

Update to Content Accepted by SRP

Request to Update Content Reviewed and Accepted by the State Review Panel (SRP)

Proposed changes shall be made available for public review on Texas Education Agency's website for a minimum of seven calendar days prior to approval.

Indicate if the changes in the content were reviewed and accepted by the SRP to determine coverage of the Texas Essential Knowledge and Skills (TEKS), English Language Proficiency Standards (ELPS), or Texas Prekindergarten Guidelines (TPG) by selecting a box below. (**Note:** All request to update editions that do not change content reviewed and accepted by the SRP must be entered on the *Update to Content Not Reviewed by SRP* document.)

TEKS ELPS TPG TEKS and ELPS

Proclamation Year: Proclamation 2024

Publisher: Ramsey Education (Lampo, Dave Ramsey)

Subject Area/Course: Social Studies/ Personal Finance and Economics

Adopted Program Information:

Title: Foundations in Personal Finance High School 4th Edition

ISBN: 9781936948581

Enter the identical Program Title of your identical product that will contain the identical updates.

Identical Program Title: Foundations in Personal Finance High School 4th Edition

Identical Program ISBN: 9781936948581

Adopted Component Information

Title: Foundations in Personal Finance High School 4th Edition Print/Digital

ISBN: 9781936948574

Enter the identical component title of your identical product that will contain the identical updates.

Identical Component Title: Foundations in Personal Finance High School 4th Edition Print/Digital

Identical Component ISBN: 9781936948574

Publisher's overall rationale for this update

Our content went through a final review with our copy editing team and some suggested changes were made to update sources, adjust copy for flow and readability, and minor grammatical errors. We would like to make these changes live for all of our teachers and students to ensure they are using the most up to date, accurate and effective resources.

Publisher's overall description of the change

update sources and stats, adjust copy for flow and readability, minor grammatical changes, and location changes

Update to Content Accepted by SRP

Access Information

Enter access information below to the adopted version of the instructional materials and the proposed new content.

Currently Adopted Content URL: ramseyclassroom.com

Currently Adopted Content Username: texas+teacher@ramseysolutions.com

Currently Adopted Content Password: DebtFree

Proposed Updated Content URL: ramseyclassroom.com

Proposed Updated Content Username: texas+teacher@ramseysolutions.com

Proposed Updated Content Password: DebtFree

Update comparison:

Each change in the component on this form should be documented in the update comparison below. You must submit a separate request for **each component**, not each change. (**Note:** Repeat this section as often as needed by copying and pasting the entire area from the (SE)(Breakout(s)) and (Citation Type(s)) to the dividing line for each change.)

1. (SE)(Breakout(s)) and (Citation Type(s))

(8)(B)(i), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content

Activity Chapter 3, Lesson 6: The Rule of 72: Suggested Responses PDF pg. 4-5

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-3/act-c03-l06-tx-the-rule-of-72.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content

Activity Chapter 3, Lesson 6: The Rule of 72: Suggested Responses PDF pg. 4-5

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c03-l06-tx-rule-of-72.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

Update to Content Accepted by SRP

TEACHER MATERIAL

The Rule of 72

CHAPTER 3, LESSON 6

DIRECTIONS
Use the compound interest formula and the rule of 72 to answer the questions.

Hailey is going to start the process of investing in some mutual funds. She has \$12,000 saved up for her initial investment, and the fund she's considering has an interest rate of 5.5%.

1. Use the rule of 72 to determine how many years it'll be before Hailey doubles her investment.
Hailey will double her money in approximately 13 years.
2. Use the formula for compound interest to calculate how many years it'll be before Hailey doubles her investment.
In 13 years, Hailey will have earned \$24,069, which doubles her investment and then some. This is the equation: $\$12,000(1+0.055/2)^{2 \times 13}$

Hector has \$15,000 he's ready to put into an investment account, but there are two types of investments he's trying to choose between. Investment A has a 7.2% interest rate but might be a little riskier, while Investment B is a safer choice but has a lower rate of 6.5%.

3. Use the rule of 72 for both options to see the difference between Hector's two choices.
Investment A will double in 10 years, and Investment B will double in 11 years.

TEACHER MATERIAL

The Rule of 72

CHAPTER 3, LESSON 6

4. Use the formula for compound interest to calculate the difference between Hector's two choices.
**In 10 years, Investment A will make \$30,063. The formula for Investment A is $\$15,000(1+0.072/2)^{2 \times 10}$.
In 11 years, Investment B will make \$29,987, which is not quite double but close. The formula for Investment B is $\$15,000(1+0.065/2)^{2 \times 11}$. If Hector goes with Investment A, he'll earn \$76 more per year sooner than if he went with Investment B.**

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

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CHAPTER 3, LESSON 6

DIRECTIONS
Use the compound interest formula and the rule of 72 to answer the questions below.

Hailey is going to start the process of investing in some mutual funds. She has \$12,000 saved up for her initial investment, and the fund she's considering has an interest rate of 5.5% that'll be compounded one time per year.

1. Use the rule of 72 to determine how many years it'll be before Hailey's investment doubles.
Hailey's investment will double in approximately 13 years.
2. Using the number of years from the previous question, work through the formula for compound interest to find the actual future value of Hailey's investment.
Hailey will have earned \$24,069, which doubles her investment and then some. This is the equation: $\$12,000(1+0.055/1)^{13}$

Hector has \$15,000 that he's ready to put into an investment account, but there are two types of investments he's trying to choose between. Investment A has a 7.2% interest rate but might be a little riskier, while Investment B is a safer choice but has a lower rate of 6.5%. Both investments will compound one time per year.

3. Use the rule of 72 for both options to see the difference between Hector's two choices.
Investment A will double in 10 years, and Investment B will double in 11 years.

FOUNDATIONS IN PERSONAL FINANCE PAGE 3 OF 4

TEACHER MATERIAL

The Rule of 72

CHAPTER 3, LESSON 6

4. Using the number of years from the previous question, work through the formula for compound interest to calculate which investment will earn him more money sooner.
**In 10 years, Investment A will make \$30,063. The formula for Investment A is $\$15,000(1+0.072/1)^{10}$.
In 11 years, Investment B will make \$29,987, which isn't quite double but close. The formula for Investment B is $\$15,000(1+0.065/1)^{11}$. Hector will earn more money sooner if he goes with Investment A.**

2. (SE)(Breakout(s)) and (Citation Type(s)) (5)(B)(i) Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content
Activity Chapter 6, Lesson 3: Profits and Costs of an Entrepreneur: P & L Report PDF pg. 6

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-6/act-c06-i03-tx-profits-and-

Update to Content Accepted by SRP

[costs-of-entrepreneur.pdf](#)

Description of the specific location and hyperlink to the exact location of the proposed new content
Activity Chapter 6, Lesson 3: Profits and Costs of an Entrepreneur: P & L Report PDF pg. 6

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c06-l03-tx-profits-and-costs-of-an-entrepreneur.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL Profit and Loss Report

This is a P&L for Candace's salon. Fill in the missing cells and use the numbers to calculate how much income she made for the month.

REVENUE	MARCH
Sales	\$7,250
Less (Discounts and Allowances)	-\$400
Net Sales	\$6,850

Subtract the less from the total sales to find the net sales.

COST OF GOODS SOLD	MARCH
Materials	-\$1,175
Labor (Assistant Hair Dresser)	-\$1,200
Total Cost of Goods Sold	\$2,375
Gross Profit (Net Sales - Cost of Goods Sold)	\$4,475

Add up the total cost of goods and subtract it from the net sales to find the gross profit.

Subtract the total cost of goods sold from the net sales.

OPERATING EXPENSES	MARCH
Advertising	-\$200
Repairs and Maintenance	-\$163
Travel	\$0
Rent/Lease	-\$1,200
Delivery and Freight Expenses	\$0
Utilities and Telephone Expenses	-\$86
Insurance	-\$56
Mileage	\$0
Office Supplies	-\$45
Other Expenses	-\$30
Total Operating Expenses	\$1,780
Profit Before Taxes	\$2,695

Add up all the operating expenses.

Subtract the total operating expenses from the gross profit.

TAX EXPENSES	MARCH
Tax Expense	-\$200

Subtract the tax expense from the profit before taxes to determine the net profit.

NET PROFIT **\$2,495**

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

TEACHER MATERIAL Profit and Loss Report

This is a P&L for Candace's salon. Fill in the missing cells and use the numbers to calculate how much income she made for the month of March.

REVENUE	MARCH
Sales	\$7,250
Less (Discounts and Allowances)	-\$400
Net Sales	\$6,850

Subtract the less from the total sales to find the net sales.

COST OF GOODS SOLD	MARCH
Materials	-\$1,175
Labor (Assistant Hair Dresser)	-\$1,200
Total Cost of Goods Sold	-\$2,375
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Office Supplies	-\$45
Other Expenses	-\$30
Total Operating Expenses	-\$1,780
Profit Before Taxes	\$2,695

Add up all the operating expenses.

Subtract the total operating expenses from the gross profit.

TAX EXPENSES	MARCH
Tax Expenses	-\$200

Subtract the tax expenses from the profit before taxes to determine the net profit.

NET PROFIT \$2,495

FOUNDACTIONS IN PERSONAL FINANCE PAGE 5 OF 6

3. (SE)(Breakout(s)) and (Citation Type(s))

- (4)(D)(i), Narrative and Activity
- (4)(D)(ii), Narrative and Activity
- (4)(D)(iii), Narrative and Activity
- (4)(D)(iv), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content
 Activity Chapter 6, Lesson 3: Resources for Entrepreneurs: Copy changes to PDF pg. 2; Q&A changes to PDF pg. 5-7

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-6/act-c06-i03-tx-resources-for-entrepreneur.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content

Update to Content Accepted by SRP

Activity Chapter 6, Lesson 3: Resources for Entrepreneurs: Copy changes to PDF pg. 2; Q&A changes to PDF pg. 5-7

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c03-106-tx-rule-of-72.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

NAME _____ **DATE** _____

DIRECTIONS
Read the article below, then answer the following questions based on the information you just read.

Supporting Your Dream
Starting a new business can be incredibly complex and overwhelming. Even if you have a clear idea of what you want to do, you have to take lots of steps before you can actually start serving people. Let's be clear: It often costs quite a bit of money to get a new company off the ground. So unless you've saved a bunch of cash, first and foremost, you need to find funding. And that isn't easy.

Because funding is a common problem for most entrepreneurs, many organizations step in with a simple solution: business loans. But hear us loud and clear when we say business loans are not a good idea! You need to think of a business loan the same way you'd think about a personal loan or a credit card. Don't do it! Personal debt and business debt are the same thing—*debt*. It's best to start your new business without owing a bunch of money in debt or interest.

Luckily as an entrepreneur, you have resources to help start your business. Some of these resources help with funding while others might simply be low-cost ways that help you to organize your business.

Non-Financial Resources
Before we talk about funding options, let's discuss some resources that are readily available to help you start your business:

EDUCATION
There's a big difference between having a good idea for a business and actually running your own business. Education can help you fill any knowledge gaps you might have. You might not have the time or money to get a business degree, but you can find an endless supply of educational videos, blogs, books, and articles from other entrepreneurs. A quick Google or YouTube search can help you find all the education you need to be successful. Even Dave Ramsey, who started this curriculum, wrote a whole book about starting a business that you can probably find at your local library.

GOVERNMENT RESOURCES
We'll talk about how the government can help you financially later, but the government also offers educational resources. The Small Business Administration's website has lots of great resources for entrepreneurs. And the IRS Small Business and Self-Employed Tax Center

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TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

DIRECTIONS

As a group, decide on a business you want to start. Then, using the Internet and the resources you just read about, conduct some research on possible grants or other resources that you could use on the federal, state, and local levels. Answer the questions together as you conduct your research.

1. What kind of business do you want to start?

Answers will vary, but there should be a clear understanding of what type of business your students want to start. This will help when searching for funding or resources.

2. What's the name of your business?

Answers will vary.

3. Research and list some grants or resources at the federal level. (If possible, list two or more and where you found them.)

