

 **BUILDING BLOCKS STUDENT WORKSHEET**

You're the lender

You are to play the role of a lender (loan officer). Your job is to meet with borrowers and determine if they're creditworthy enough to offer a loan.

Instructions

1. Review the details of your lending institution.
2. Meet with several different borrowers. During each meeting, ask key questions to help you determine which borrowers would be a good credit risk for your lending institution.
3. For any potential offer you make, decide the length of the loan and the APR and record these details along with the borrower's name.
4. After meeting with several borrowers, determine the amount of money your lending institution will make from each loan offer you made.
5. Evaluate all of the loan offers you discussed with borrowers.
6. Write a reflection of your experience as a lender and the factors you considered when approving or denying each loan.

Determining creditworthiness in the loan interview

Ask these questions during your loan interview with a potential borrower:

1. What do you need this loan for?
2. How much money do you need to borrow?
3. How much do you make each month (what is your monthly net income)?
4. How much of a down payment do you plan to make?
5. How many months will it take for you to pay this back?
6. Tell me about your credit history and credit rating.

Your task is to avoid making an offer to any borrowers you feel are a risk to your financial institution. If you feel a borrower is creditworthy, you can make an offer.

For each loan you make, decide the APR and length of loan term you'll offer. Record details of your loan offer in the table below.

RECORD OF LOAN OFFERS EXTENDED

Loan #	Borrower #	Monthly net income	Amount of loan principal	Loan APR	Length of loan

Use this oversimplified interest formula to determine the interest your financial institution will earn:

$$\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$$

Loan #	Interest earned	Loan #	Interest earned

Reflection

Write a reflection paragraph below describing your experience as a lender. How did you determine which loan candidates were a good risk for your lending institution? What factors did you take into consideration when determining whether or not to offer a loan? How did this feel?