**

[http://en.wikipedia.org/wiki/Payday\\_loan](http://en.wikipedia.org/wiki/Payday_loan)