Answers will vary, but students should be able to use the list of resources they just read about to find options.

4. What kind of requirements are needed to use the resources or get funding?

Answers will vary, but students should be able to articulate if there are any requirements to use the resources or if they're free resources.

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

5. Was it difficult to find resources or funding at the federal level for your business? Why or why not?

Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.

6. Research and list some grants or resources at the state level. (If possible, list two or more and where you found them.)

Answers will vary, but students should be able to use the list of resources they just read about or even conduct a general search to find options in their specific state.

7. What kind of requirements are needed to use the resources or get funding?

Answers will vary, but students should be able to articulate if there are any requirements to use the resources or if they're free resources.

8. Was it hard to find resources or funding at the state level for your business? Why or why not?

Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.

9. Research and list some grants or resources at the local level and where you found them.

Answers will vary, but students should be able to use the list of resources they just read about or even conduct a general search to find specific local options.

Update to Content Accepted by SRP

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

10. What kind of requirements are needed to use the resources or get funding?

Answers will vary, but students should be able to articulate if there are any requirements to use the resources or if they're free resources.

11. Was it hard to find resources or funding at the local level for your business? Why or why not?

Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

NAME	DATE

DIRECTIONS
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Because funding is a common problem for most entrepreneurs, many organizations step in with a simple solution: business loans. But hear us loud and clear when we say business loans are not a good idea! You need to think of a business loan the same way you'd think about a personal loan or a credit card. Don't do it! Personal debt and business debt are the same thing—*debt*. It's best to start your new business without owing a bunch of money in debt or interest.

Luckily, as an entrepreneur, you have resources to help start your business. Some of these resources help with funding, while others might simply be low-cost ways that help you organize your business.

Nonfinancial Resources

Before we talk about funding options, let's discuss some resources that are readily available to help you start your business:

EDUCATION

There's a big difference between having a good idea for a business and actually running your own business. Education can help you fill any knowledge gaps you might have. You might not have the time or money to get a business degree, but you can find an endless supply of educational videos, blogs, books, and articles from other entrepreneurs. A quick Google or YouTube search can help you find all the education you need to be successful.

GOVERNMENT RESOURCES

We'll talk later about how the government can help you financially, but the government also offers educational resources. The Small Business Administration's website has lots of great resources for entrepreneurs. And the IRS Small Business and Self-Employed Tax Center can help you organize your taxes the right way. The U.S. Patent and Trademark Office website is a great resource if you're

R FOUNDATIONS IN PERSONAL FINANCE PAGE 1 OF 6

Update to Content Accepted by SRP

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

DIRECTIONS
As a group, decide on a business you want to start. Then, using the Internet and the resources you just read about, conduct some research on possible grants or other resources that you could use on the federal, state, and local levels. Answer the questions together as you conduct your research.

1. What kind of business do you want to start?
Answers will vary, but there should be a clear understanding of what type of business your students want to start. This will help when searching for funding or resources.
2. What's the name of your business?
Answers will vary.
3. Research and list some grants or resources at the federal level. (If possible, list two or more and where you found them.)
Answers will vary, but students should be able to use the list of resources they just read about to find options.
4. What requirements need to be met to use the resources or get funding?
Answers will vary, but students should be able to articulate whether or not there are any requirements to use the resources.

R FOUNDATIONS IN PERSONAL FINANCE PAGE 4 OF 6

TEACHER MATERIAL

Resources for Entrepreneurs

CHAPTER 6, LESSON 3

5. Was it difficult to find resources or funding at the federal level for your business? Why or why not?
Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.
6. Research and list some grants or resources at the state level. (If possible, list two or more and where you found them.)
Answers will vary, but students should be able to use the list of resources they just read about or even conduct a general search to find options in their specific state.
7. What requirements need to be met to use the resources or get funding?
Answers will vary, but students should be able to articulate whether or not there are any requirements to use the resources.
8. Was it difficult to find resources or funding at the state level for your business? Why or why not?
Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.
9. Research and list some grants or resources at the local level and where you found them.
Answers will vary, but students should be able to use the list of resources they just read about or even conduct a general search to find specific local options.

R FOUNDATIONS IN PERSONAL FINANCE PAGE 5 OF 6

Update to Content Accepted by SRP

TEACHER MATERIAL
Resources for Entrepreneurs
CHAPTER 6, LESSON 3

10. What requirements need to be met to use the resources or get funding?

Answers will vary, but students should be able to articulate whether or not there are any requirements to use the resources.

11. Was it difficult to find resources or funding at the local level for your business? Why or why not?

Answers will vary, but students should be honest about how easy or difficult it was to find resources. In some cases, students may not find any resources for their specific business. They should make a note of that here.

4. (SE)(Breakout(s)) and (Citation Type(s))

(5)(C)(i), Narrative and Activity

(5)(C)(ii), Narrative and Activity

(5)(C)(iii), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content

Activity Chapter 10, Lesson 4: Comparing Employment: Chapter and lesson location change; Content change on PDF pg. 3, 5, 6

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-10/act-c10-104-tx-comparing-employment.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content

Activity Chapter 6, Lesson 4: Resources for Entrepreneurs: Chapter and lesson location change; Content changes on PDF pg. 3, 5, 6

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c06-104-tx-comparing-employment.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL
Comparing Employment
CHAPTER 10, LESSON 4

ORGANIZATION Individual	TIME 90 minutes
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MATERIALS

- Activity handout

TEACHER MATERIAL

Comparing Employment

CHAPTER 10, LESSON 4

NAME _____ DATE _____

DIRECTIONS
Read the article and chart below, then use the information to write a compare-and-contrast essay.

TEACHER MATERIAL

Comparing Employment

CHAPTER 10, LESSON 4

JOB FEATURES	SELF-EMPLOYED	EMPLOYED
Independence	When you're self-employed, you decide which direction to take your business. While you might have stakeholders you need to keep updated, you decide who they are and how much input they have.	When you're employed, you have limited freedom to choose what you do. Often you're hired for a specific role and to complete specific tasks. Any work you do outside of those tasks often needs to be approved.
Decision-Making	You make most, if not all, the decisions in your business.	Typically, you'll have limited decision-making power. Depending on your role, you could make day-to-day decisions or, in a leadership position, you might be responsible for decisions that affect a team or line of business. But the owners and/or board of directors make the decisions for the company.
Risk	Risk is often 100% on your shoulders. Since you have the freedom to decide what direction to take your business, you also have to accept responsibility for the outcomes of your decisions.	Employees don't usually carry much risk. You're responsible for the mistakes you make. But the risk of bad business decisions doesn't necessarily fall on you. In some cases, the bad decisions could lead to the company being less profitable or cause layoffs, which could affect you. But in many situations, it doesn't impact you too much. For example, if there's a lawsuit against the company, you won't deal with any of the consequences (unless you're personally involved).
Working Hours	When you're self-employed, you can choose your own working hours. Your schedule depends on the needs of your business, but you get to set what those hours are. Usually, this means self-employed people end up working longer hours than many employees.	Many jobs require you to work a specific schedule for a specific number of hours each week. Your wages are based on the number of hours you work, and you're required to fulfill that commitment.

Update to Content Accepted by SRP

TEACHER MATERIAL

Comparing Employment

CHAPTER 10, LESSON 4

JOB FEATURES (CONTINUED)	SELF-EMPLOYED (CONTINUED)	EMPLOYED (CONTINUED)
Paid Time Off	You decide when and how much paid time off (PTO) you can take for things like vacation or certain holidays. But you'll also have to figure out how to keep your business running. Until you have employees who can do that for you, you'll likely have to work during your vacation.	Usually, your employer will give you a certain amount of PTO as a part of your employment contract for vacations and holidays. Typically, the longer you work for a company, the more PTO you earn. You'll have to get approval from your leader about when to take your PTO. And if you use all your PTO, you either won't be able to take time off, or you'll have to take unpaid time off.
Sick Time	Like with PTO, taking sick time away from your business could bring it to a halt.	Like with PTO, most companies offer a specific amount of sick time per year. You can use this time if you're too sick to go to work or for doctor's appointments and still get paid. Once you've used your sick time though, most employers won't allow you to call in sick.
Wages	Your wages are directly tied to the success of your business. The more revenue you earn and the more you save on costs, the more money you get to take home. There's no limit on how much you can earn.	When you're hired for a position, you agree with your employer on a specific wage. Sometimes this is a set amount of dollars per hour, an annual salary, or a commission based on sales. Your employer decides on these rates based on the job you have.
Job Title or Position	When you start a business, you're the owner. And unless you sell it or transfer that job title to someone else, you'll continue to be the owner. That means you've already reached the highest position in your company, so there's little room for advancement. But instead of advancement in your position, you can advance the business itself to become more successful.	Employees usually have opportunities for promotions or changes in their job positions. Your leader decides when or if you're promoted, or if you get to move to a different position in the company.

TEACHER MATERIAL

Comparing Employment

CHAPTER 10, LESSON 4

DIRECTIONS

Choose a job you're interested in and write an essay comparing and contrasting what it'd be like to be self-employed versus an employee in this role. End your paper by explaining which option you'd choose and why.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

TEACHER MATERIAL

Comparing Employment

CHAPTER 6, LESSON 4

ORGANIZATION Individual	TIME 90 minutes
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MATERIALS

- Activity handout

TEACHER MATERIAL

Comparing Employment

CHAPTER 6, LESSON 4

NAME _____ **DATE** _____

DIRECTIONS
Read the article and chart below, then use the information to write a compare-and-contrast essay.

TEACHER MATERIAL

Comparing Employment

CHAPTER 6, LESSON 4

JOB FEATURES	SELF-EMPLOYED	EMPLOYED
Independence	When you're self-employed, you decide which direction to take your business. While you might have stakeholders you need to keep updated, you decide who they are and how much input they have.	When you're employed, you have limited freedom to choose what you do. Often you're hired for a specific role and to complete specific tasks. Any work you do outside of those tasks usually needs to be approved.
Decision-Making	You make most, if not all, the decisions in your business.	Typically, you'll have limited decision-making power. Depending on your role, you could make day-to-day decisions, or you might be responsible for decisions that affect a team or line of business. But the owners and/or board of directors make the decisions for the company.
Risk	Risk is often 100% on your shoulders. Since you have the freedom to decide what direction to take your business, you also have to accept responsibility for the outcomes of your decisions.	Employees don't usually carry much risk. You're responsible for the mistakes you make. But the risk of bad business decisions doesn't necessarily fall on you. In some cases, the bad decisions could lead to less profits or cause layoffs, which could affect you. But in many situations, it doesn't impact you too much. For example, if there's a lawsuit against the company, you won't deal with any of the consequences (unless you're personally involved).
Working Hours	When you're self-employed, you can choose your own working hours. Your schedule depends on the needs of your business, but you get to set what those hours are. Usually, this means self-employed people end up working longer hours than many employees.	Many jobs require you to work a specific schedule for a specific number of hours each week. Your wages are based on the number of hours you work, and you're required to fulfill that commitment.

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TEACHER MATERIAL

Comparing Employment

CHAPTER 6, LESSON 4

JOB FEATURES (CONTINUED)	SELF-EMPLOYED (CONTINUED)	EMPLOYED (CONTINUED)
Paid Time Off	You decide when and how much paid time off (PTO) you can take for things like vacation or certain holidays. But you'll also have to figure out how to keep your business running. Until you have employees who can do that for you, you'll likely have to work during your vacation.	Usually, your employer will give you a certain amount of PTO for vacations and holidays as part of your employment contract. Typically, the longer you work for a company, the more PTO you earn. You'll have to get approval from your leader about when to take your PTO. And if you use all your PTO, you either won't be able to take any more time off, or you'll have to take unpaid time off.
Sick Time	Like with PTO, taking sick time away from your business could bring it to a halt.	Like with PTO, most companies offer a specific amount of sick time per year. You can use this time if you're too sick to go to work—or for doctor's appointments—and still get paid. Once you've used your sick time, though, any extra sick days may be unpaid.
Wages	Your wages are directly tied to the success of your business. The more revenue you earn and the more you save on costs, the more money you get to take home. There's no limit on how much you can earn.	When you're hired for a position, you agree with your employer on a specific wage. Sometimes this is a set amount of dollars per hour, an annual salary, or a commission based on sales. Your employer decides on these rates based on the job you have.
Job Title or Position	When you start a business, you're the owner. And unless you sell it or transfer that job title to someone else, you'll continue to be the owner. That means you've already reached the highest position in your company, so there's little room for advancement. But instead of advancement in your position, you can advance the business itself to become more successful.	Employees usually have opportunities for promotions or changes in their job positions. Your leader decides when or if you're promoted, or if you get to move to a different position in the company.

