

OVERVIEW

Would you want to loan money to someone who can't or won't pay you back? And you probably wouldn't want to loan money to someone who took forever to pay you back.

Lenders, too, don't want to loan money to people who aren't responsible about paying it back. If they don't know anything about someone who is asking to use credit, the lenders have methods to predict if the money will be repaid and paid on time.

This lesson will give you an inside peek at what lenders look for when someone applies for a loan or a credit card. This will help you take steps now to make a positive impression later on a potential lender.

LEARNING OUTCOMES

In this lesson you will learn about ways to establish a good credit rating. Along the way you will:

- Outline the credit application process.
- Describe what lenders consider when deciding whether to approve or deny a credit request.
- Explain how creditors investigate someone's borrowing habits.

Use what you learn today to impress lenders with good borrowing habits.

LEARNING TASKS

These tasks match pages 23-31 in Student Guide 2.

__ 1.	Participate in the Can I Borrow...? task .
__ 2.	Find out what information you will need when applying for a credit card or applying for a loan. Practice filling out a credit application.
__ 3.	Take a look at sample credit applications. Who would you give the loan to? Establish your criteria to approve (or deny) a request. Then decide whether to approve or deny each request. Evaluate how you look to a lender by completing Activity 2.8: Put Your Best Foot Forward .
__ 4.	Did you know that even as an adult, you will have a report card? Find out how credit reports are used to evaluate someone's borrowing habits. What can you do now as a teenager to start out with good marks as a young adult?
__ 5.	Complete Challenge 2-B: Building Creditworthiness to plan out strategies to make a good impression on a lender.



TAKING IT HOME

Find out what the late payment penalties are for three different borrowing options you and/or your family currently have or might consider. For each option, calculate the last day of the month that a payment can be received without being charged a late fee.



TAKING IT HOME

Encourage a family member to go to **www.annualcreditreport.com** to get a free copy of his or her credit report from one of the credit-reporting agencies.

Keep in mind that this information is private, so don't expect to read the report. Instead, use what you have learned to share reasons that a person should check the report at least once a year.

Task: Can I Borrow ... ?

Directions for the Instructor

Copy enough **Borrow** cards so each student has one situation card. Add or substitute cards with other situations that are relevant to your students.

Give each student a **Borrow** card. Direct students to mingle with classmates to find someone who would be willing to let the cardholder borrow the item listed on the card. Stress that the items will not actually be exchanged, but a deal should be negotiated as through the item might be exchanged. Give the students two to three minutes to negotiate with classmates.

Facilitate a wrap-up discuss by asking the students:

1. *What were you trying to borrow? Were you able to negotiate a deal to borrow the item? Why or why not?*
2. *What were the conditions (if any) for you to follow so you could borrow or use the item?*
3. *When you were asked to loan the item, what influenced your decision to let the person borrow the item?*

Borrow bike to make a quick trip off campus during lunch	Borrow a car to get to a job interview tomorrow after school	\$5 for lunch
\$30 to shop at the mall	Cellphone for a few minutes to call a parent (your phone is dead)	Cellphone during lunch to check on a friend who is home today due to illness
iPad	Shoes for gym class today because you forgot your shoes at home	\$20 to put gas in your car. (You get paid in 8 days.)
Class notebook so you can copy the notes from day you were absent from English class	A watch or bracelet that someone is now wearing	Sweatshirt or jacket to wear all day because you are cold.

Task: Credit Application



NAME:

DATE:

CREDIT APPLICATION		
Name		Social Security Number
		000-00-0000
Birth Date	Home Phone	Work Phone
Current Address		
Own or Rent?	Length of Time at Address	
Mortgage or Rent Paid To	Monthly Payment	
Employment Income	Start Date	Employer Phone Number
\$ per month		
Name and Address of Employer		
Other Income	Source of Other Income	
\$ per month		
Bank Name	Account Number	City and State
Bank Name	Account Number	City and State
Reference/Other Creditor	Account Number	City and State
Reference/Other Creditor	Account Number	City and State
Requested Loan Amount	Purpose of Loan	
\$		
Date	Signature	

