

# LESSON PLAN

*Predatory Lending*

- IT'S A -  
**MONEY  
THING®**

## INCLUDED IN THIS PACKAGE

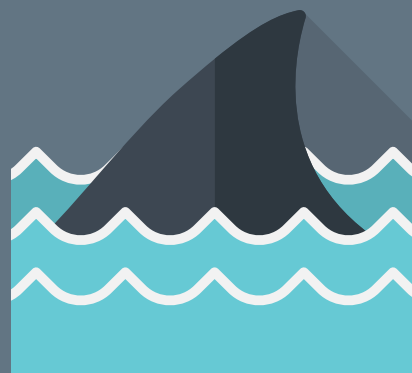
- **LESSON PLAN** (2 pages)
- **ACTIVITY** (3 pages)
- **QUIZ** (1 page)
- **ACTIVITY ANSWER KEY** (2 pages)
- **QUIZ ANSWER KEY** (1 page)

## COLLECT FROM YOUR LIBRARY

- **VIDEO 16** (*Predatory Lending*)
- **PRESENTATION 16** (*Predatory Lending*)
- **HANDOUT 16** (*Predatory Lending*)

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Community Credit Union





# LESSON PLAN

## Predatory Lending

GRADES

10 to 12

TIME

45 minutes



### OVERVIEW

Predatory loans are designed to look helpful—but they often cost far more than people expect. In this lesson, students will learn how to compare loan offers, recognize signs of predatory lending and build confidence in making informed borrowing decisions.

### GOALS

- Introduce students to the ways predatory lenders target borrowers and profit from long-term debt
- Reinforce that students have options beyond high-cost, high-risk lenders

### OBJECTIVES

- Identify common forms of predatory lending, including payday lenders and pawnbrokers
- Recognize the warning signs of predatory loans
- Calculate the total repayment and annual percentage rate (APR) of various loan offers to evaluate their true costs

### 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?** According to Merriam-Webster, the first known use of the term "loan shark" was in 1905.

### MATERIALS

- ☐ **VIDEO 16**—*Predatory Lending*
- ☐ **PRESENTATION 16**—*Predatory Lending*
- ☐ **ACTIVITY**—*Loan Comparison and Answer Key*
- ☐ **HANDOUT 16**—*Predatory Lending*
- ☐ **QUIZ**—*Predatory Lending and Answer Key*

### PREPARATION

- Gather digital materials (video and presentation)
- Print **HANDOUT 16** for each student
- Print one copy of the **ACTIVITY** for each group of students (or for each student, if working individually)
- (Optional) Print **QUIZ** (*Predatory Lending*) for each student



# LESSON PLAN

## *Predatory Lending*

### TIMELINE

- 5 minutes** Introduce topic and show **VIDEO 16** (*Predatory Lending*)
- 10 minutes** Go over **PRESENTATION 16**
- 20 minutes** Facilitate **ACTIVITY**
- 10 minutes** Wrap up and distribute **HANDOUT 16**
- (Optional)** Assessment: **QUIZ** (*Predatory Lending*)

### INSTRUCTIONS

1. Ask your class the following questions:
  - What would you do if you needed \$200 for an emergency and didn't have the money?
  - Have you ever heard of payday loans or pawnshops?
  - What do you know about them?

After a few responses, introduce the topic: "Today, we're going to explore predatory lending—a type of borrowing that can seem helpful in the moment, but often ends up costing people much more than they thought it would."
2. Show **VIDEO 16**
3. Go over **PRESENTATION 16**
4. Facilitate the **ACTIVITY**:
  - Distribute the Loan Comparison activity to each student or group
  - Ask students to review the formulas at the bottom of their worksheet
  - Give students time to complete the calculations and rank the loans from most to least fair

- Review the correct answers as a class
- Ask students: "Which loan looked fair at first but ended up being a bad deal? What made it misleading?"
- Refer to the Answer Key for additional discussion prompts

5. Distribute **HANDOUT 16** and emphasize that high-cost loans are not the only option, even in emergencies. Use these questions to support a wrap-up discussion:
  - What might make someone feel that a payday loan is their only choice?
  - What kind of borrower do you think predatory lenders are hoping for?
  - What skills or knowledge can help protect you from predatory loans?
6. (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

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# ACTIVITY

## Predatory Lending

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### LOAN COMPARISON

Directions: Use the information from these loan offers to complete the worksheet on page 2.



**TruStance**  
FINANCIAL

#### LOAN OFFER

Amount borrowed:	\$1,000
Interest rate:	36% annual
Term:	12 months
Fees:	\$125 processing fee
Monthly payment:	\$106.50/month

**MoneyTime**  
9000 \$

#### LOAN OFFER

Amount borrowed:	\$500
Interest rate:	15% per month
Term:	2 months
Fees:	\$25 application fee
Monthly payment:	\$287.50/month

 **Fast Fundz**

#### LOAN OFFER

Amount borrowed:	\$2,000
Interest rate:	12% annual
Term:	12 months
Fees:	\$250 origination fee \$100 processing fee
Monthly payment:	\$150/month for 11 months; \$650 in month 12

**Northbrook**  
LENDING

#### LOAN OFFER

Amount borrowed:	\$1,500
Interest rate:	10% annual
Term:	6 months
Fees:	None
Monthly payment:	\$258.13/month



# ACTIVITY

## Predatory Lending

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### LOAN COMPARISON - WORKSHEET

Directions: Review each loan offer and fill in the table below with the details provided. Use the formulas at the bottom of the page to calculate the **Total repayment**, the **Term (in years)** and the **Estimated APR** (annual percentage rate). After completing the table, rank the loans from most to least fair.

