FREEDOM

FINANCIAL EDUCATION SERIES

SESSION 3

DEBT, CREDIT &
THE COST OF BORROWING

STUDENT WORKBOOK

VERSION 1.0 • PRIVATE WORKING COPY

Participant name (optional): ______________________________

Session date: ______________________

WELCOME

Your Session 3 Roadmap

Move from reacting to debt toward using a written plan, protecting credit, and borrowing with informed restraint.

TODAY'S PROMISE
You will leave with a clearer debt picture, a debt-stacking order, a first target, one credit-protection action, and one step to complete within 24 hours.

By the end of this session, I can...

☐ Explain principal, APR, payment, term, and total borrowing cost.

☐ Create or begin a private inventory of my debts.

☐ Compare two debt-stacking orders and select one that fits my situation.

☐ Connect my Session 2 spending-plan margin to a sustainable extra payment.

☐ Explain the difference between a credit report and a credit score.

☐ Use five questions before taking on new debt.

☐ Name one action I will complete within 24 hours.

How to use this workbook

- This is your private working copy. Sharing is always optional.
- Use debt nicknames or types—not full account numbers.
- Do not write passwords, Social Security numbers, or unnecessary identifying information.
- A question mark is better than a guess. Missing information becomes homework.
- The lesson is general education. Complex legal, tax, student-loan, settlement, housing, or bankruptcy situations may require qualified help.

START WITH PURPOSE

My Freedom Goal

Debt reduction is more sustainable when it is connected to something meaningful.

If one debt disappeared, I could...

____

____

____

____

REMEMBER
A balance is a number. A plan is a decision. Neither defines your worth.

Which pattern matters most right now?

☐ Balances rise even while I continue making payments.

☐ Required minimums are crowding out saving or other goals.

☐ New borrowing is covering ordinary or old expenses.

☐ One unexpected expense creates more debt.

☐ I am not sure yet—I need the Debt Snapshot to see the pattern.

The goal this pattern is delaying: _________________________________

____

GUIDED NOTES

Borrowing-Cost Essentials

A payment is easier to evaluate when its moving parts are visible.

Term	Plain-language meaning	My note or example
Principal	The amount financed or the remaining amount owed.	
Interest	The cost charged for using borrowed money.	
APR	An annualized measure of borrowing cost shown in account disclosures.	
Payment	The amount required or intentionally paid during a period.	
Term	The length of the repayment period.	
Fixed rate	A rate designed to remain unchanged under the agreement.	
Variable rate	A rate that may change under the agreement.	
Minimum payment	The account requirement—not necessarily my freedom goal.	

CORE IDEA

Principal, APR, payment, term—and sometimes fees—work together to shape total borrowing cost.

BORROWING-COST COMPARISON

A Smaller Payment Can Cost More

Compare the total cost—not only the monthly payment.

Illustrative loan	36-month term	60-month term
Amount borrowed	$10,000	$10,000
Fixed APR	12%	12%
Approximate payment	$332 per month	$222 per month
Approximate total interest	$1,957	$3,347
Approximate total paid	$11,957	$13,347

Illustration assumes monthly amortization, no fees, and payments made as scheduled. Values are rounded. Actual terms and results vary.

What changed?

Approximate monthly-payment difference: ________________________________

Approximate interest-cost difference: _________________________________

Which option would be easier to advertise using only the payment?

____

____

What other fact would I want before signing? ________________________________

____

MINIMUM ≠ PLAN

A required minimum helps keep an account current when paid as agreed. A debt-stacking payment adds a planned amount to one target while required payments continue elsewhere.

PRIVATE EXERCISE

My Debt Snapshot

List what you know. Mark missing facts with a ?. Use a nickname or debt type—never a full account number.

PRIVACY
Do not write full account numbers, passwords, Social Security numbers, or other sensitive identifiers. This page is not collected.

Debt nickname / type	Current balance	APR / rate	Required minimum	Due date	Status*	Secured?	Fact to verify / notes

*Status examples: current, past due, hardship plan, collection, legal notice, or unsure. Complex or urgent situations may require qualified guidance before choosing a standard payoff order.

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Snapshot totals and follow-up

Known total balance: $_______________ **Known required monthly payments:** $_______________

Next missing fact to find: ______________________________ **By:** ___________

I will get it from: ____

GUIDED NOTES

Debt Stacking: One Target at a Time

FFES uses Debt Stacking as the overall process.

Step	Action	Meaning
1	Keep required payments current	Continue at least the required amount on non-target debts.
2	Choose one target	Use a clear order that considers math, behavior, and risk.
3	Add the planned extra payment	Use a sustainable amount from the spending plan.
4	Roll the completed payment forward	When the target is paid, move its entire payment to the next target.
5	Repeat	Continue until the planned debts are eliminated or the plan requires review.

