

**Date:**  
**Teacher Name:**  
**Grade Level:** 6-12  
**Lesson Title:** How to Cook Financial Meth  
**Content Areas:** Math, Social Studies, History, Economics, Current Events  
**Abstract:** Students review what a mortgage loan is, how it works, and the social impact of the recent housing bubble. The lesson begins with a description of a mortgage loan, associated terms, and a brief history of the role of banks in home ownership.

In the second part, the mechanics of a bubble are examined, and a derivative is defined. A brief interlude follows, with exercises designed to reveal the financial scope of a home loan. Students are asked to calculate the total payments, principal and interest paid over a six year period, the effect of appreciation, and the fair market value of an average home.

In the final part, students are asked to consider the impacts of a failed mortgage on the lives of a family, the impact of a housing bubble on a homeowner who is forced to sell, and to consider the moral and ethical issues that drive regulation efforts.

**Timeline:** The lesson is presented in four one hour sessions (one section of content per day), with a fifth session devoted to discussion.

**Goals:** Students should learn the basic terms used to describe a mortgage loan, the mechanics of how a loan works, and the conceptual basis for recognizing a financial bubble. Students should understand how a bank makes money from a loan, how much they can make, and how a homeowner accrues equity over time.

The higher level goal is make students more informed consumers of financial services and to encourage participation in the democratic process. Students are encouraged to contact elected representatives to ask them to protect their economic interests.

**Standards:** This lesson supports efforts to meet the following Social Sciences learning standards:

Understand economic systems, with an emphasis on the United States. Recognize and investigate problems; formulate and propose solutions supported by reason and evidence. Express and interpret information and ideas. Recognize and apply connections of important information and ideas within and among learning areas.

**Guiding Questions:** How many of you live in your “own” house?  
Who can tell me what a “mortgage payment” is?  
Does anyone know what a “foreclosure” is?  
Has anyone had to move out of their house?  
Does anyone know someone who has had to move out of their house? Do you know why?  
How much money should a bank make from a mortgage?  
What should a bank do when someone loses their job?  
What should the government do to make mortgages fair?  
Has anybody seen “Flip This House”?  
How do you think “risk” should be managed?  
Can you identify a “financial bubble”?  
What can we do to keep bubbles from hurting people?

**Assessment:** Define key terms

Calculate payments, identify interest/principal percentages, payoff amounts, appreciation (3%), fair market value and the break even point.

Describe the social and personal impact of foreclosures.

Evaluate responses to the study questions, including information collected from other sources.

**Learning Connections:** Students will draw on basic math skills to calculate payments. Some basic knowledge of economics and banking practices is required to understand the context (i.e., people can borrow money that they must pay back over time). Some students may find it difficult to accept that people can “lose” the only home they have ever known. Content may be linked to history lessons (e.g., the Great Depression, suburban expansion in the 1950s and 60s), social studies (e.g., class conflict, social justice) and citizenship studies (i.e., participation in the legislative process).

**Learning Activities or Tasks:** In addition to reading the content and participating in classroom discussion, students will be assigned one or more of the study questions. By engaging the subject matter, students will be challenged to confront an issue that impacts families in their neighborhood, consider the impacts of free market economic policies, and challenge the status quo by engaging one or more elected officials. Students may use online resources to access the content and perform research required to respond to the study questions.

**Teaching Strategies:** The material lends itself to a discussion format. The teacher will serve as a guide to the content by asking students to describe the ideas in the essay and relate it to stories in the news and in their lives (most students will know at least one child who has been affected by the current mortgage crisis). The teacher will present reinforce key points and terms using presentation software or a whiteboard. The students will be expected to participate in discussion and produce one or more written responses to the study questions.

**Management:** Students will work on the material in the classroom in discussion and in the library or computer lab while producing answers to the study questions. Special needs students may be paired with another student to collaborate on a response to study questions or receive additional guidance from the teaching and library staff. All students may draw on content found online or in other media to support their investigation of the topic and its impact on our culture.

If there are any students in the room who are in the process of losing a home, or who have recently experienced displacement, the teacher may contact a staff psychologist or counselor to provide additional support, if required.

**Lesson Evaluation:** In addition to performance on a test and the study questions, the teacher will reflect on the quality of the class discussion and the level of participation and student engagement. It is a difficult topic, one which may lead to a certain level of disillusionment. If the students actively engage in an attempt to influence congress by writing letters about the topic, it will be a success by any measure. If the students refuse to engage the topic and avoid participating, it may mean the topic is too difficult or emotionally loaded for them.