TEACHER MATERIAL

Comparing Employment

CHAPTER 6, LESSON 4

DIRECTIONS

Choose a job you're interested in and write an essay comparing and contrasting what it would be like to be self-employed versus an employee in that role. End your paper by explaining which option you'd choose and why.

5. (SE)(Breakout(s)) and (Citation Type(s))

(3)(D)(i), Activity

(3)(D)(ii), Activity

(3)(D)(iii), Activity

(3)(D)(iv), Activity

(3)(E)(i), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content

Update to Content Accepted by SRP

Activity Chapter 7, Lesson 4: Understanding the FAFSA: Copy and source changes to PDF pg. 3, 5, 8; Q&A changes to PDF pg. 9-10

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-7/act-c07-104-tx-understanding-the-fafsa.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content
Activity Chapter 7, Lesson 4: Understanding the FAFSA: Copy and source changes to PDF pg. 3, 5; Q&A changes to PDF pg. 8-10

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c07-104-tx-understanding-the-fafsa.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

days (paper applications take 7–10 business days). Even though it's a year away, she sets a reminder in her calendar for next October to remind her to fill out the FAFSA again, since she'll need to submit a new one each year.

Reading Her Student Aid Report

Juliette receives a response called a Student Aid Report (SAR). This report includes all the information she entered into the FAFSA in addition to some very important information that lets her know about her status to receive financial aid:

- **Expected Family Contribution (EFC):** This number is a calculation based on all the financial information provided. It tells the applicant how much the federal government thinks the student and family can afford to pay. Potential colleges use the EFC to calculate the financial aid reward they offer. The EFC also determines the student's eligibility for the Federal Pell Grant. This is also called the Student Aid Index (SAI).¹
- **Data Release Number (DRN):** This number links the student to their FAFSA information. A student can give this number to a college as authorization to change any information on their FAFSA.
- **Federal Pell Grant Eligibility:** The Pell Grant is the first opportunity for the student to receive aid. It's typically awarded to undergrad students based on financial need. The average Pell Grant amount is \$5,920.

Take a look at Juliette's SAR on the following page.

1. (GEN-22-15) FAFSA® Simplification Act Changes for Implementation in 2023–24. FAFSA® Federal Student Aid Knowledge Center, 2022.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

Receiving Award Letters

After several weeks, Juliette begins to receive award letters from some of the colleges she chose. These colleges have taken the information from her SAR and created a report that lists the kind of financial aid she could be awarded as well as other financial opportunities. Most award letters will list:

GRANTS AND SCHOLARSHIPS

Often an award letter will list federal grant aid like the Pell Grant or the Federal Supplemental Educational Opportunity Grant (FSEOG), and then list state and college grant or scholarship opportunities.

LOANS

After the letter shows financial aid that doesn't need to be paid back, it gives federal loan opportunities the student is eligible for. A direct subsidized loan is a loan where the government pays the interest on the loan while the student is in college, and the student must start paying the interest and principal six months after graduation. With a direct unsubsidized loan, interest accrues on the loan while the student is in

school, and the student has to start paying both interest *and* principal six months after graduation. A direct PLUS Loan is for parents to pay if their child is a dependent, and the Federal Perkins Loan is used for students with outstanding financial needs. Occasionally, an award letter will offer private loan opportunities, specifically a loan offered through the college.*

WORK STUDY

In some cases, a college will offer federal work study as an additional way to pay off some of their tuition. A work study is a program that allows the student to work part-time for the college in return for financial aid.

COST OF ATTENDANCE

The college will also list out (often in detail) the cost to attend the school for one year. This typically includes tuition, fees, room and board, books, supplies, and meals. The student can compare the cost of college against how much financial aid they've been awarded.

Take a look at the following pages to review the two award letters Juliette received.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

DIRECTIONS

Use the information on the previous pages to answer the questions below.

Using these two college award letters, Juliette has to compare the two options to see what the best choice is. She has reviewed the non-financial factors of each college, like the quality of housing and meals, class variety, and distance, and prefers College A. She's determined to not take out loans for college and is going to log into her accounts at these colleges to remove the loan options.

Update to Content Accepted by SRP

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

5. How much would her monthly payments to College A be without using loans?

Without the loans, her new monthly payment would be \$2,872 for the 10-month plan and \$2,394 for the 12-month plan.

6. Since Juliette isn't using loans, calculate the financial aid from College B if she were to reject the loan option.

If the loan amounts are deducted, the remaining financial aid amount would be \$17,050.

7. How much would her monthly payments to College B be without using loans?

Without the loans, her new monthly payment would be \$2,484 for the 10-month plan and \$2,070 for the 12-month plan.

8. What's the difference between the monthly payment of College A and B if the loans are removed?

There is a \$388 difference in the monthly payments for 10 months and a \$324 difference for the 12 month payments.

9. What type of financial aid opportunity is offered with College A that isn't offered with College B?

College A offers a federal work study.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

10. Based on all this information, what are some things to consider in selecting the college?

Answers will vary, but if loans aren't included in the financial aid, there isn't much of a difference between College A and B. She should look at other non-financial factors carefully to help determine which college she chooses. She also has to remember that College A is offering a work study for \$4,780, an opportunity that College B doesn't.

11. Since Juliette isn't using loans to pay for college, what are some other opportunities she could try that aren't listed on the award letters?

Answers will vary but might include applying for other private scholarships and grants, getting a job while in school, or spending some time saving for a down payment.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

Update to Content Accepted by SRP

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

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Juliette receives a response called a Student Aid Report (SAR). This report includes all the information she entered into the FAFSA in addition to some very important information that lets her know about her status to receive financial aid:

- **Expected Family Contribution (EFC):** This number is a calculation based on all the financial information provided. It tells the applicant how much the federal government thinks the student and family can afford to pay. Potential colleges

use the EFC to calculate the financial aid reward they offer. The EFC also determines the student's eligibility for the Federal Pell Grant. Starting with the 2024–25 FAFSA form, the Student Aid Index (SAI) will take the place of the EFC.¹

- **Data Release Number (DRN):** This number links the student to their FAFSA information. A student can give this number to a college as authorization to change any information on their FAFSA.
- **Federal Pell Grant Eligibility:** The Pell Grant is the first opportunity for a student to receive aid. It's typically awarded to undergrad students based on financial need. The average Pell Grant amount has been \$4,100.²

Take a look at Juliette's SAR on the following page.

1. (GEN-22-15) FAFSA® Simplification Act Changes for Implementation in 2023–24. Federal Student Aid Knowledge Center, 2022.

2. Nearly Three-Quarters of Undergraduates Received Some Type of Financial Aid in 2019–20. National Center for Education Statistics, July 26, 2023.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

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After several weeks, Juliette begins to receive award letters from some of the colleges she chose. These colleges have taken the information from her SAR and created a report that lists the kind of financial aid she could be awarded as well as other financial opportunities. Most award letters will list:

GRANTS AND SCHOLARSHIPS

Often an award letter will list federal grant aid like the Pell Grant or the Federal Supplemental Educational Opportunity Grant (FSEOG), and then list state and college grant or scholarship opportunities.

LOANS

After listing the financial aid that doesn't need to be paid back, the letter will list federal loan opportunities the student is eligible for. A direct subsidized loan is a loan where the government pays the interest on the loan while the student is in college, and the student must start paying the interest and principal six months after graduation. With a direct unsubsidized loan, interest accrues on the loan while the student is in

school, and the student has to start paying the accrued interest *and* principal six months after graduation. A Direct PLUS Loan is for parents of dependent students, and the Federal Perkins Loan is for students with outstanding financial needs. Occasionally, an award letter will offer private loan opportunities, specifically a loan offered through the college.*

WORK STUDY

In some cases, a college will offer federal work study as an additional way to pay for some of their tuition. A work study is a program that allows the student to work part-time for the college in return for financial aid.

COST OF ATTENDANCE

The college will also list out (often in detail) the cost to attend the school for one year. This typically includes tuition, fees, room and board, books, supplies, and meals. The student can compare the cost of college against how much financial aid they've been awarded.

Take a look at the following pages to review the two award letters Juliette received.

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

DIRECTIONS

Use the information on the previous pages to answer the questions below.

Juliette has to compare the two college award letters to see what the best choice is. She has reviewed the non-financial factors of each college, like the quality of housing and meals, class variety, and distance, and prefers College A. She's determined to not take out loans for college and is going to log into her accounts at these colleges to remove the loan options.

Update to Content Accepted by SRP

TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

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If the loan amounts are deducted, the remaining financial aid amount would be \$17,050.

7. How much would her monthly payments to College B be without using loans?

Without the loans, her new monthly payment would be \$2,484 for the 10-month plan and \$2,070 for the 12-month plan.

8. What's the difference in monthly payments between College A and B if the loans are removed?

The difference in monthly payments between College A and B is \$388 for the 10-month plan and \$324 for the 12-month plan.

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TEACHER MATERIAL

Understanding the FAFSA

CHAPTER 7, LESSON 4

10. Based on all the information, what are some things to consider in selecting the right college?

Answers will vary, but if loans aren't included in the financial aid, there isn't much of a difference between College A and B. She should look at other non-financial factors carefully to help determine which college she chooses. She also has to remember that College A is offering a work study for \$4,780, an opportunity that College B doesn't offer.

11. Since Juliette isn't using loans to pay for college, what are some other opportunities she could try that aren't listed on the award letters?

Answers will vary but might include applying for other private scholarships and grants, getting a job while in school, or taking a gap year to save up.

Update to Content Accepted by SRP

6. (SE)(Breakout(s)) and (Citation Type(s)) (7)(A)(i), Activity

Description of the specific location and hyperlink to the exact location of currently adopted content

Activity Chapter 10, Lesson 1: Comparing Credit: Content changes to PDF pg. 1-2; Answer changes on PDF pg. 2

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-10/el-c10-l01-tx-comparing-credit.pdf

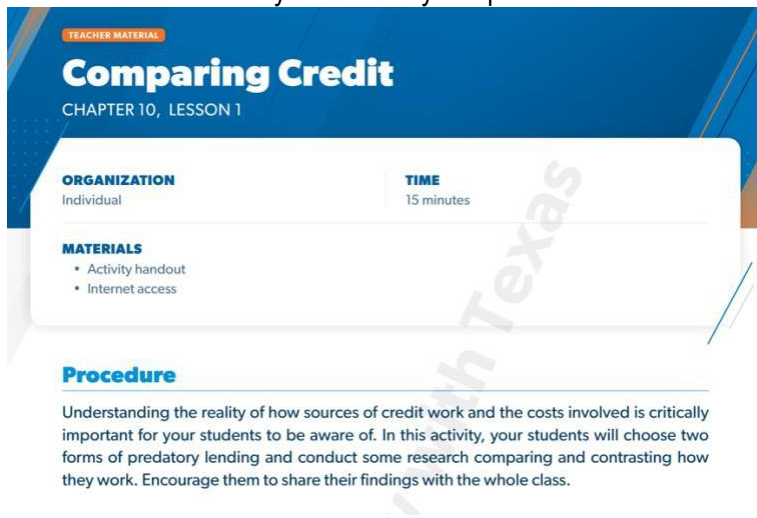
Description of the specific location and hyperlink to the exact location of the proposed new content

Activity Chapter 4, Lesson 2: Comparing Credit: Content changes to PDF pg. 1-2; Answer changes on PDF pg. 2

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c04-l02-tx-comparing-credit.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.