Two ways to set the order

Order	Possible advantage	Tradeoff
Smallest balance first Often called “snowball”	Earlier visible wins and faster account closures may strengthen motivation.	May cost more interest than targeting the highest rate first.
Highest interest first Often called “avalanche”	Targets expensive debt first and typically reduces interest cost when other assumptions are equal.	The first visible payoff may take longer.

FFES LANGUAGE

Debt Stacking is our controlling term. “Snowball” and “avalanche” are included only as familiar descriptions of two possible target orders.

PRIVATE EXERCISE

My Strategy Selector

Choose an order with math, behavior, and risk in mind.

1. Math

☐ I want to target the highest interest rate first to emphasize expected interest-cost efficiency.

☐ I need more information before I can compare rates and costs.

What the numbers are telling me: ____

____

2. Behavior

☐ Earlier visible wins would help me stay engaged.

☐ Watching expected interest cost fall would help me stay engaged.

☐ Another accountability or motivation method would help me more.

What will help me sustain the plan: ______________________________________

____

3. Risk

☐ An account is past due or under a hardship agreement.

☐ A debt is secured by something essential.

☐ I have received a collection or legal notice.

☐ A loan may have special protections or program rules.

☐ None known—or I need to verify.

PAUSE WHEN COMPLEX
Account status, collateral, legal urgency, and special program rules may require qualified guidance before applying a simple balance-or-rate order.

MAKE THE CHOICE

My First Three Targets

Use a nickname or debt type. Write "verify" when information is missing.

TARGET 1

Debt nickname/type: ______________________________

Balance: $__________ APR/rate: ______ Minimum: $__________

Why it belongs here: ______________________________________

TARGET 2

Debt nickname/type: ______________________________

Balance: $__________ APR/rate: ______ Minimum: $__________

Why it belongs here: ______________________________________

TARGET 3

Debt nickname/type: ______________________________

Balance: $__________ APR/rate: ______ Minimum: $__________

Why it belongs here: ______________________________________

I chose this order because: __________________________________

____

____

A likely obstacle is: _____________________________________

____

My response will be: ______________________________________

____

PRIVATE EXERCISE

My Debt Payoff Planner

Use a sustainable amount. Protect the starter reserve and planned irregular expenses.

Session 2 monthly margin: $___________ Planned debt-stacking amount: $___________ Plan review date: ___________

Order	Target nickname/type	Starting balance	Required minimum	Planned extra / rollover	Total target payment	Payment date	Paid / review date
1							
2							
3							
4							
5							
6							
7							

How the payment rolls forward

Illustrative stage	Calculation	Target payment
Target 1	$40 minimum + $100 planned extra	$140
Target 2 after Target 1 is paid	$65 minimum + $140 rollover	$205
Target 3 after Target 2 is paid	$125 minimum + $205 rollover	$330

Illustration assumes other required payments and the planned extra amount remain available. It is not a payoff forecast. Actual rates, balances, fees, new charges, and cash-flow changes affect results.

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PROTECT PROGRESS

Stop the Refill

Debt stacking works best when new balances do not replace the debt being eliminated.

Choose one barrier to install

☐ Remove a stored card from a shopping or delivery account.

☐ Pause new charges on the target account.

☐ Use a 24-hour rule before nonessential purchases.

☐ Redirect money from a canceled expense to the target.

☐ Move an irregular expense into the spending plan.

☐ Contact the creditor or servicer early if a payment problem is coming.

☐ My barrier: ____

I will install this barrier by: _________________________________

Foundation check

☐ My approved starter reserve remains protected.

☐ Predictable irregular expenses are represented in my spending plan.

☐ Required payments continue on non-target accounts.

☐ My planned extra payment is sustainable—not merely impressive.

☐ I know when I will review and adjust the plan.

EARLY HELP MATTERS

If a required payment may be missed, contact the creditor or servicer early and ask about available information. Do not stop required payments or enter a settlement program without understanding the risks and obtaining appropriate guidance.

GUIDED NOTES

Credit Report ≠ Credit Score

Focus on accurate information and responsible habits—not a promised number.

Credit report	Credit score
Contains reported account history and related consumer information.	A number calculated from information in a credit report.
Information may come from different reporting companies.	The model, report source, product, and date can produce different scores.
Should be reviewed for information you believe may be inaccurate or unfamiliar.	Is not a measure of personal worth and is not universally identical across lenders.

Common influences may include

- ☐ Bill-paying history
- ☐ Current unpaid debt and balances
- ☐ Credit use compared with available limits
- ☐ Age, number, and types of accounts
- ☐ New applications for credit
- ☐ Collections or other serious negative events

IMPORTANT
Scoring models weigh information differently. FFES does not use a universal percentage formula or promise a score increase.

