Build Brick by Brick

What actually makes up a credit score, and what happens when credit goes wrong.

Name: _____ Date: _____

OBJECTIVE

Explain how credit scores and reports work, evaluate a sample loan application, and describe the causes and consequences of bankruptcy.

1. What builds a credit score

Match each factor to its approximate weight in a typical credit score.

Factor	Approx. weight
Payment history	35%
Amounts owed	30%
Length of credit history	15%
Credit mix	10%
New credit applications	10%

2. Revolving or installment?

- ☐ Credit card — _____
- ☐ Car loan — _____
- ☐ Store charge card — _____
- ☐ Mortgage — _____
- ☐ Student loan — _____

3. Evaluate a loan applicant

Two applicants want a $10,000 auto loan. Based only on this snapshot, who looks like the stronger candidate for a favorable rate, and why?

	Applicant A	Applicant B
Payment history	2 late payments (18 mo. ago)	No late payments (5 yrs)
Debt-to-income ratio	48%	22%

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	Applicant A	Applicant B
Credit history length	1 year	6 years
Recent credit applications	3 in the last 6 months	None in 2 years

Stronger candidate: _____ Why: _____

DISCUSS

Case-study swap: trade papers with a classmate who picked the other applicant. Argue for 90 seconds why YOUR original applicant deserves the loan, then switch sides and argue for the one you didn't pick.

STANDARD NOTE

SSEPF6e: bankruptcy can wipe out qualifying debts, but it typically stays on a credit report for 7 to 10 years and can make future borrowing far more expensive.

4. Name two habits that build strong credit over time, and one habit that damages it quickly.