

Borrowing Smart

Lesson: Borrowing Money

Loans are often used to purchase big-ticket items, like cars, homes or a higher education. A loan agreement is a promise to pay back the amount borrowed with interest. Depending on the type of loan, repayment options vary. Some loans have fixed monthly payments, while others, like credit cards, have minimum monthly payments. When a loan becomes past due, lenders and collection agencies must follow the Fair Debt Collection Practices Act when attempting to collect the loan.

Objective

Understand legal debt collection practices.

Activity

1. Ask students what steps they would take if they allowed someone to borrow money and that person did not pay them back.
2. Discuss the guidelines of the Fair Debt Collection Practices Act listed below. Ask students why they think each guideline is important to protect the rights of borrowers.
 - Prohibits collection agency from discussing your debt with your family, friends or employers
 - Limits time of day that you can be contacted
 - Prohibits the use of slurs, threats or insults
 - Provides remedies to stop agency from contacting you
 - Requires collectors to verify the debt and to end collection if verification is not forthcoming