Task: Applications for Review



APPLICATION		
Name		Social Security Number
Michael Carver		111-22-3333
Birth Date	Home Phone	Work Phone
1/1/88	702-###-####	
Current Address		
555 This Street, Boulder City, NV 89005		
Own or Rent?	Length of Time at Address	
Rent	Six years	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
Mr. Landlord	\$695	about \$7000
Employment Income	Start Date	Employer Phone Number
\$ 2000 per month	January 11, 2006	702-###-####
Name and Address of Employer		
Candy Shoppe Main Street, Boulder City, NV 89005		
Other Income	Source of Other Income	Total Asset Amount
\$ 0 per month		\$ 4,309 (savings & car)
Reference/Other Creditors	Account Number	City and State
Boulder City Community Bank	555-56-031	Boulder City, NV
Requested Loan Amount	Purpose of Loan	
\$5,000	Purchase car	
Date	Signature	
	<i>Michael Carver</i>	

Decision: Approve Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review



APPLICATION		
Name		Social Security Number
Jerome Charles		987-65-4321
Birth Date	Home Phone	Work Phone
7/15/96	222-###-####	
Current Address		
123 Apartment Place #1342, New York NY 10001		
Own or Rent?	Length of Time at Address	
Live with parents	3 years	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
		\$ 193
Employment Income	Start Date	Employer Phone Number
\$ 400 per month		222-###-####
Name and Address of Employer		
Self employed (make jewelry and keychains)		
Other Income	Source of Other Income	Total Asset Amount
\$ 120 per month	Dog walking	\$ 0
Reference/Other Creditors	Account Number	City and State
Local Credit Union	1000101	NYC NY
Requested Loan Amount	Purpose of Loan	
\$1,499	Laptop	
Date	Signature	
	<i>Jerome Charles</i>	

Decision: Approve Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review



APPLICATION		
Name		Social Security Number
Victoria Mejia		987-12-3456
Birth Date	Home Phone	Work Phone
10/12/92	972-###-####	214-###-####
Current Address		
12 Apartment Road #514A, Dallas TX 75000		
Own or Rent?	Length of Time at Address	
Rent	1 year, 6 months	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
Ms. Buck	\$390	\$ 2,615
Employment Income	Start Date	Employer Phone Number
\$ 39,520 per year	August 1, 2010	214-###-####
Name and Address of Employer		
Cable Company, 100 Main Street, Dallas TX 75000		
Other Income	Source of Other Income	Total Asset Amount
\$ 0 per month		\$ 3,381 (savings & car)
Reference/Other Creditors	Account Number	City and State
My Credit Union	2234567	Dallas TX
Requested Loan Amount	Purpose of Loan	
\$1,750	Professional toolkit	
Date	Signature	
	<i>Victoria Mejia</i>	

Decision: Approve Deny

REASONS:

1. _____
2. _____
3. _____

Task: Applications for Review



APPLICATION		
Name		Social Security Number
Carmen Vasquez		000-11-2222
Birth Date	Home Phone	Work Phone
11/24/96	720-###-####	
Current Address		
12 Money Street, Penny Town, CO 81111		
Own or Rent?	Length of Time at Address	
Live with parents	Entire Life	
Mortgage or Rent Paid To	Monthly Payment	Outstanding Debt Amount
		\$ 0
Employment Income	Start Date	Employer Phone Number
\$ 700 per month	January 15, 2011	303-###-####
Name and Address of Employer		
Susie's Gift Shop 123 Main Street, Penny Town, CO 81111		
Other Income	Source of Other Income	Total Asset Amount
\$ 75 - \$125 per month	Childcare as requested	\$1,745 (savings)
Reference/Other Creditors	Account Number	City and State
Colorado State Bank	123-45-678	Penny Town, CO 81111
Requested Loan Amount	Purpose of Loan	
\$5,000	Purchase car	
Date	Signature	
	<i>Carmen Vasquez</i>	

Decision: Approve Deny

REASONS:

1. _____
2. _____
3. _____

Activity 2.8: Put Your Best Foot Forward

NAME:

DATE:

How creditworthy do YOU look to a lender?

Directions:

- Identify specific evidence to show how you meet any or all of the 5 C's of credit.
- If you don't have evidence now for any of categories, list what you will do in the near future so you can make a positive impression on a lender in that category.

C's of Credit	My Evidence
Capital	
Capacity	
Character	
Collateral	
Conditions	