

Fringe Banking and Predatory Lenders

SUBJECT(S): Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

☰ OVERVIEW:

In this lesson, students will learn about unscrupulous companies operating in the world of fringe banking and predatory lending. These companies take advantage of those who have little or no credit, who are unbanked or underbanked, or who are desperate. Learn to recognize these companies so that you don't become a victim!

☰ NBEA STANDARD(S):

- Personal Finance, I. Personal Decision Making
- Personal Finance, VII. Using Credit

☰ RELATED ARTICLES:

- “When Was the Last Time You Visited a Bank Branch?”
- “Student Essay: My Summer Working for a Payday Lender”
- “Payday Loans and the Perils of Borrowing Fast Cash”
- “Opening a Bank Account: Be the Boss of Your Own Money”
- “Money Makes the World Go ‘Round: Are You Ready?”
- “FinTech Puts Money Management at Your Fingertips”
- “Educator Toolkit: Financial Technology”
- “Educator Toolkit: Cold, Hard Cash”
- “College Decisions Sometimes Require Sacrifice”
- “A Trip to the Bank, Lollipops and World Savings Day”
- “A Bank Account Is Your First Step to Financial Freedom”

TOPIC/COMPETENCY: Credit and Debt

CEE National Standard:

IV Using Credit

Jump\$tart National Standard: Credit and Debt

Standard 1, *Identify the costs and benefits of various types of credit*

Standard 3, *Describe ways to avoid or correct credit problems*

Common Core State Standard:

[CCSS.ELA-Literacy.RST.9-10.4](#)

[CCSS.ELA-Literacy.RST.11-12.2](#)

LESSON TITLE: Fringe Banking & Predatory Lenders

ESTIMATED TIME: 50 minutes

MATERIALS NEEDED: Internet access, computer, mobile device, [PowerPoint](#)

KEY VOCABULARY/TERMS: [predatory lender](#), [fringe banking](#), [usury](#), [payday loan](#), [subprime loan](#), [subprime market](#), [subprime lender](#), [subprime borrower](#), [check cashing](#), [pawn shop](#), [underbanked](#), [unbanked](#), [title loan](#)

WHY THIS MATTERS TO YOU NOW: There are many unscrupulous companies operating in the world of fringe banking and predatory lending. These companies take advantage of those who have little or no credit, who are unbanked or underbanked, or who are desperate. Learn to recognize these companies so that you don't become a victim!

- _____ 1. Introduce students to the various types of fringe banking and predatory lenders using the supplied PowerPoint.

- _____ 2. Facilitate a classroom discussion with students to review the various types of fringe banking. Questions to move the conversation may include:
 - Why do you think people access these types of services?

- What could cause someone to choose these services over others?
- Which do you think is the worst? Why?
- Which do you think would be the best? Why?

_____ 3. Give students time to read the article [How to Avoid the Predatory Loan Trap](#) and discuss with a partner in a think-pair-share session. Have each group report back to the class regarding the best ways to avoid predatory loans and how they will do so in the future.

ASSESSMENT

Have students create an infographic to help other teenagers learn about fringe banking and why to avoid it. To create the infographic, students should create a free account on [piktochart.com](#). This online tool allows students to use preset infographics or create others from scratch.

RELATED RESOURCES

WGYP Lesson Plan: [The Subprime Crisis](#) (includes links to articles)

WGYP Lesson Plan: [Understanding Mortgages](#)