Loan offer	Amount borrowed	Monthly payment	Term (in months)	Term (in years)	Fees	Total repayment	Estimated APR
TruStance Financial							
MoneyTime 9000							
Fast Fundz							
Northbrook Lending							

#### FINAL RANKING:

*The lowest APR usually means the fairest loan, but always read the details to check for hidden terms.*

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_
- 4 \_\_\_\_\_

#### FORMULAS

**Total repayment** = Monthly payment × Term (in months) + Fees

**Term (in years)** = Term (in months) ÷ 12

**Estimated APR\*** =  $\left( \frac{\text{Total repayment} - \text{Amount borrowed}}{\text{Amount borrowed}} \right) \div \text{Term (in years)} \times 100$

\*This is a simplified version of the APR formula. Actual calculations may include the interest rate, compounding and payment timing.



# ACTIVITY

## *Predatory Lending*

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### LOAN COMPARISON

Directions: Use this page to work out your calculations before filling in the worksheet.



# QUIZ

## Predatory Lending

NAME: \_\_\_\_\_

TOTAL  
/8 pts

### MULTIPLE CHOICE

Directions: CIRCLE the best possible answer for each question.

1. Which of the following is **most likely** to use predatory lending practices?
  - a. A local credit union
  - b. A payday loan store
  - c. A student loan office
  - d. A local bank branch
2. Which of the following is a common warning sign of a predatory loan?
  - a. The lender avoids sharing full loan details
  - b. The loan includes extremely high fees for a short term
  - c. The lender uses high-pressure tactics
  - d. All of the above
3. What does APR stand for?
  - a. Annual percentage rate
  - b. Adjustable payment rate
  - c. Average payment ratio
  - d. Annual principal return
4. What key information does the APR provide about a loan?
  - a. The total amount you will repay over the life of the loan
  - b. The annual cost of borrowing, including interest and most fees
  - c. The credit score required to qualify
  - d. The maximum amount you can borrow

/4 pts

### TRUE OR FALSE

Directions: CIRCLE either true or false.

5. TRUE or FALSE      Predatory lenders often hope borrowers are confused or needs funds quickly.
6. TRUE or FALSE      If a loan has a high APR, it means it will cost more over time.
7. TRUE or FALSE      All lenders who charge interest are considered predatory.
8. TRUE or FALSE      Payday lenders often charge much higher interest rates than banks or credit unions.

/4 pts

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# ACTIVITY ANSWER KEY

## Predatory Lending

### LOAN COMPARISON

**Directions:** Use this answer key to verify students' APR calculations and confirm the correct loan rankings from best to worst. After checking answers, refer to the discussion prompts on page 2.

Loan offer	Amount borrowed	Monthly payment	Term (in months)	Term (in years)	Fees	Total repayment	Estimated APR
TruStance Financial	\$1,000	\$106.50	12	1	\$125	\$1,403	40.3%
MoneyTime 9000	\$500	\$287.50	2	0.167	\$25	\$600	120.0%
Fast Fundz	\$2,000	\$150, \$650 in month 12	12	1	\$350	\$2,650	32.5%
Northbrook Lending	\$1,500	\$258.13	6	0.5	\$0	\$1,548.78	6.5%

#### FINAL RANKING:

*The lowest APR usually means the fairest loan, but always read the details to check for hidden terms.*

**1** NORTHBROOK LENDING

**2** FAST FUNDZ

**3** TRUSTANCE FINANCIAL

**4** MONEYTIME 9000

#### Notes:

- This activity uses a simplified APR formula
- APR makes it possible to compare loans fairly, even when the borrowed amounts are different
- Some rounding differences are expected in students' APR results, depending on how they round decimals; focus on reasonable accuracy, not perfect matches
- The Fast Fundz loan includes a large final payment; calculate the total repayment before adding fees by multiplying  $(\$150 \times 11 \text{ months}) + (\$650 \times 1 \text{ month})$





# ACTIVITY ANSWER KEY

## *Predatory Lending*

### LOAN COMPARISON

**Directions:** Use the prompts below to guide a discussion after students complete the APR calculations.

**Discussion prompts:**

- Which loan would you have picked if you were only looking at monthly payments? Why might that lead you to the wrong choice? Smaller payments can feel more manageable, but they don't always reflect the true cost of the loan.
- Which lenders seemed the most trustworthy or the most approachable? Some lenders use branding and advertising to make their offers seem more appealing than they are.
- The Fast Fundz loan includes a large final payment—this is called a balloon payment. Why might a lender use this kind of structure? What risks does it create for someone who isn't ready for that final payment?
- Even though Northbrook Lending was the best deal overall, it had the highest monthly payment. Why might that make it harder for some people to choose, even if it saves them money in the end?
- APR helps compare loans, but it doesn't show the whole picture. A loan might have a decent APR but still include hidden fees, penalties or confusing terms. Always read the details carefully and make sure you understand what you're agreeing to.



# QUIZ ANSWER KEY

## *Predatory Lending*

### MULTIPLE CHOICE

Directions: CIRCLE the best possible answer for each question.

1. Which of the following is **most likely** to use predatory lending practices?
  - a. A local credit union
  - ☒ b. A payday loan store
  - c. A student loan office
  - d. A local bank branch
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4. What key information does the APR provide about a loan?
  - a. The total amount you will repay over the life of the loan
  - ☒ b. The annual cost of borrowing, including interest and most fees
  - c. The credit score required to qualify
  - d. The maximum amount you can borrow

/4 pts

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/4 pts