Responsible habits over time

- Pay obligations as agreed and on time.
- Keep balances manageable.
- Review reports for accuracy.
- Apply for new credit intentionally.
- Protect personal information.
- Remember: you do not need to carry an interest-bearing balance just to build a good score.

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PRIVATE EXERCISE

My Credit Checkup

Mark Know, Need to Verify, or Action.

Checkup item	Know	Need to verify	Action / date
I know how to access my credit reports through the official site.	☐	☐	
I know which accounts and personal information should appear.	☐	☐	
I know how to begin an official dispute for information I believe is inaccurate.	☐	☐	
I have a dependable system for on-time payments.	☐	☐	
I monitor balances and available limits.	☐	☐	
I know where to find official credit-freeze instructions.	☐	☐	
I understand when a fraud alert may be useful.	☐	☐	
I protect passwords and personal information.	☐	☐	

Official starting points

- Credit reports: AnnualCreditReport.com
- Credit education: ConsumerFinance.gov/consumer-tools/credit-reports-and-scores/
- Freezes and fraud alerts: Consumer.FTC.gov/articles/credit-freezes-and-fraud-alerts

SECURITY REMINDER
Type official addresses carefully. Do not share login credentials or credit reports in class. A credit freeze and a fraud alert can help, but neither prevents every form of identity theft.

PAUSE BEFORE SIGNING

The Borrowing Decision Filter

Use the questions to expose tradeoffs before committing.

1	**Is this a need, a goal—or urgency talking?**

My note: ____

2	**What is the total cost, not just the payment?**

My note: ____

3	**Can the payment survive an income drop or unexpected expense?**

My note: ____

4	**What lower-cost alternatives exist?**

My note: ____

5	**Which goal will this payment delay?**

My note: ____

WHEN POSSIBLE

Add a 24-hour pause before committing. The filter does not decide for you; it makes the cost, risk, alternatives, and delayed goal visible.

PRACTICE

The Affordable-Payment Offer

A purchase fits the monthly budget—but only with a much longer term.

What information is missing?

- ☐ APR or interest rate
- ☐ Length of the term
- ☐ Total of payments
- ☐ Fees and add-ons
- ☐ Fixed or variable rate
- ☐ Early-payoff terms
- ☐ Effect of an income drop
- ☐ Goal delayed by the payment
- ☐ Lower-cost alternatives

Apply the five questions

1. Need, goal, or urgency? ____

2. Total cost—not just payment? ____________________________________

3. Payment resilience? ____

4. Alternatives? ____

5. Goal delayed? ____

The one fact I must obtain before deciding: ______________________________

____

CORE IDEA

Affordable today does not always mean affordable overall.

COMMITMENT

My 24-Hour Freedom Action

Choose one action within your control and small enough to finish.

In the next 24 hours, I will…

____

____

____

I will complete it by: ______________________ **How I will confirm completion:** ______________________

Possible actions

- ☐ Find one missing APR or balance.
- ☐ Confirm the first debt-stacking target.
- ☐ Schedule the planned extra payment.
- ☐ Remove a stored card.
- ☐ Review the official credit-report access steps.
- ☐ Place a 24-hour pause on a planned purchase.

My support or accountability person (optional): ____________________________________

HOMEWORK

My Debt Freedom Start

Estimated completion time: 20–30 minutes.

Homework action	Due date	Done
Complete missing Debt Snapshot facts using current statements or secure account access.		☐
Finalize the selected debt-stacking order and first target.		☐
Schedule or make the planned payment when appropriate.		☐
Review or request credit reports through the approved official source.		☐
Install one barrier against new debt.		☐
Bring one question or insight to Session 4—without bringing passwords, full account numbers, Social Security numbers, or unnecessary sensitive documents.		☐

If I have no consumer debt

☐ Verify my credit information.

☐ Apply the Borrowing Decision Filter to a likely future decision.

☐ Strengthen the approved starter reserve.

☐ Redirect the former payment toward my next approved FFES goal.

One question or insight for Session 4: ____

____

____

SESSION REVIEW

What I Am Taking With Me

Clarity creates the starting line. Consistency creates progress.

Complete the statements

The most important thing I learned is: ______________________________________

____

____

My first debt-stacking target is: ____

The reason I selected my stacking order is: ______________________________________

____

The credit habit I will strengthen is: ______________________________________

____

The borrowing-filter question I most need is: ______________________________________

____

The support or information I still need is: ______________________________________

____

____

FROM PAYMENTS TO PROGRESS

Clarity → Order → Consistency → Freedom

One target. One payment. One step at a time.

NEXT SESSION

Protecting the progress you are building

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