The screenshot shows a digital document titled "Comparing Credit" under the heading "TEACHER MATERIAL". Below the title, it specifies "CHAPTER 10, LESSON 1". The document is organized into sections: "ORGANIZATION" (Individual), "TIME" (15 minutes), "MATERIALS" (Activity handout, Internet access), and "Procedure". The procedure text discusses the importance of understanding credit sources and costs, and encourages students to research predatory lending and share findings with the class.

TEACHER MATERIAL

Comparing Credit

CHAPTER 10, LESSON 1

ORGANIZATION Individual	TIME 15 minutes
-----------------------------------	---------------------------

MATERIALS

- Activity handout
- Internet access

Procedure

Understanding the reality of how sources of credit work and the costs involved is critically important for your students to be aware of. In this activity, your students will choose two forms of predatory lending and conduct some research comparing and contrasting how they work. Encourage them to share their findings with the whole class.

TEACHER MATERIAL

Comparing Credit

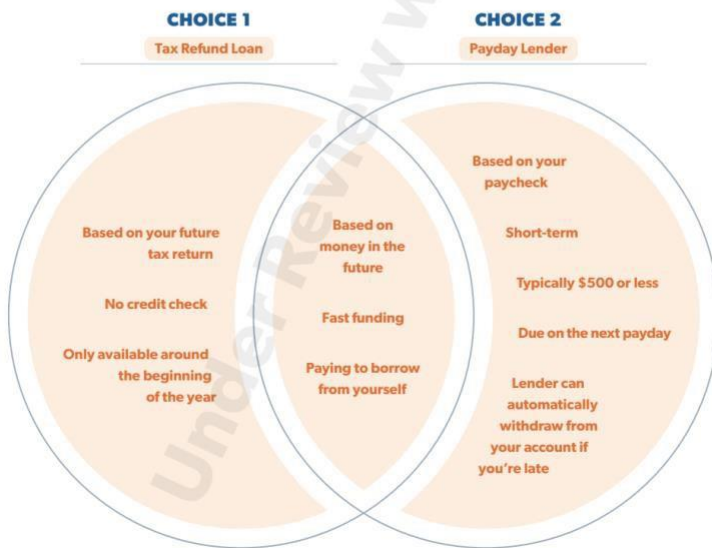
CHAPTER 10, LESSON 1

NAME _____ **DATE** _____

DIRECTIONS
Select two of the following sources of credit and research them. Use the Venn diagram to compare and contrast the two options.

SOURCES OF CREDIT

Check Cashing	Car Title Lenders	Payday Lenders
Tax Refund Lender	Pawnshop Loans	



Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

Update to Content Accepted by SRP

TEACHER MATERIAL

Comparing Credit

CHAPTER 4, LESSON 2

ORGANIZATION
Individual

TIME
15 minutes

MATERIALS

- Activity handout
- Internet access

Procedure

It's important for your students to understand how sources of credit work and what costs are involved. In this activity, your students will choose two forms of predatory lending and conduct some research comparing and contrasting how they work. Encourage them to share their findings with the whole class.

7. (SE)(Breakout(s)) and (Citation Type(s))

(2)(B)(i), Narrative and Activity

(2)(B)(ii), Narrative and Activity

(2)(B)(iii), Narrative and Activity

(2)(B)(iv), Narrative and Activity

(2)(B)(v), Narrative and Activity

(2)(B)(vi), Activity

(2)(B)(viii), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content

Activity Chapter 10, Lesson 1: Where Does Your Tax Money Go?: Content changes to PDF pg. 1-5;

Sourcing changes to PDF pg. 2-4; Q&A changes to PDF pg. 6-7

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/teacher/act-ch10-l01-t.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content

Activity Chapter 10, Lesson 1: Where Does Your Tax Money Go?: Content changes to PDF pg. 1-5;

Sourcing changes to PDF pg. 2-4; Q&A changes/additions to PDF pg. 6-8

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/4th-edition/act-ch10-l01-t.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

ORGANIZATION

Individual

TIME

30 minutes

MATERIALS

- Activity handout
- Printout of article (included with activity handout)

NATIONAL STANDARDS

- **Earning Income 12-6:** Federal, state, and local taxes fund government-provided goods, services, and transfer payments to individuals. The major types of taxes are income taxes, payroll taxes, property taxes, and sales taxes.
 - » **b.** Identify which level(s) of government typically receive(s) the tax revenue for income taxes, payroll taxes, property taxes, and sales taxes.
 - » **c.** Describe the benefits they receive, or may receive in the future, from government-collected tax revenue.

Procedure

Students will read excerpts from the article “What Do Your Taxes Pay For?” found at ramseysolutions.com/taxes/where-does-your-tax-money-go. The excerpts are provided with this activity so students can annotate the article and answer the questions to further reflect on the information for additional lesson enrichment. You may then use this formative assessment to plan as you guide students’ understanding of tax money allocations.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

NAME _____

DATE _____

DIRECTIONS

Read and annotate excerpts from the article "What Do Your Taxes Pay For?" Analyze the article and evaluate its points. Then, answer the questions about the article. You may also use the information in the student text to help you answer the questions.

If you're like most folks, the first two questions that pop into your head when you look at your tax return each year are "How much did I make?" and "How much did they take?"

Who are "they"? The federal government, of course.

And while you grumble about how much Uncle Sam takes out of your paycheck every two weeks, there's another question you might wonder about: What are "they" doing with my tax dollars, anyway?

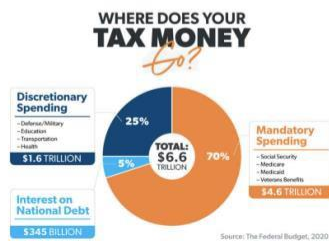
That's a great question . . . especially since the IRS collects around \$3.5 trillion in federal taxes each year paid by hardworking taxpayers like you. That's trillion—with a T!

It's time to pull back the curtain and find out where your tax money goes.

Basically, there are three main categories that your tax money pays for:

1. Interest on government debt (5%)
2. Mandatory spending, also known as entitlement spending, which is not subject to regular budget review (70%)
3. Discretionary spending, which is spent on programs that Congress must regularly review and set aside for a specific purpose (25%)

Pretty broad, right? Let's break it down and see where your money really ends up.



TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

INTEREST ON GOVERNMENT DEBT

The U.S. government is currently more than \$28 trillion in debt—and counting— with a small percentage of your tax dollars going toward paying the interest on that debt.

The interest on the national debt, which must be paid by the federal government each year, changes based on two factors—the size of the debt itself and rising and falling interest rates. And since both the national debt and the interest rates on that debt are expected to increase over the next decade, so will the size of our nation's interest payments—which means more of our taxpayer dollars might be used to make those payments.

MANDATORY SPENDING

Let's talk entitlements. These are Social Security, Medicare, Medicaid, and Veterans Affairs benefits and services. They're called entitlements because the government takes money out of your paycheck to fund them, so you're entitled to these benefits once you meet certain conditions.

This category of spending has gone way up since 1962, and there are two main reasons why. First, there was the introduction of new entitlements such as Medicare and Medicaid (started in 1965), the earned income tax credit (also known as the EITC, started in 1975), and the child tax credit (1997). Second, the population receiving these benefits has exploded as Baby Boomers enter retirement age, start collecting Social Security benefits, and enroll in Medicare.

All of these factors, plus a handful of benefits for our military veterans and COVID-19 relief programs, brought mandatory spending's piece of the pie to more than two-thirds (70%) of the federal budget in 2020. Let's take a look at some of the big pieces.

Social Security

Social Security was created to provide income for retired workers over the age of 65 and accounts for a large chunk of mandatory spending. It's designed to supplement your income when you retire or become disabled. If you were to die before you become eligible, your dependents would receive benefits.

The types of people who receive Social Security benefits are:

- Retired workers and their families
- Disabled workers and their families
- Survivors of deceased workers

Social Security taxes and benefits are tied to inflation, which means they go up as things get more expensive. Even so, the average Social Security monthly benefit for retirees is only \$1,555 each month. So if you're banking on Social Security to fund your retirement dreams, you're going to want to rethink that plan!

Health Care

There's no way around the fact that health care is expensive—especially when you're in your retirement years or for Americans struggling to get

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

by. That's where Medicare and Medicaid come in.

Medicare is a federal health insurance program that provides coverage for several groups of people, but mainly folks over age 65. Who pays for it? Most of it is on your dime! American taxpayers fund Medicare through a 1.45% payroll tax on all of their earnings and an additional 0.9% tax on earned income over \$200,000 (\$250,000 for married couples).

Medicaid is another government-sponsored insurance program that provides health coverage for low-income adults, children, pregnant women, elderly adults and people with disabilities. The federal government splits the cost of Medicaid with state governments, and the states get the better deal—in some cases, Uncle Sam pays 78% of their Medicaid costs.

Together, Medicare and Medicaid make up 20% of the government's budget, totaling more than \$1.3 trillion to cover roughly 139 million Americans under both programs.

Veterans Benefits

Mandatory veterans benefits include disability compensation, burial benefits, pensions, education, job training and rehabilitation, insurance and housing programs.

These are the big programs that are funded by mandatory spending. While some of the money for these programs (Social Security and Medicare) comes out of your check automatically, some (including money for veterans benefits) comes

from taxes on your earned income and things like capital gains.

Plus, more of these benefits for our veterans are covered under discretionary spending. Speaking of which . . .

DISCRETIONARY SPENDING

Discretionary spending is the last piece of the puzzle when it comes to how your tax money is spent. Every year, Congress dukes it out over who gets how much money when they debate spending bills. In other words, these programs are subject to Congress' discretion, meaning they can decide to increase or decrease funding for certain programs as they see fit.

Let's take a look at some of the major categories covered under discretionary spending.

National Defense

Defense spending usually accounts for about half of all discretionary spending, which funds the Department of Defense and all of its operations.

Transportation

Transportation pays for roads and bridges, air traffic control and the Department of Transportation. We have to get around in our planes, trains and automobiles somehow!

Education

These funds mainly go through the Department of Education and cover everything from paying teachers' salaries to funding grants to pay for

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

college. Unfortunately, this also includes funding for federal student loans. Womp, womp.

Veterans Benefits

While some veterans benefits are mandatory expenditures, almost half of the Veterans Administration (VA) budget comes from discretionary funds set aside by Congress. This covers things like medical care, construction of VA facilities, and IT services at those facilities.

Health

Some discretionary spending goes to fund agencies like the Centers for Disease Control (CDC), the Food and Drug Administration (FDA), and the National Institute of Health (NIH). These agencies research diseases and new drug therapies, oversee food safety, and fund medical research.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

1. What is mandatory spending? What are entitlements?

Mandatory spending includes Social Security, Medicare, Medicaid, and Veterans Affairs benefits and services. These are entitlements and are called that because "the government takes money out of your paycheck to fund them, so you're entitled to them."

2. Why is there so much mandatory spending in the tax budget?

The entitlements that are set in the federal budget continue to cost more and more money because there are more and more people eligible for benefits such as Social Security.

3. At what age does someone qualify to receive Social Security payments? Who gets those Social Security payments?

A person qualifies for Social Security after the age of 65. It goes to retired workers and their families, disabled workers and their families, and the survivors of deceased workers.

4. What is the average Social Security monthly payment for a retiree? In your opinion, is that enough to live on? Why or why not?

\$1,555. No, it is not enough to live on if you are paying rent or have a mortgage payment and debt. However, if you don't have any debt and you live in a paid-for house, you might be able to make it work, but it would be hard.

5. Where do you find the Department of Education funding in this tax breakdown?

In discretionary spending

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

6. What is the major difference between mandatory spending and discretionary spending?

Mandatory spending includes budget items that must be fulfilled while discretionary spending is items that are funded as far as the money will go.

7. How much of discretionary spending goes toward national defense?

About half of discretionary spending is for national defense.

8. Why is deficit spending and the national debt so crucial to pay attention to?

The country spends more than it brings in; the national debt is the fastest-growing expense; the 5% of the budget for national debt is just for interest on the debt.

