

 **BUILDING BLOCKS STUDENT WORKSHEET**

# Role-playing borrowing and lending - You're the borrower

When a person borrows money, they're charged interest on the amount of money they borrow.

The interest rate offered to a borrower typically reflects the degree to which the lender sees the borrower as a credit risk. Playing the role of borrower or lender can help you understand more about loan decisions.

## Instructions for the borrower

- 1 Review the borrower details.
- 2 Approach at least three lenders and ask about the possibility of obtaining a loan and the cost to you.
- 3 Answer the loan officer's questions about your credit history and the type of loan you need so they can decide on your credit risk.
- 4 Record whether a lender made you a loan offer. If an offer was made, note details about the offer.
- 5 After meeting with different loan officers, determine the total cost of repayment for each loan offer you received.
- 6 Evaluate all of your loan offers and choose one offer to accept.
- 7 Answer the reflection questions.

## NOTE

For this activity, the credit check won't count as a hard inquiry on your credit score.



**LOAN APPLICATIONS**

	Lender 1	Lender 2	Lender 3
Name of lender			
Did they offer you a loan? (yes/no)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

**For each loan offered, complete the following:**

	Lender 1	Lender 2	Lender 3
Amount of loan offered (principal)			
APR offered			
Length of loan			

**Evaluate your offers**

Use this simplified interest formula –  $\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$  – to determine the interest you will pay on each loan and the total amount you will repay. Then enter the amounts in the table below.

Lender name	Loan principal	Loan APR	Length of loan	Interest paid	Total to be repaid (Principal + Interest)

## Reflection questions

Write a reflection paragraph based on your experience in applying for a loan. How did your credit history affect the offer you received? Which loan offer would you accept? What factors did you consider when making that choice? How might this loan affect the amount of money you have left each month, after paying for essentials and paying any other bills and loans? If a lender wouldn't give you a loan, how did that feel?