

Just Mercy		Date:
Lesson Objective(s): Money Myths vs. Money Truths	Students will: Identify and understand money myths, and how those myths shaped their understanding of money.	
Topic:	Bryan Stevenson frequently talks about how people have been sent to prison based on people's false knowledge of a victim/inmate or situation. Similar misunderstanding can prove costly when it comes to money. It is important to take the time differentiate between money myths and money truths.	
Relevance: (Why is this lesson important in the real world?)	By learning what money myths are students will be able to identify what is true about money and credit and what is false.	
Formative assessment for success: (Why is lesson important in the real world?)	Students will be required to complete an informative Venn Diagram comparing and contrasting banks, credit unions, and payday lenders.	
Procedures: (What learning experience will students engage in? How will you use these learning experiences or these learning products as formative assessment opportunities?)	<ol style="list-style-type: none"> 1. Teacher/Professor will introduce topic with students via discussion after students have read Just Mercy and discuss how learning about the financial industry can create a more "just" system. 2. Discussion lead by teacher, utilizing handouts, highlighting the key characteristics of common financial institutions such as banks, credit unions, and alternative institutions such as payday lenders. 3. Students placed into pairs. Each pair will receive a piece of butcher paper. 4. Pairs will create a Venn Diagram illustrating the differences and similarities between banks and credit unions. They will then add differences/similarities for payday lenders. 5. Pairs will share out their Venn Diagram with the class. 	
Resources/Material/Time Required: (What texts, digital resources, and materials will be used in this lesson?)	<ul style="list-style-type: none"> • Just Mercy • White Board • Dry erase markers • Paper • Pen or pencil • Butcher Paper for Venn Diagram (or Venn Diagram handout) 	

Financial institutions provide many services to help you manage your money and finances. There are many types of financial institutions to service your money needs. Banks and credit unions offer many services to save, invest, pay bills, and obtain loans for homes and cars. While banks and credit unions offer many of the best products and services to manage your money, there are significant differences between the two.

Banks are publicly or privately owned corporations and chartered by the state and federal government. Banks provide a place to make deposits, obtain loans, and are commercial in nature, meeting the financial needs of their customers including individuals and businesses. Banks operate as for-profit entities with profits paid to executives, employees, and the stockholders of the bank.

Credit unions, on the other hand, offer financial services to members who share a common bond, such as a profession (teachers) or living in the same community (central New Mexico). Credit unions offer a wide range of services similar to banks. Usually their products and services are offered at a lower cost than banks. They are not-for-profit with all profits kept in the organization, benefiting members with higher dividends, lower interest rates, and low cost products and services.

The following table provides a comparison of banks and credit unions:

	Banks	Credit Unions
Structure	For-profit corporations owned by stockholders	Not-for-profit cooperative made up of member owners
Insurance	Deposits insured by FDIC up to \$250,000	Deposits insured by NCUA up to \$250,000
Governance	Paid board of directors elected by stockholders and may or may not be customers	Volunteer board of directors made up of members and elected by members
Profits	Stockholders receive dividends (portion of the profits)	Profits are returned to members in the form of higher dividends, lower interest rates, and low cost products and services
Products and Services	Offer a full range of financial products and services	Offer a full range of products and services

Regardless of whether you choose a bank or credit union to meet your financial needs, there are many benefits to utilizing a financial institution.

- Safety – Banks and credit unions provide safety for your money by insuring funds to a certain amount.
- Convenience – Banks and credit unions have many branches and with today’s technology, you may withdraw funds, pay bills, make deposits, and transfer money without ever stepping onto a building.
- Saving Money – Banks and credit unions offer cost saving alternatives to expensive check cashing and payday loan institutions.
- Financial future - Banks and credit unions can help you plan what to do with your money.
- Professional financial advisors are a valuable resource to help you plan your financial future.

Source:

Nusenda Credit Union Financial Capability Curriculum www.learnmoneysense.com

The payday lending industry operates in about 22,000 locations and makes loans at an estimated amount of \$27 billion each year. Interest rates range from 200% - 500% and generate about \$3.5 billion in fees each year. Payday lenders offer convenience with friendly staff who often speak the language of the customers. Although there are online payday lenders, most people go to stores in their neighborhood. These lenders don't request much information; the application usually just consists of employment and contact information. They might request contact information for family and friends too, in case a borrower doesn't pay. Payday lenders rarely check credit which is a major reason people rely on them. Payday loan businesses also stay open in the evenings and on weekends which makes it easier for customers to visit a payday lender rather than more reputable banks or credit unions. So how exactly do payday loans work?

Let's say a person needs money for an unexpected expense. So they walk into a payday loan business and postdate a check for up to 14 days ahead of their next paycheck. The check amount is for the amount of money borrowed plus the fees charged by the lender. The customer receives the amount of the loan in cash or check. The payday loan business agrees not to deposit the check until the agreed-upon date.

For example: You decide to take out a two-week payday loan for \$200. You write a postdated check for \$220 to cover the loan amount and associated fees. The payday loan business gives you \$200 in cash knowing that in two weeks they can cash your check for \$220. If we break down the \$20 fee per day, it comes to \$1.43 per day ($\$20/14 \text{ days} = \1.43).

Although this doesn't seem like much, what happens if you can't afford to pay off the loan in two weeks? In this case the payday lender will simply flip the loan (extend the loan for an additional 2 weeks). So, after two more weeks in fees, you owe a total of \$240 ($\$1.43 \times 28 \text{ days} + \$200 \text{ principal} = \240).

As each pay period comes and goes, you have trouble paying off the loan. Eventually, an entire year goes by, and you still have not paid off the loan balance, but the daily fee is still accumulating. After one year you will owe a total of \$521.95 ($\$1.43 \times 365 \text{ days} + \$200 \text{ principal} = \521.95). Wow! That breaks down to an Annual Percentage Rate (APR) of approximately 261%. As you can see in this example, the payday lender profited more than twice the amount you owed them originally.

Most states regulate how much a payday lender can hold you accountable for over a long period of time, but it can be extremely expensive for borrowers if they continue to flip their loans for several pay periods. In general, it is a good idea to stay away from payday lenders. If you are in desperate need of a loan, visit your financial institution. In response to consumer's financial needs, many credit unions have created short-term loans with low interest fees to help people avoid using payday lenders. Another strategy is to set up an emergency fund where a percentage of your income is deposited in the account every payday. You will be amazed at how quickly that emergency fund grows, and relieved to have money in the event of an emergency, so you do not have to get a loan. There are also resources available when dealing with payday lenders including the 1) Equal Credit Opportunity Act, 2) Fair Credit Reporting Act, 3) Fair Credit Billing Act and 4) Truth in Lending Act.

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