

Teacher Instructions - Who will you lend to?

Overview:

The purpose of this activity is for students to get a better understanding of the lending process and how everyone's situation is different.

Steps for the Activity:

1. Select 5 student volunteers from the class. They will each receive one "Borrower Information Card." Ask each student volunteer to read the information on the card.
2. The rest of the class becomes the loan committee for the bank.
3. The president of the bank (you) says that there is a total of \$100,000 for loans this month. There are five applicants requesting to borrow money. The loan committee decides (based on the evidence provided in the scenarios) who should receive the loan(s).
 - a. Before beginning the activity, briefly discuss the 4 C's of credit and remind students that these are important attributes lenders look for in their applicants.
 - b. Each individual will provide information as to why they need the loan. The committee should fill in their chart (found in the Student Instructions) with information on each applicant.
 - c. After listening to each applicant, the loan committee (as a group) discusses the various applications and ranks them in order from strongest to weakest (1 = strongest, 5 = weakest).
 - d. The loan committee then decides which individuals' loans should be granted. Remind students that the bank can only lend a total of \$100,000.
4. After completing the activity, discuss with students how important it is to maintain good credit. It is equally important to manage debt wisely.

Borrower Information Cards

Borrower Information: Donovan Jones, age 32

- You want to borrow \$100,000 to buy a house.
- The house is about 20 years old and needs some renovations.
- Your wife is a stay-at-home mom and cares for your 5-year-old daughter.
- You graduated from college and have a professional job that pays \$75,000 per year.
- You have saved \$20,000 to put as a down payment on the loan.
- You have a 401(k)-retirement account.
- You previously had a car loan and paid it off. Your car is worth \$15,000. Your credit score is 798.
- You and your wife owe \$60,000 on student loans, but you are current with your student loan payments.

Borrower Information: Chad Overton, age 24

- You want to borrow \$25,000 for a SUV. You have saved up \$850 for a down payment.
- You graduated from college and just accepted a new job as a sales representative. The new job pays \$30,000 per year.
- You have several speeding tickets on your driving record. The new company has already informed you that you will be driving long distances for work.
- You have around \$40,000 in student loan debt but have not had to start making payments yet.
- You do not own a house or have any assets of real value.
- You are single and your credit score is 603.

Borrower Information: Isa Perez, age 27

- You want to borrow \$80,000 over 10 years to start a new business.
- Last year you graduated from a local community college with an associate degree in Culinary & Hospitality.
- You worked part-time while attending college and have no student debt.
- Your uncle was a very successful restaurant owner and has agreed to personally finance the rest of the money needed to start the business. He is also helping advise you with the business each step of the way!
- You had a car loan and paid it off. Your car is valued at \$20,000.
- You are single, no children. Your credit score is 763.

Borrower Information: Marielle Martinez, age 46

- You want a \$75,000 15-year home equity loan to remodel your kitchen and bathroom. Your house also needs new windows.
- The current value of the house is \$250,000 and you owe \$220,000 on the mortgage.
- You are a restaurant manager and earn \$45,000 annually. You are married and have two young children. Your husband has a part-time job and earns roughly \$40,00, depending on the amount of weekly overtime.
- You and your husband owe \$30,000 on two auto loans and \$25,000 on a student loan. You lost your job in your early 20's and defaulted on a car loan.
- Your credit score is 729, your husband's is 735. You have \$20,000 in your savings account.

Borrower Information: Paul Pottawatome, age 19

- You want to borrow \$17,000 for a used Ford pick-up truck.
- You have had a steady part-time job since 16. Last year you earned \$18,000 from your job and picked up extra work during the summer months.
- You haven't had a loan before and don't have any student loan debt.
- You have just been accepted into the IBEW Local 146 electrical apprenticeship and begin work in three months.
- You are single and do not have any children. You currently live at home with your parents.
- Your credit score is 701.