9. If some discretionary funding for veterans benefits was cut, what would be impacted?

Some medical care might not be funded, and there might not be enough money for the construction of VA facilities or IT services at the facilities.

10. What is your overall reaction to the tax article?

Answers will vary but could include that taxes are very confusing and hard to understand.

11. What additional questions did this article raise for you?

Answers will vary.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

ORGANIZATION Individual	TIME 30 minutes
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MATERIALS

- Activity handout

NATIONAL STANDARDS

- **Earning Income 12-6:** Federal, state, and local taxes fund government-provided goods, services, and transfer payments to individuals. The major types of taxes are income taxes, payroll taxes, property taxes, and sales taxes.
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 - » **c.** Describe the benefits they receive, or may receive in the future, from government-collected tax revenue.

Procedure

In this activity, your students will learn what their tax money is used for. They'll read and annotate the article. Then, using the information they just read and information in the student text, they'll answer the questions at the end.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

NAME _____

DATE _____

DIRECTIONS

Read and annotate the article below, then answer the following questions based on the information you just read. You may also use the information in the student text to help you answer the questions.

If you're like most folks, the first two questions that pop into your head when you look at your tax return each year are *How much did I make?* and *How much did they take?*

Who's "they"? The federal government, of course.

And while you grumble about how much Uncle Sam takes out of your paycheck every two weeks, there's another question you might wonder about: *What are they doing with my tax dollars anyway?*

That's a great question . . . especially since the IRS collected around \$4.9 trillion in federal taxes in 2022 from hardworking taxpayers like you. That's *trillion*—with a T! Those tax dollars went toward the \$6.3 trillion in government spending that year.¹

It's time to pull back the curtain and find out where your tax money goes. Basically, there are three main categories:

1. **Mandatory spending**, also known as entitlement spending, is not subject to regular budget review. This is used for things like Social Security, Medicare, Medicaid, and veterans benefits.

2. **Discretionary spending** is spent on programs that Congress sets aside for a specific purpose and must regularly review. This includes spending for defense/military, education, transportation, and health.

3. **Interest on national debt**

Take a look at how this is broken down.

INTEREST ON NATIONAL DEBT

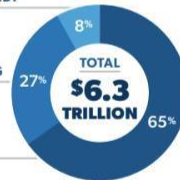
\$475 BILLION

DISCRETIONARY SPENDING

\$1.7 TRILLION

MANDATORY SPENDING

\$4.1 TRILLION²



Interest on Government Debt

The U.S. government is currently more than \$32 trillion in debt—and counting—with a small percentage of your tax dollars going toward paying the interest on that debt.

The interest on the national debt, which *must* be paid by the federal government each

This is a partial excerpt from "What Do Your Taxes Pay For?" (Ramsey Solutions, 2023).

1. Internal Revenue Service Data Book, 2022 (Washington, D.C.: Internal Revenue Service, 2023), 1.

2. "The Federal Budget in Fiscal Year 2022," Congressional Budget Office, March 2023.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

This is a partial excerpt from "What Do Your Taxes Pay For?" (Ramsey Solutions, 2023).

year, changes based on two factors—the size of the debt itself and rising and falling interest rates. And since both the national debt and the interest rates on that debt are expected to increase over the next decade, so will the size of our nation's interest payments—which means more of our taxpayer dollars will likely be used to make those payments.

Mandatory Spending

Let's talk entitlements. These are Social Security, Medicare, Medicaid, and Veterans Affairs benefits and services. They're called *entitlements* because the government takes money out of your paycheck to fund them, so you're *entitled* to these benefits once you meet certain conditions.

This category of spending has gone way up since 1962, and there are two main reasons why. First, there was the introduction of new entitlements such as Medicare and Medicaid (started in 1965), the earned income tax credit (also known as the EITC, started in 1975), and the child tax credit (started in 1997). Second, the population receiving these benefits has exploded as baby boomers enter retirement age and begin collecting Social Security benefits and enrolling in Medicare.

All of these factors, plus a handful of benefits for our military veterans and COVID-19 relief programs, brought mandatory spending's piece of the pie to more than two-thirds (70%) of the federal budget in 2020.³ Let's take a look at some of the big pieces.

SOCIAL SECURITY

Social Security was created in 1935 to provide income for retired workers and accounts for a large chunk of mandatory spending. It's designed to supplement your income when you retire or become disabled. If you were to die before you become eligible, your dependents would receive those benefits.

The types of people who receive Social Security benefits are:

- Retired workers and their families
- Disabled workers and their families
- Survivors of deceased workers

Social Security taxes and benefits are tied to inflation, which means they go up as things get more expensive. Even so, the average Social Security monthly payment for retirees is only \$1,788.⁴ So if you're banking on Social Security to fund your retirement dreams, you're going to want to rethink that plan!

HEALTH CARE

There's no way around the fact that health care is expensive—especially for people in their retirement years and for people struggling to get by. That's where Medicare and Medicaid come in.

Medicare is a federal health insurance program that provides coverage for several groups of people but mainly folks over age 65. Who pays for it? Most of it is on your

3. "Mandatory Spending in Fiscal Year 2020: An Infographic," Congressional Budget Office, April 30, 2021.

4. "Policy Basics: Top Ten Facts About Social Security," Center on Budget and Policy Priorities, last modified April 17, 2023.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

This is a partial excerpt from "What Do Your Taxes Pay For?" (Ramsey Solutions, 2023).

dime! American taxpayers fund Medicare through a 1.45% payroll tax on all of their earnings and an additional 0.9% tax on earned income over \$200,000 (\$250,000 for married couples).

Medicaid is another government-sponsored insurance program that provides health coverage for low-income adults, children, pregnant women, elderly adults, and people with disabilities. The federal government splits the cost of Medicaid with state governments, and the states get the better deal—in some cases, Uncle Sam pays 78% of their Medicaid costs.

Together, health insurance programs like Medicare and Medicaid make up 24% of the government's budget, totaling more than \$1.5 trillion to cover over 160 million Americans.⁵

VETERANS BENEFITS

Mandatory veterans benefits include disability compensation, burial benefits, pensions, education, job training and rehabilitation, insurance, and housing programs.

These are the big programs that are funded by mandatory spending. While some of the money for these programs (Social Security and Medicare) comes out of your check automatically, some (including money for veterans benefits) comes from taxes on your earned income and things like capital gains.

Earning Limitations

It's important to note that even though everyone pays taxes on these mandatory spending programs, not everyone is fully eligible to receive the benefits. This is because of earning limitations, which are ultimately based on your income and age.

For example, if you choose to take Social Security before you reach the age of 67, you'll have to make \$22,320 a year or less to be eligible for full Social Security benefits. If you make more than that, your benefit would decrease by \$1 for every \$2 you make over this earning limitation. Starting with the month you reach full retirement age, there is no limit on how much you can earn and still receive your benefits.⁶

For Medicare, anyone 65 or older is eligible to sign up for the benefit. But if you make over \$97,000 a year, you'll end up paying more in premium costs.⁷

Medicaid is a little different. Eligibility is based on the federal poverty level, which is \$14,580 for a single adult.⁸ However, since it's a joint federal and state program, each state gets to determine the income threshold. They do this by choosing what percent over the federal poverty level the earning limitation will be.

Since mandatory spending is 70% of the federal budget, that means your taxes are funding programs you might not even

5. "Policy Basics: Where Do Our Federal Tax Dollars Go?," Center on Budget and Policy Priorities, last modified September 28, 2023.

6. "Receiving Benefits While Working," Social Security Administration, accessed January 11, 2024.

7. "Costs for Medicare Drug Coverage: Monthly Premium for Drug Plans," Medicare.gov, accessed January 11, 2024.

8. "HHS Poverty Guidelines for 2023," U.S. Department of Health and Human Services, January 19, 2023.

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

This is a partial excerpt from "What Do Your Taxes Pay For?" (Ramsey Solutions, 2023).

get to benefit from. But that's not where the spending stops.

Discretionary Spending

Discretionary spending is the last piece of the puzzle when it comes to how your tax money is spent. Every year when Congress debates spending bills, they duke it out over who gets how much money. In other words, these programs are subject to Congress's *discretion*, meaning they can decide to increase or decrease funding for certain programs as they see fit.

Let's take a look at some of the major categories covered under discretionary spending.

NATIONAL DEFENSE

Defense spending, which funds the Department of Defense and all of its operations, usually accounts for about *half* of all discretionary spending.

TRANSPORTATION

Transportation pays for roads and bridges, air traffic control, and the Department of Transportation. We have to get around in our planes, trains, and automobiles somehow!

EDUCATION

These funds mainly go through the Department of Education and cover everything from paying teachers' salaries to funding grants to pay for college. Unfortunately, this also includes funding for federal student loans. Womp womp.

VETERANS BENEFITS

While some veterans benefits are mandatory expenditures, almost half of the Veterans Affairs (VA) budget comes from discretionary funds set aside by Congress. This covers things like medical care, construction of VA facilities, and IT services at those facilities.

HEALTH

Some discretionary spending goes to fund agencies like the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), and the National Institutes of Health (NIH). These agencies research diseases and new drug therapies, oversee food safety, and fund medical research.

Update to Content Accepted by SRP

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

1. What is mandatory spending? What are entitlements?

Mandatory spending includes Social Security, Medicare, Medicaid, and Veterans Affairs benefits and services. These are also called entitlements because the government takes money out of your paycheck to fund them, so you're entitled to them.

2. Why is there so much mandatory spending in the tax budget?

The entitlements that are set in the federal budget continue to cost more and more money because there are more and more people eligible for benefits such as Social Security.

3. At what age does someone qualify to receive full Social Security benefits? Who gets those Social Security payments?

Security benefits after the age of 67. Retired workers and their families, disabled workers and their families, and the survivors of deceased workers get Social Security payments.

4. What's the average Social Security monthly payment for a retiree? In your opinion, is that enough to live on? Why or why not?

\$1,782. No, it's not enough to live on if you're paying rent or if you have a mortgage payment and debt. However, if you don't have any debt and you live in a paid-for house, you might be able to make it work, but it would be hard.

5. Which category of government spending does the Department of Education funding fall into?

Discretionary spending

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

6. What's the major difference between mandatory spending and discretionary spending?

Mandatory spending includes budget items that must be fulfilled, while discretionary spending includes items that are funded as far as the money will go.

7. How much of discretionary spending goes toward national defense?

About half of discretionary spending goes toward national defense.

8. Why is deficit spending and the national debt so crucial to pay attention to?

It's important to pay attention to government spending because when the country spends more than it brings in, the national debt grows. Five percent of the federal budget goes toward paying interest on the national debt. And when that debt grows, more tax dollars are needed to pay for it.

9. If some discretionary funding for veterans benefits were cut, what would be impacted?

Some medical care might not be funded, and there might not be enough money for the construction of VA facilities or IT services at the facilities.

10. What are earning limitations?

Earning limitations refer to the maximum amount of income you can earn while still being eligible for government benefits like Social Security, Medicaid, or Medicare.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

11. What's the earning limitation for Social Security?

The earning limit is \$22,320 annually for people who haven't reached full retirement age.

12. What's the earning limit for Medicare?

The earning limit is \$97,000 annually before you have to pay more in premiums.

13. What's the earning limit for Medicaid?

The earning limit is determined from state to state but is based on the federal poverty level, which is \$14,580.

14. What's your overall reaction to the tax article?

Answers will vary but might include that taxes are very confusing and hard to understand.

15. What additional questions did this article raise for you?

Answers will vary.

TEACHER MATERIAL

Where Does Your Tax Money Go?

CHAPTER 10, LESSON 1

NAME _____

DATE _____

DIRECTIONS

Read and annotate the article below, then answer the following questions based on the information you just read. You may also use the information in the student text to help you answer the questions.

If you're like most folks, the first two questions that pop into your head when you look at your tax return each year are *How much did I make?* and *How much did they take?*

Who's "they"? The federal government, of course.

