

Building a good borrowing reputation

Students analyze the profiles of three different people to decide what kind of borrowing reputation they have.

Learning goals

Big idea

People with a good reputation as a borrower are more likely to earn the trust of a lender.

Essential questions

- How might a person's habits and decisions affect their reputation as a borrower?
- How might someone regain a lender's trust when they have a bad borrowing reputation?

Objectives



- Recognize habits that lead to a good or bad reputation as a borrower
- Identify what makes a person a good borrower

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Executive function
-  Financial habits and norms

Grade level: Middle school (6-8)

Age range: 11-14

Topic: Borrow (Getting loans)

School subject: English or language arts, Fine arts and performing arts, Math

Teaching strategy: Simulation

Bloom's Taxonomy level: Understand, Evaluate

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Spending: 4-1, 4-2, 8-1, 12-1

Saving: 8-1

Managing credit: 4-3, 8-5, 8-7

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Analyze three profiles and decide whether the people have a positive or negative borrowing reputation.
- Answer questions about the qualities of a good borrower and their own borrowing reputation.

Preparing for this activity

- While it's not necessary, completing the "[Being a responsible borrower](#)" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- [Building a good borrowing reputation \(guide\)](#)
[cfpb_building_block_activities_building-good-borrowing-reputation_guide.pdf](#)

STUDENT MATERIALS

- [Building a good borrowing reputation \(worksheet\)](#)
[cfpb_building_block_activities_building-good-borrowing-reputation_worksheet.pdf](#)

Exploring key financial concepts

Sometimes when people want or need to buy something, but they don't have enough money for the purchase, they borrow money from someone else. Borrowed money is called a loan. Not everyone who applies for a loan is given one. A lender (a person or organization who lends money) often decides whether to give a loan based on a person's past behaviors, such as how well they've repaid other loans. Trust between a lender and a borrower is based on what borrowers have done that gives them a good reputation for being financially responsible. That's why people who borrow money in the form of a loan from a lender and don't pay it back may have a harder time getting a loan again. On the other hand, people who have a history of paying back their loans may find it easy to get a loan in the future.

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students to think of a time they have borrowed something or lent something to a friend.
- Introduce the idea of a “borrowing reputation.”
- Have them brainstorm behaviors and actions that can build a good or bad reputation as a borrower. Use the list below to get ideas if they’re stuck.
 - Positive behaviors
 - A track record of paying back what you owe on time
 - Paying off a previous loan
 - Earning money
 - Negative behaviors
 - A history of not paying back what you owe
 - Not making payments on past loans
 - Not trying to earn money
- Be sure students understand key vocabulary:
 - **Borrower:** A person or organization that borrows something, especially money from a bank or other financial institution.
 - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you’re using a credit card, but it might also mean that you got a loan.
 - **Creditworthy:** Financially sound enough to justify the extension of credit.
 - **Debt:** Money you owe another person or a business.
 - **Income:** Money earned or received such as wages or salaries, tips, commissions, contracted pay, government transfer payments, dividends on investments, tax refunds, gifts, and inheritances.
 - **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.
 - **Loan:** Money that needs to be repaid by the borrower, generally with interest.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

- Distribute the worksheet and review it with the students.
- Students will work independently or in small groups to complete the worksheet.

Wrap-up

Bring the class back together to share their thoughts and review the reflection questions.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of borrowing, including getting loans. Suggested activities include "[Borrowing money for a house](#)" and "[Asking for a loan](#)."

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

Keep in mind that students' answers may vary, as there may not be only one right answer. The important thing is for students to have reasonable justification for their answers.