And while you grumble about how much Uncle Sam takes out of your paycheck every two weeks, there's another question you might wonder about: *What are they doing with my tax dollars anyway?*

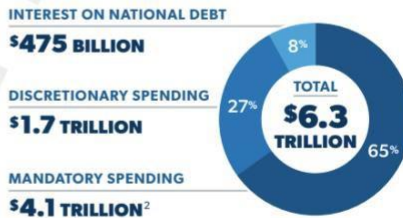
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Take a look at how this is broken down.



Interest on Government Debt

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The interest on the national debt, which *must* be paid by the federal government each

This is a partial excerpt from "What Do Your Taxes Pay For?" (Ramsey Solutions, 2023).
 1. Internal Revenue Service Data Book, 2022 (Washington, D.C.: Internal Revenue Service, 2023), 1.
 2. "The Federal Budget in Fiscal Year 2022." Congressional Budget Office, March 2023.

8. (SE)(Breakout(s)) and (Citation Type(s))

- (7)(H)(i), Narrative and Activity
- (7)(H)(ii), Narrative and Activity
- (7)(H)(iii), Narrative and Activity
- (7)(H)(iv), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content
 Activity Chapter 11, Lesson 4: The Truth in Lending: Content changes to PDF pg. 1, 4-10; citation change

Update to Content Accepted by SRP

to PDF pg. 2; Q&A changes to PDF pg. 11-12

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/chapter-11/act-c11-l04-tx-truth-in-lending.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content
Activity Chapter 11, Lesson 4: The Truth in Lending Act: Content changes to PDF pg. 1, 4-10; citation change to PDF pg. 2; Q&A changes to PDF pg. 11

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/bonus/act-c11-l04-tx-the-truth-in-lending-act.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL

The Truth in Lending

CHAPTER 11, LESSON 4

ORGANIZATION Individual; Partner	TIME 20 minutes
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MATERIALS

- Activity handout

TEKS STUDENT EXPECTATIONS

7. Personal financial literacy—credit and debt. The student understands the costs and benefits of borrowing. The student is expected to:

H. Determine and discuss if and when to use credit by considering the truth in lending disclosures.

Procedure

In this activity, your students will read an article that explains the Truth in Lending Act, which ensures that someone understands all the implications of taking out a loan before they're locked into it.

After they read the article, they'll partner with another student and look through a scenario that includes a Truth in Lending disclosure and discuss how the information should inform the decision being made.

Note: *The Truth in Lending Act applies to all types of loans like credit cards and lines of credit, but we encourage students to stay away from these debt products. So we'll just talk about Truth in Lending as it relates to a home mortgage.*

TEACHER MATERIAL

The Truth in Lending

CHAPTER 11, LESSON 4

NAME _____

DATE _____

DIRECTIONS

Read the article and example, then answer the following questions based on the information you just read.

A home is probably the biggest purchase you'll ever make. And unless you're able to pay cash for a house, you'll have to get a loan called a home mortgage. (A mortgage is the only type of debt we won't tell you to run from.) When you buy a home, you'll have tons of papers to read and sign. And you might be worried that you're missing something in the fine print. Luckily, the U.S. government has specific regulations to ensure that you're clear on all the details of a loan before you sign on the dotted line.

This safeguard is called the Truth in Lending Act (TILA), a federal law created in 1968. Its goal is to promote honesty between borrowers and lenders. The act protects consumers from anything unethical and requires a borrower to have a clear understanding of the costs of a loan, the interest rate, and the term. It also makes it easier for someone to compare different options.

A lender is required by law to provide a TILA disclosure to a borrower as part of the loan contract. Failure to do so could actually lead to criminal penalties for the lender. The Truth in Lending Act keeps lenders from trying to hide loan details that could cost

the borrower extra money down the road. Additionally, borrowers have three days after signing the disclosure to back out of a contract without penalty. A TILA disclosure is required to contain:¹

- **Borrowing Costs:** the interest rate, which is the annual percentage rate or APR
- **Loan Term:** the length of the loan (for mortgages, this is usually 15 or 30 years)
- **Finance Charges:** the overall cost of the loan, made up of the total amount of interest and fees paid during the life of the loan. This will tell you how much extra, aside from the loan amount, you'll be paying.
- **Amount Financed:** the dollar amount that's being borrowed
- **Total Amount of Payments:** the total amount of all payments (including finance charges) the borrower will pay over the life of the loan
- **Projected Payment:** this shows what your monthly payment (with principal, interest, and escrow) will be
- **Additional Charges:** these include late payment fees, closing costs, or service charges

¹ Truth in Lending Act: Consumer Protection for Borrowing Money, Office of Financial Readiness, n.d.

TEACHER MATERIAL

Example TILA Disclosure

ABC BANK
4321 Random Boulevard • Somerscity, ST 12340 Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED: 5/30/2023
 APPLICANTS: John Smith and Jane Smith
 PROPERTY: 123 Anywhere Street, Anytown, ST 12345
 SALE PRICE: \$312,500

LOAN TERM: 15 years
 PURPOSE: Purchase
 PRODUCT: Fixed Rate
 LOAN TYPE: Conventional FHA VA
 LOAN ID #: 123456789
 RATE LOCK: NO YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT.

Interest Rate Changes

Loan Terms	Can this amount increase after closing?
Loan Amount	\$250,000 NO
Interest Rate	4.5% NO
Monthly Principal & Interest	\$1,912 NO

Amount Financed
Borrowing Cost
Finance Charges

Prepayment Penalty: YES - As high as \$3,240 if you pay off the loan during the first 2 years.
 Balloon Payment: NO

Does the loan have these features?

Payment Calculation	Years 1-4	Years 5-15
Principal & Interest	\$1,912	\$1,917
Mortgage Insurance	+ 208	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 400	+ 400
Estimated Total Monthly Payment	\$2,520	\$2,317

Total Amount of Payments & Projected Payments

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$400 a month	This estimate includes: <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	In escrow? YES YES
--	---------------	--	--------------------------

Estimated Taxes/Escrow

Costs at Closing	
Estimated Closing Costs	\$8,806 Includes \$5,892 in Loan Costs + \$2,914 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$43,806 Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Additional Charges

TILA Disclosure Page 1 of 3

TEACHER MATERIAL

Example TILA Disclosure

Closing Cost Details	
Loan Costs	
A. Origination Charges	\$2,022
25 % of Loan Amount (Points)	\$625
Application Fee	\$300
Underwriting Fee	\$1,097
B. Services You Cannot Shop For	
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110
C. Services You Can Shop For	
Pest Inspection Fee	\$135
Survey Fee	\$65
Title - Insurance Binder	\$700
Title - Lender's Title Policy	\$535
Title - Settlement Agent Fee	\$502
Title - Title Search	\$1,261
D. TOTAL LOAN COSTS (A + B + C)	\$5,892
Other Costs	
E. Taxes and Other Government Fees	\$86
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepays	\$1,012
Homeowner's Insurance Premium (6 months)	\$750
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$800
Homeowner's Insurance \$125 per month for 2 mo.	\$250
Mortgage Insurance per month for mo.	
Property Taxes \$275 per month for 2 mo.	\$550
H. Other	\$1,017
Title - Owner's Title Policy (optional)	\$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	\$2,914
J. TOTAL CLOSING COSTS	\$8,804
D + I	\$8,054
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$8,806
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$62,500
Deposit	-\$15,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$56,306

Additional Charges

TEACHER MATERIAL

Example TILA Disclosure

Additional Information About This Loan

LENDER	ABC Bank	MORTGAGE BROKER	
NMLS/_LICENSE ID		NMLS/_LICENSE ID	
LOAN OFFICER	Joe Shmoa	LOAN OFFICER	
NMLS/_LICENSE ID	12345	NMLS/_LICENSE ID	
EMAIL	joeshma@abcbank.com	EMAIL	
PHONE	123-456-7890	PHONE	

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$127,248.80 Total you will have paid in principal, interest, mortgage insurance, & loan costs. \$77,965.57 Principal you will have paid off.
Annual Percentage Rate (APR)	4.994% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	61.69% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Comparison Opportunities

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we will allow, under certain conditions, this person to assume this loan on the original terms. will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend to service your loan. If so, you will make your payments to us. to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

TEACHER MATERIAL

The Truth in Lending

CHAPTER 11, LESSON 4

DIRECTIONS

With a partner, read through the scenario and the Truth in Lending Act disclosure. Then use the information to answer the questions and discuss whether or not the mortgage is a wise decision.

Sam and Sadie are excited to purchase their first house and found the perfect one in a neighborhood not far from where Sam works. The price of the house is \$325,000, and they've saved \$65,000 as a down payment.

Working with a lender, they agreed on a 15-year fixed-rate conventional mortgage at 5.21% APR. Because of their down payment, the full mortgage amount would be \$260,000. They'll be putting \$20,000 from their down payment as earnest money since they're confident they want the house. Their lender printed out the TILA disclosure on the following pages for them to review.

Sam is working as a teacher and makes \$45,000 a year, while Sadie is working 20 hours a week at \$23 an hour.

TEACHER MATERIAL

Example TILA Disclosure

ABC BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED	5/20/2023	LOAN TERM	15 years
APPLICANTS	Sam Hawkins and Sadie Hawkins	PURPOSE	Purchase
PROPERTY	456 Nowhere Street Nowheretown, ST 67890 123	PRODUCT	Fixed Rate
SALE PRICE	\$325,000	LOAN TYPE	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID #	123456789
		RATE LOCK	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 5/20/2023 at 5:00 p.m. EDT. Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 6/4/2023 at 5:00 p.m. EDT.

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$260,000	NO
Interest Rate	5.21%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$2,085	NO
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-4	Years 5-15
Principal & Interest	\$2,085	\$2,085
Mortgage Insurance	+	+
Estimated Escrow <small>Amount can increase over time</small>	+ 400	+ 400
Estimated Total Monthly Payment	\$2,494	\$2,494

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	This estimate includes	In escrow?
\$409 <small>a month</small>	<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other:	YES YES
	<small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	

Costs at Closing		
Estimated Closing Costs	\$8,849	Includes \$5,892 in Loan Costs + \$2,914 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$53,849	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

TILA Disclosure Page 1 of 3

TEACHER MATERIAL

Example TILA Disclosure

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges	\$2,047	E. Taxes and Other Government Fees	\$85
25 % of Loan Amount (Points)	\$650	Recording Fees and Other Taxes	\$85
Application Fee	\$300	Transfer Taxes	
Underwriting Fee	\$1,097		
		F. Prepays	\$1,012
		Homeowner's Insurance Premium (6 months)	\$750
		Mortgage Insurance Premium (months)	
		Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
		Property Taxes (months)	
		G. Initial Escrow Payment at Closing	\$818
		Homeowner's Insurance \$125 per month for 2 mo.	\$250
		Mortgage Insurance per month for mo.	
		Property Taxes \$284 per month for 2 mo.	\$568
		H. Other	\$1,017
		Title - Owner's Title Policy (optional)	\$1,017
		I. TOTAL OTHER COSTS (E + F + G + H)	\$2,932
		J. TOTAL CLOSING COSTS	\$8,849
		D + I	\$8,849
		Lender Credits	
		Calculating Cash to Close	
		Total Closing Costs (J)	\$8,849
		Closing Costs Financed (Paid from your Loan Amount)	\$0
		Down Payment/Funds from Borrower	\$65,000
		Deposit	-\$20,000
		Funds for Borrower	\$0
		Seller Credits	\$0
		Adjustments and Other Credits	\$0
		Estimated Cash to Close	\$53,849
D. TOTAL LOAN COSTS (A + B + C)	\$5,917		

TEACHER MATERIAL

Example TILA Disclosure

Additional Information About This Loan

LENDER	ABC Bank	MORTGAGE BROKER
NMLS/_ LICENSE ID		NMLS/_ LICENSE ID
LOAN OFFICER	Joe Shmoa	LOAN OFFICER
NMLS/_ LICENSE ID	12345	NMLS/_ LICENSE ID
EMAIL	joeshmoa@abcbank.com	EMAIL
PHONE	123-456-7890	PHONE

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$149,640 Total you will have paid in principal, interest, mortgage insurance, & loan costs. \$65,348.81 Principal you will have paid off.
Annual Percentage Rate (APR)	5.743% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	44.32% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we
 will allow, under certain conditions, this person to assume this loan on the original terms.
 will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend
 to service your loan. If so, you will make your payments to us.
 to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature	Date	Co-Applicant Signature	Date
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Update to Content Accepted by SRP

TEACHER MATERIAL

The Truth in Lending

CHAPTER 11, LESSON 4

1. What would the starting monthly payment amount be?

\$3,337

2. What's the monthly payment of principal and interest?

\$2,711

3. What's included in the monthly payment that's missing in the principal and interest payment?

Mortgage insurance and estimated escrow (which includes property taxes and homeowners insurance)

4. What's the total loan costs (A+B+C)?

\$5,917 (found in the closing costs assessment)

5. How much of the principal would they pay off in five years if they didn't make any additional payments?

\$65,348.81

6. Calculate Sam and Sadie's combined gross (before taxes) annual income.

\$68,920 (\$45,000 for Sam and \$23,920 for Sadie)

7. Calculate Sam and Sadie's combined gross (before taxes) monthly income.

\$5,743 (\$3,750 for Sam and \$1,993 for Sadie)

8. How much of their gross monthly income would they have left over after their monthly mortgage payment?

\$2,406

TEACHER MATERIAL

The Truth in Lending

CHAPTER 11, LESSON 4

9. Based on Sam and Sadie's gross monthly income and their monthly mortgage payment, would you recommend that they take out this mortgage? Explain your reasoning.

Answers will vary but might include the idea that with this high of a mortgage payment, it doesn't leave Sam and Sadie much for their other monthly expenses.

10. What options do they have if they think the monthly payment is too high?

Answers will vary but might include ideas like waiting until the interest rate changes or waiting to save up more of a down payment, which would lower the monthly payment amount.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

Update to Content Accepted by SRP

TEACHER MATERIAL

The Truth in Lending Act

CHAPTER 11, LESSON 4

ORGANIZATION Individual; Partner	TIME 20 minutes
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MATERIALS

- Activity handout

Procedure

In this activity, your students will read an article that explains the Truth in Lending Act, which ensures that someone understands all the implications of taking out a loan before they're locked into it.

After they read the article, they'll partner with another student, look through a scenario that includes a Truth in Lending disclosure, and discuss how the information should inform the decision being made.

**Note: The Truth in Lending Act applies to all types of loans like credit cards and lines of credit, but we encourage students to stay away from these debt products. So we'll just talk about Truth in Lending as it relates to a home mortgage.*

TEACHER MATERIAL

The Truth in Lending Act

CHAPTER 11, LESSON 4

NAME _____

DATE _____

DIRECTIONS

Read the article and example, then answer the following questions based on the information you just read.

A home is probably the biggest purchase you'll ever make. And unless you're able to pay cash for a house, you'll have to get a loan called a home mortgage. (A mortgage is the only type of debt we won't tell you to run from.) When you buy a home, you'll have tons of papers to read and sign. And you might be worried that you're missing something in the fine print. Luckily, the U.S. government has specific regulations to ensure that you're clear on all the details of a loan before you sign on the dotted line.

This safeguard is called the Truth in Lending Act (TILA), a federal law created in 1968. Its goal is to promote honesty between borrowers and lenders. The act protects consumers from anything unethical and requires lenders to give borrowers a clear understanding of the costs, interest rate, and term of a loan. It also makes it easier for someone to compare different options.

A lender is required by law to provide a TILA disclosure to a borrower as part of the loan contract. Failure to do so could actually lead to criminal penalties for the lender. The the Truth in Lending Act keeps lenders from trying to hide loan details that could cost

the borrower extra money down the road. Additionally, borrowers have three days after signing the disclosure to back out of a contract without penalty. A TILA disclosure is required to contain:¹

- **Borrowing Costs:** The lender must disclose the cost to borrow money, which is reflected in the annual percentage rate (APR).
- **Loan Term:** This is the length of the loan (usually 15 or 30 years for mortgages).
- **Finance Charges:** This is the cost of borrowing money, expressed as a dollar amount. This can include interest, but also other associated fees and costs that lenders may charge, such as late fees and service fees.
- **Amount Financed:** This is the amount of money that's being borrowed.
- **Total Amount of Payments:** The TILA disclosure statement includes the total amount of all payments (including finance charges) you'll pay over the life of the loan.
- **Projected Payment:** This shows what your monthly payment (with principal, interest, and escrow) will be.

1. "Truth in Lending Act: Consumer Protection for Borrowing Money," Office of Financial Readiness, accessed January 9, 2024.

TEACHER MATERIAL

Example TILA Disclosure

ABC BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED: 5/30/2023
APPLICANTS: John Smith and Jane Smith
PROPERTY: 123 Anywhere Street, Anytown, ST 12345
SALE PRICE: \$312,500

LOAN TERM: 15 years
PURPOSE: Purchase
PRODUCT: Fixed Rate
LOAN TYPE: Conventional FHA VA
LOAN ID #: 123456789
RATE LOCK: NO YES, until 11/30/2023 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 5/30/2023 at 5:00 p.m. EDT.

Loan Terms		Can this amount increase after closing?
Loan Amount	\$250,000	NO
Interest Rate	4.5%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$1,912	NO
Does the loan have these features?		
Prepayment Penalty	YES - As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-4	Years 5-15
Principal & Interest	\$1,912	\$1,917
Mortgage Insurance	+ 208	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 400	+ 400
Estimated Total Monthly Payment	\$2,520	\$2,317

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$400 a month	This estimate includes	In escrow?
		<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	YES YES

Costs at Closing	
Estimated Closing Costs	\$8,806 <small>Includes \$5,892 in Loan Costs + \$2,914 in Other Costs - \$0 in Lender Credits. See page 2 for details.</small>
Estimated Cash to Close	\$56,306 <small>Includes Closing Costs. See Calculating Cash to Close on page 2 for details.</small>

TILA Disclosure Page 1 of 3

Amount Financed

Finance Charges

Estimated Taxes/Escrow

Interest Rate Changes

Total Amount of Payments & Projected Payments

Additional Charges

Update to Content Accepted by SRP

TEACHER MATERIAL

(Example TILA Disclosure, continued)

Closing Cost Details	
Loan Costs	
A. Origination Charges	\$2,022
25 % of Loan Amount (Points)	\$625
Application Fee	\$300
Underwriting Fee	\$1,097
B. Services You Cannot Shop For	
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110
C. Services You Can Shop For	
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender's Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261
D. TOTAL LOAN COSTS (A + B + C)	\$5,892
Other Costs	
E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepaids	\$1,012
Homeowner's Insurance Premium (8 months)	\$750
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$800
Homeowner's Insurance \$125 per month for 2 mo.	\$250
Mortgage Insurance per month for mo.	
Property Taxes \$275 per month for 2 mo.	\$550
H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	\$2,914
J. TOTAL CLOSING COSTS	\$8,806
D + I	\$8,806
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$8,806
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$62,500
Deposit	– \$15,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$56,306

Additional Charges

TEACHER MATERIAL
(Example TILA Disclosure, continued)

Additional Information About This Loan

LENDER NMLS/_ LICENSE ID LOAN OFFICER NMLS/_ LICENSE ID EMAIL PHONE	ABC Bank Joe Shmoa 12345 joeshmoa@abcbank.com 123-456-7890	MORTGAGE BROKER NMLS/_ LICENSE ID LOAN OFFICER NMLS/_ LICENSE ID EMAIL PHONE
---	--	--

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$127,248.80 Total you will have paid in principal, interest, mortgage insurance, & loan costs. \$77,965.57 Principal you will have paid off.
Annual Percentage Rate (APR)	4.994% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	61.69% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Borrowing Cost **Comparison Opportunities**

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we will allow, under certain conditions, this person to assume this loan on the original terms. will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend to service your loan. If so, you will make your payments to us. to transfer servicing of your loan.

Confirm Receipt
By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

TILA Disclosure Page 3 of 3

TEACHER MATERIAL

The Truth in Lending Act

CHAPTER 11, LESSON 4

DIRECTIONS
With a partner, read through the scenario and the Truth in Lending Act disclosure. Then use the information to answer the questions and discuss whether or not the mortgage is a wise decision.

Sam and Sadie are excited to purchase their first house and found the perfect one in a neighborhood not far from where Sam works. The price of the house is \$325,000, and they've saved \$65,000 as a down payment. Sam is working as a teacher and makes a gross income of \$45,000 a year, and Sadie is working 20 hours a week at \$23 an hour before taxes.

Working with a lender, they agreed on a 15-year fixed-rate conventional mortgage with an interest rate of 5.21%. Because of their down payment, the full mortgage amount would be \$260,000. They'll be putting \$20,000 from their down payment as earnest money since they're confident they want the house. Their lender printed out the TILA disclosure on the following pages for them to review.

TEACHER MATERIAL

Sam and Sadie's TILA Disclosure

ABC BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 5/20/2023
APPLICANTS Sam Hawkins and Sadie Hawkins
PROPERTY 456 Nowhere Street
 Nowhereville, ST 67890
SALE PRICE \$325,000

LOAN TERM 15 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA
LOAN ID # 123456789
RATE LOCK NO YES, until 5/20/2023 at 5:00 p.m. EDT
 Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 6/14/2023 at 5:00 p.m. EDT.

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$260,000	NO
Interest Rate	5.21%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$2,085	NO
Does the loan have these features?		
Prepayment Penalty	YES	As high as \$3,240 if you pay off the loan during the first 2 years
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-4	Years 5-15
Principal & Interest	\$2,085	\$2,085
Mortgage Insurance	+ —	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 409	+ 409
Estimated Total Monthly Payment	\$2,494	\$2,494
Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$409 a month	In escrow? YES YES
<small>This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other. See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>		

Costs at Closing	
Estimated Closing Costs	\$8,849 Includes \$5,917 in Loan Costs + \$2,932 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$53,849 Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

TEACHER MATERIAL

(Sam and Sadie's TILA Disclosure, continued)

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges		E. Taxes and Other Government Fees	
25 % of Loan Amount (Points)	\$2,047	Recording Fees and Other Taxes	\$85
Application Fee	\$650	Transfer Taxes	\$85
Underwriting Fee	\$300		
	\$1,097	F. Prepaids	
		Homeowner's Insurance Premium (6 months)	\$750
		Mortgage Insurance Premium (6 months)	\$262
		Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
		Property Taxes (6 months)	
		G. Initial Escrow Payment at Closing	
		Homeowner's Insurance \$125 per month for 2 mo.	\$250
		Mortgage Insurance per month for 6 mo.	\$568
		Property Taxes \$284 per month for 2 mo.	
		H. Other	
		Title - Owner's Title Policy (optional)	\$1,017
		I. TOTAL OTHER COSTS (E + F + G + H)	
		\$2,932	
		J. TOTAL CLOSING COSTS	
		\$8,849	
		D + I	
		\$8,849	
		Lender Credits	
		Calculating Cash to Close	
		Total Closing Costs (J)	\$8,849
		Closing Costs Financed (Paid from your Loan Amount)	\$0
		Down Payment/Funds from Borrower	\$65,000
		Deposit	-\$20,000
		Funds for Borrower	\$0
		Seller Credits	\$0
		Adjustments and Other Credits	\$0
		Estimated Cash to Close	\$53,649
D. TOTAL LOAN COSTS (A + B + C)	\$6,917		

TEACHER MATERIAL

(Sam and Sadie's TILA Disclosure, continued)

Additional Information About This Loan

LENDER ABC Bank
NMLS/_ LICENSE ID
LOAN OFFICER Joe Shmoa
NMLS/_ LICENSE ID 12345
EMAIL joeshmoa@abcbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/_ LICENSE ID
LOAN OFFICER
NMLS/_ LICENSE ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$149,640 Total you will have paid in principal, interest, mortgage insurance, & loan costs. \$65,348.81 Principal you will have paid off.
Annual Percentage Rate (APR)	5.743% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	44.32% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

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Assumption If you sell or transfer this property to another person, we will allow, under certain conditions, this person to assume this loan on the original terms. will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend to service your loan. If so, you will make your payments to us. to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

Update to Content Accepted by SRP

TEACHER MATERIAL

The Truth in Lending Act

CHAPTER 11, LESSON 4

1. What would the starting monthly payment amount be?

\$2,494

2. What's the monthly payment of principal and interest?

\$2,085

3. What's included in the monthly payment that's missing in the principal and interest payment?

Mortgage insurance and estimated escrow (which includes property taxes and homeowners insurance)

4. What's the total loan costs (Sections A+B+C)?

\$5,917 (found in the closing costs assessment)

5. Calculate Sam and Sadie's combined gross (before taxes) annual income.

\$68,920 (\$45,000 for Sam + \$23,920 for Sadie. Sadie's gross annual income = $(20 \times 23) \times 52$)

6. Calculate Sam and Sadie's combined gross (before taxes) monthly income.

\$5,7433.33 ($\$68,920 \div 12 = \$5,7433.33$)

7. How much of their gross monthly income would they have left over after their monthly mortgage payment?

\$3,249

8. After taxes, Sam and Sadie's monthly take-home pay is \$5,088.38. Considering that a mortgage payment should be no more than 25% of their take-home pay, should Sam and Sadie take out this mortgage? Explain your reasoning.

This loan is not recommended because the monthly payment (\$2,494) would be more than 25% of their take-home pay. $25\% \text{ of take-home pay} = \$1,272.10 (\$5,088.38 \div 4)$

9. (SE)(Breakout(s)) and (Citation Type(s))

- (7)(D)(i), Narrative and Activity
- (7)(D)(ii), Narrative and Activity
- (7)(D)(iii), Narrative and Activity
- (7)(D)(iv), Narrative and Activity
- (7)(D)(v), Narrative and Activity
- (7)(D)(vi), Narrative and Activity

Description of the specific location and hyperlink to the exact location of currently adopted content
Activity Chapter 4, Lesson 3: Examining Your Credit Report: Content added to PDF pg. 4-5; Question added to PDF pg. 11

https://cdn.ramseysolutions.net/education/adoptions/teks_24/activities/teacher/act-ch04-l03-t.pdf

Description of the specific location and hyperlink to the exact location of the proposed new content

Update to Content Accepted by SRP

Activity Chapter 4, Lesson 3: Examining Your Credit Report: Content added to PDF pg. 4-4; Question added to PDF pg. 11

<https://cdn.ramseysolutions.net/education/adoptions/activities-under-review/4th-edition/act-c04-l03-examining-your-credit-report.pdf>

Screenshot of Currently Adopted Content

Insert a screenshot of your currently adopted content.

TEACHER MATERIAL

Examining Your Credit Report

CHAPTER 4, LESSON 3

This is a partial excerpt from *How to Read Your Credit Report* (Ramsey Solutions, 2023).

How to Read Your Credit Report

By now, you know exactly how we feel about credit scores (hint: they're bogus). But one thing you still need to pay attention to is your credit report. Even if you're debt-free and don't care what big banks and lenders think of you, you can't just ignore your credit report. You still need to check it for errors or signs of fraud *at least* once a year.

But sifting through your report can be pretty confusing, especially if you don't know how to read a credit report or what kind of red flags to look for. We know it can be a lot to take in. But don't worry! We've done the heavy lifting so you don't have to. Ready, set, let's walk through *everything* you need to know about how to read your credit report.

WHAT IS A CREDIT REPORT?

A credit report is kind of like a report card for your credit history. It can be used by potential lenders to determine your "risk," which is basically just how likely you are to pay your monthly payments on time. Your credit report can tell them:

- The date you opened any credit accounts or took out any loans
- The current balance on each account
- Your payment history
- The credit limits and total loan amounts
- Any bankruptcies or tax liens
- Your identifying information (name, address, Social Security number)

A credit bureau or credit-reporting company like Equifax, Experian, or TransUnion will provide your information to whatever company may be considering giving you a loan or credit account. These bureaus all operate independently, so their reports on you may contain slightly different information depending on the lenders they used.

THE THREE C'S OF CREDIT

When lenders are deciding whether or not to give loans to people, they consider the three C's of credit: character, capacity, and collateral. These factors help form a snapshot of a potential borrower and the level of risk associated with loaning them money.

Character

This shows a lender how responsible someone is in repaying debts. If the borrower's credit history shows late payments, the lender might not be willing to trust them with a new loan. Someone who carries debt and is late on their payments will have a lower credit score. Borrowers can improve their character by checking their credit score for accuracy and not taking out debt, so they don't have to worry about late payments.

Capacity

This measures a borrower's ability to repay a loan by considering their debt-to-income (DTI) ratio. Lenders try to determine if

TEACHER MATERIAL

Examining Your Credit Report

CHAPTER 4, LESSON 3

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someone has enough money to make additional debt payments based on their income and other debt they might carry. Borrowers with higher capacity will have a higher credit score. Capacity usually increases with income, but a lender also wants a borrower to have a steady income. Again, a borrower's debt-to-income ratio will be low if they never take out any form of debt in the first place.

Collateral

A lender wants to make sure it won't lose money if a borrower can't pay back a loan. Collateral is an asset (like a home or a car) that can be used to pay back a loan if a borrower defaults. When a credit report lists a secured loan, like a mortgage, it's less of a risk for lenders because the house is an asset that can be used for collateral. The more secured loans someone has, the higher their credit score. If a borrower doesn't have collateral to secure a loan, the lender might choose not to give them a loan. A borrower can improve their collateral by having valuable assets.

HOW TO GET A CREDIT REPORT

You're allowed one free copy of your credit report every year from each of the major credit-reporting agencies we just talked about. But the reports aren't automatically mailed to you—you have to ask for them! And since each agency keeps different details on file, it's worth checking with all three. If you play your cards right, you can even stagger them so you're getting a free report nearly every quarter.

Now that you know how to get your credit report, we'll walk you through the four major areas you need to check for any red flags. These could help you spot potential identity theft situations, so listen up!

HOW TO READ YOUR CREDIT REPORT Identifying Information

This section has any personal information that could be used to identify you, including:

- Name
- Address
- Social Security number
- Date of birth
- Phone number

RED FLAGS Everything in this section needs to refer to you and not someone else who happens to share your name. And while you're at it, go ahead and double-check the Social Security number—just in case.

Make sure all the addresses listed are places you've actually lived. If you've never been to Waxahachie, Texas, but the report says you lived there for seven years, you might want to follow up on that. We'll share later what steps to follow if you do find errors in your report.

Credit History

The bulk of the report is in this section. Your credit history includes:

- Open and paid credit accounts, like credit cards, mortgages, and loans
- Accounts shared with someone else
- Total loan amounts

Update to Content Accepted by SRP

TEACHER MATERIAL

Examining Your Credit Report

CHAPTER 4, LESSON 3

11. How can character impact your credit rating and your ability to obtain credit?

Answers may vary but should include ideas about how someone's track record of making payments on time may be used by a lender in determining if that person should get a loan. Poor character can negatively impact a credit score.

12. How can capacity impact your credit rating and your ability to get obtain credit?

Answers may vary but should include ideas about how a borrower's debt-to-income ratio is considered in a loan decision. If the debt is bigger than the available income, credit is often refused. The more capacity a borrower has, the higher the credit score.

13. How can collateral impact your credit rating and your ability to obtain credit?

Answers may vary but should include ideas about the types of assets a borrower can use as collateral. Lenders will use these assets to lower risk in lending. The more loans that are secured by collateral, the higher the credit score.

Screenshot of Proposed New Content

Insert a screenshot of your proposed new content.

Examining Your Credit Report

CHAPTER 4, LESSON 3

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- The current balance on each account
- Your payment history
- The credit limits and total loan amounts
- Any bankruptcies or tax liens
- Your identifying information (name, address, Social Security number)

A credit bureau or credit-reporting company like Equifax, Experian, or TransUnion will provide your information to whatever company may be considering giving you a loan or credit account. These bureaus all operate independently, so their reports on you may contain slightly different information depending on the lenders they used.

WHO LOOKS AT YOUR CREDIT REPORT?

Not just anyone can access your credit report. According to the Fair Credit Reporting Act, companies must get your approval to look at your credit report. But here are several groups who typically might want to investigate your credit score:

- **Future lenders** will check your report if you apply for any line of credit through them.
- **Potential landlords** will look at your credit report before renting to you to make sure you haven't been late on previous rent payments.
- **Your insurance company** can pull your credit report if you apply for a new policy or if premiums change.
- **Debt collectors** can use your credit report to find out who you owe money to if you end up falling behind on your payments.
- **Your utility company** may pull your credit report before you can set up

TEACHER MATERIAL

Examining Your Credit Report

CHAPTER 4, LESSON 3

This is a partial excerpt from *How to Read Your Credit Report* (Ramsay Solutions, 2023).

services through them (though in many states, it's illegal for them to deny you service because of bad credit).

- **Certain government agencies** may pull your report only if they have a good reason to do so. The most common reason is when someone applies for government assistance. The government wants to be aware of any other forms of income the person might have coming in.

THE THREE C'S OF CREDIT

When lenders are deciding whether or not to give loans to people, they consider the three C's of credit: character, capacity, and collateral. These factors help form a snapshot of a potential borrower and the level of risk associated with loaning them money.

Character

This shows a lender how responsible someone is in repaying debts. If the borrower's credit history shows late payments, the lender might not be willing to trust them with a new loan. Someone who carries debt and is late on their payments will have a lower credit score. Borrowers can improve their character by checking their credit score for accuracy and not taking out debt, so they don't have to worry about late payments.

Capacity

This measures a borrower's ability to repay a loan by considering their debt-to-income (DTI) ratio. Lenders try to determine if someone has enough money to make

additional debt payments based on their income and other debt they might carry. Borrowers with higher capacity will have a higher credit score. Capacity usually increases with income, but a lender also wants a borrower to have a steady income. Again, a borrower's debt-to-income ratio will be low if they never take out any form of debt in the first place.

Collateral

A lender wants to make sure it won't lose money if a borrower can't pay back a loan. Collateral is an asset (like a home or a car) that can be used to pay back a loan if a borrower defaults. When a credit report lists a secured loan, like a mortgage, it's less of a risk for lenders because the house is an asset that can be used for collateral. The more secured loans someone has, the higher their credit score. If a borrower doesn't have collateral to secure a loan, the lender might choose not to give them a loan. A borrower can improve their collateral by having valuable assets.

HOW TO GET A CREDIT REPORT

You're allowed one free copy of your credit report every year from each of the major credit-reporting agencies we just talked about. But the reports aren't automatically mailed to you—you have to ask for them! And since each agency keeps different details on file, it's worth checking with all three. If you play your cards right, you can even stagger them so you're getting a free report nearly every quarter.

Update to Content Accepted by SRP

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11. How can character impact your credit rating and your ability to obtain credit?

Answers may vary but should include ideas about how someone's track record of making payments on time may be used by a lender in determining if that person should get a loan. Poor character can negatively impact a credit score.

12. How can capacity impact your credit rating and your ability to get obtain credit?

Answers may vary but should include ideas about how a borrower's debt-to-income ratio is considered in a loan decision. If the debt is bigger than the available income, credit is often refused. The more capacity a borrower has, the higher the credit score.

13. How can collateral impact your credit rating and your ability to obtain credit?

Answers may vary but should include ideas about the types of assets a borrower can use as collateral. Lenders will use these assets to lower risk in lending. The more loans that are secured by collateral, the higher the credit score.

14. Who are some people who might need to look at your credit report?

Potential lenders when deciding on if they should lend to you, future landlords ensuring that you have a history of making payments, or insurance companies when determining your premiums. Debt collectors, utility companies, and certain government agencies could also have specific reasons to look at your report.

Signature: By entering your name below, you are signing this document electronically. You agree that your electronic signature is the equivalent of your manual signature.

X Jessica Britton

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